

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SPRM

<b>TA No. and Name</b> TA 3108-KIR: Management & Financial Advisory Services for the Public Utilities Board			<b>Amount Approved:</b> \$1,200,000	
			<b>Revised Amount:</b> ---	
<b>Executing Agency:</b> Ministry of Finance & Economic Planning	<b>Source of Funding:</b> TASF		<b>TA Amount Undisbursed</b> \$111,939.90	<b>TA Amount Utilized</b> \$1,088,060.10
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b> 8 December 1998	<b>Signing</b> 14 January 1999	<b>Fielding of Consultants</b> 14 July 1999	<b>Original</b> 31 December 2000	<b>Actual</b> 31 December 2003
			<b>Closing Date</b>	
			<b>Original</b> 31 December 2000	<b>Actual</b> 29 June 2004

### **Description**

The Public Utilities Board (PUB) of the Republic of Kiribati is responsible for electricity, water, and sewerage services in the capital city of Tarawa. Overall, the Government lacks the managerial, technical and financial resources needed to adequately address Tarawa's existing sanitation and environment problems. The effectiveness of sector institutions is further limited by a lack of community participation to address these problems. In 1994, the Government of Kiribati requested assistance from ADB for a Project to improve sanitation, water supply and the environment in South Tarawa. In response to the Government's request, ADB approved a loan (Loan No. 1648-KIR) in December 1998 for the Sanitation, Public Health and Environment Improvement (SAPHE) Project to address priority investment requirements in water supply, sanitation, solid waste management and environment conservation. Sustainability of the infrastructure improvements provided under the SAPHE Project, however, depended on the development of improved planning, management and monitoring capacities of the sector institutions on the one hand, and improved management of water and sanitation services at the household level on the other.

Against this background, ADB agreed to provide grant funding for two technical assistance (TA) projects to support the SAPHE Project as follows: (i) Management and Financial Advisory Services for PUB, and (ii) Community Development and Participation Initiatives, which is the subject of a separate TCR.

### **Objectives and Scope**

The overall objective of the TA was to strengthen the institutional base needed for sustainable development of water and sanitation services as administered by PUB. Specifically, the TA was designed to (i) support the development and implementation of the program for restructuring PUB; (ii) provide advisory support to improve the management, finance, administration, operation and maintenance capacities of the restructured PUB; and (iii) assist PUB in the preparation and implementation of a human resource development program for their management and staff.

### **Evaluation of Inputs**

The TA was adequately formulated with well-defined terms of reference for consultants. A total of 42 person-months of consulting services in corporate management, financial management, and specialist inputs were required to assist in the institutional reform of PUB. The actual inputs (including various extensions) involved about 21 person-months for the Team Leader/ Management Advisor; about 18 person-months for a Financial Management Advisor; about 4 months for an Accounting, Billing & Collection Specialist; about 2 months for an MIS Specialist; about 2 person-months for a Software/Attache Specialist; and about 1 person-month for an HR Specialist. The TA started in July 1999 and was completed in early July 2001. An extension until late 2002 was approved during the later stages of the TA, and has involved a number of short-term inputs from various specialists, and procurement items. The performance of the consultants engaged under the TA was satisfactory. While the mix of expertise was appropriate, the counterpart staff were not trained enough and therefore the absorption capacity of PUB could not handle the inputs from the consultants. The TA fund was not fully utilized due to the fact that the actual cost of consultants inputs was less than what had been budgeted initially.

Counterpart staff participated in the reform and strengthening process and assisted the consultants in the execution of all necessary investigations and studies, including workshops and training programs, and the implementation of the community awareness and public relations program. The performance of the EA and ADB were rated satisfactory.

### **Evaluation of Outputs**

A logical framework matrix (logframe) was developed during the implementation phase, and has been reported against in each quarterly progress report. All the TA outputs were successfully delivered. The reports were submitted in a timely manner and their quality was satisfactory, not only to ADB but also to PUB.

In general terms, it has been seen from various reports that the TA has achieved its TOR. However, a more critical measure of the success of the TA is the extent to which the recommendations and findings are adopted by PUB. The TA's "Report on Proposed Structure for Public Utilities Board" was completed in December 2000, and adopted by PUB in early 2001. The report was the result of an extensive review of the existing PUB organization, and was completed following consultations with senior PUB management. The review revealed an organizational structure in need of improvement to enable PUB to meet its responsibilities following completion of the SAPHE Project. To assist the level of project implementation, and therefore sustainability, several extensions were approved to provide for additional short-term inputs from various specialists and procurement items, which led to the TA closing 3.5 years later. The recommendations of the report are currently being implemented.

A full range of financial manuals is now available to senior PUB personnel, and these manuals are being increasingly used to monitor financial performance parameters, including revenue, expenditure and cash flow. A Financial Accounting and Management Manual has been prepared providing training materials, with both theoretical and practical instructions for the staff in accounting, financial management and human resource areas of operation. The short-term training plan developed during the TA was successful, involving overseas field studies and short-course attendance for Senior Executives; visits by technical specialists for training in pump maintenance and plumbing; in-house financial training; training in ATTACHE software and the project management information system; training by a visiting expert in the use of MapInfo software for recording PUB water and wastewater assets; and computer training for PUB staff.

#### **Overall Assessment and Rating**

The TA has substantially achieved its TOR and is perceived to have met its primary goals of enhancing the capacity of PUB to deliver reliable, safe and efficient water, sewerage and power supplies to its customers. The major outputs, including some very useful conclusions and recommendations based on thorough research and analyses, are being implemented by PUB for its restructuring, financial accounting and management, and sustainability action plan. The outputs were also useful for the PUB asset management plan, staff development plan, community awareness and public relation program, and review of its legislative requirements. However, a more critical measure of the success of the TA is the extent to which the recommendations and findings of the project are adopted by PUB. Despite the above successes, the Corporate Strategic Plan has yet to be approved; the financial performance of PUB remains unsatisfactory; and the computerized accounting software, "ATTACHE," is not fully operational as yet. As a result, the objective and scope of the Project were not fully met, hence the TA is rated partly successful.

#### **Major Lessons Learned**

Although successful in delivering a number of valuable outputs, several key factors, which have the potential to affect the sustainability of future PUB operations, and the ability of PUB to successfully manage new water and sanitation infrastructure, remain to be addressed. The most critical being of these is the recovery of revenue from the provision of services to consumers. While PUB has appropriate policies and regulations in place, lack of enforcement has led to a situation where uncollected and late payment of charges are threatening the financial viability of the organization.

#### **Recommendations and Follow-Up Actions**

For PUB to achieve financial autonomy, and hence sustainability, strict enforcement of the existing policies and regulations for late and non-payment of fees and charges must be implemented urgently and consistently.

With regard to asset management, it would be more logical for the database to commence with implementation of the SAPHE Project. It would therefore be best included in the TOR for a future TA to provide operations and maintenance support to PUB. To enable the regular transfer of data between PUB's main office and its branch offices, further inputs and training will be required and therefore the proposed TA for operations and maintenance support to PUB should include an input from a software (ATTACHE) specialist with an accounting background. The TA final report recommendations should be rigorously pursued by PUB and, where appropriate, should be under a proposed ADB TA covering the operations and maintenance support to PUB.

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