

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

<b>TA No. and Name</b> TA 3593-KIR: Preparing the Outer Islands Development Program			<b>Amount Approved:</b> \$350,000	
			<b>Revised Amount:</b>	
<b>Executing Agency:</b> Ministry of Home Affairs and Rural Development		<b>Source of Funding:</b> JSF	<b>TA Amount Undisbursed</b> \$31,162.00	<b>TA Amount Utilized</b> \$318,838.00
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b>	<b>Signing</b>	<b>Fielding of Consultants</b>	<b>Original</b>	<b>Actual</b>
18 December 2000	9 January 2001	16 May 2001	31 March 2002	31 July 2002
			<b>Account Closing Date</b>	
			<b>Original</b>	<b>Actual</b>
			31 March 2002	30 April 2003

### **Description**

The ADB was approached by the Government of Kiribati to undertake a technical assistance (TA) project to promote employment-generating activities and improve health and education facilities outside Tarawa, the capital. In discussion with the Government during the Fact-finding Mission, it was agreed that assistance was required to formulate an Outer Islands Development Program (OIDP) and to determine whether an Outer Island Trust Fund (OITF) could be the most effective way of delivering additional sources of revenue for economic and social development of the outer island communities.

Outer island development is essential to place the country in a more sustainable growth path. The country's *Medium-Term Strategy* stresses the need to maintain vibrant rural communities and effective local governments and identifies the objective for the sector in an equitable balance of service delivery to outer islands.

ADB financed in Tuvalu the Island Development Program (IDP) loan in support of the process of decentralization to the local governments toward island development, by creating an improved enabling environment and by providing a significant level of development finance. The Kiribati authorities expressed interest in the IDP loan and in the utilization of a social trust fund for island development to finance the recurrent costs of the proposed policy reforms. In fact, the financial performance achieved by their Reserve Fund was considered a replicable example in Kiribati in regard to dealing with the needs of small outer island economies.

### **Objectives and Scope**

The objective of the TA was to assist the Government to formulate an OIDP suitable for external financing. The program was designed to reduce poverty through the improvement of social and economic infrastructures. The TA also tried to determine the possibility to create an OITF for island development and poverty reduction as a way to channel resources for the development of the disadvantaged outer islands. The OITF had to be designed as a low transaction cost, flexible, and demand-driven mechanism to channel resources to the islands for projects to be identified by the communities themselves, according to a set of eligibility criteria.

The TA's scope was divided into two phases. Phase I comprised (i) reviewing the social and economic situation in the outer islands of Kiribati, (ii) identifying a program for their social and economic development, and (iii) assessing various options available that were technically feasible for the provision of incremental resources to the local communities for island development, in strict coordination with the other major assistance agencies. Phase II included (i) utilizing mass media (radio broadcasting) to inform island communities of the proposed program and subsequently organize participatory workshops to discuss and prepare OIDP; (ii) evaluating social, community and gender constraints; (iii) advising the Government on the participatory system required; (iv) finalizing the institutional structure and legal framework of the proposed OITF; and (v) recommending capacity building requirements.

The objectives and scope were relevant and appropriate. The participation of government officials and other stakeholders were satisfactory.

### **Evaluation of Inputs**

The TA required 12 person-months of international and 4 person-months of domestic consultant services. It also required the creation of a Steering Committee responsible for direction and policy formulation during the TA. The terms of reference for the consultants and the budget for consulting services, travel and workshops were generally adequate. The economy and productivity of the input provision were satisfactory; client response on the inputs provided was generally satisfactory, as confirmed by the performance evaluation reports (PERs) for the consultants.

The inputs were all delivered satisfactorily through a series of international consultancy inputs over a 12-month period, to include a Trust/Social Fund Expert, a Rural Development Social Expert, a Rural Development Financial Expert, and a Trust Fund Legislation Expert. The international consultants were ably assisted by a Local Community Participation Expert domestic consultant and an assigned staff from the executing agency. The respective performance of ADB, the executing agency, the implementing agency, and the consultants were satisfactory.

#### **Evaluation of Outputs**

The TA determined that an outer islands trust fund and associated island governance capacity building program could be the most effective way of delivering additional revenue for sustainable economic and social development of the outer island communities. Also, it was a way to earmark the trust fund's earnings toward the poor on the outer islands instead of the "happy few" in Tarawa. The TA produced the necessary documentation for a possible ODP loan, including the draft Report and Recommendation of the President (RRP) to the Board of Directors.

The program had five major components: (i) encouragement and support to ensure the process of local government reform could take place; (ii) building on-island capacity and an effective institutional framework for determining development priorities and identifying and managing projects; (iii) creation of a sustainable source of island community development finance; (iv) opportunity for reduction of poverty by improving outer island community facilities and assets, incorporating the needs of disadvantaged groups; and (v) creation of an enabling environment and supporting services for cash earnings and private sector development.

The ODP's policy framework covered three key areas: (i) enhancing local government and island communities' autonomy, (ii) improvements to outer island social and economic services, and (iii) stimulation of economic growth.

It was proposed that the Government of Kiribati would match a US\$10 million loan from both ADB and contributions from the island communities, to establish a fund of around US\$22 million. The funds had to be released in two tranches upon assurances that the conditions of their release have been satisfied.

The Government was satisfied with the quality and timeliness of the outputs delivered. The only issue was the need to increase the awareness and sense of ownership of the outer island communities.

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

Partly successful. The Project was successful in that the TA achieved its preparation outputs for the Program. Subsequently, TA 3912-KIR: Capacity Building to support the outer Islands Development program addressed the issue of limited awareness and sense of ownership in the outer island communities. Overall, however, it was not successful in achieving the expected outcomes because the new Government, elected in late 2003 after a long period of political uncertainty, declined to proceed with the Program.

#### **Major Lessons Learned**

The Program, endorsed by members of Parliament from both sides, failed to proceed due to the unexpected change of government and President. In hindsight, it would have been best to have either proceeded with the preparation phase earlier when the supportive Government was still in power and able to pass the legislation to enable establishment of the trust fund, or delayed until after elections were concluded (although in this case, the first elections put back in power the former Government which then unexpectedly lost via a vote of no confidence midway during the year, followed by a whole new round of elections which concluded in the second half of the year). Long term reforms need stable governments. The reality is that political changes can and do occur and a broad-based public relations program can only minimize the changes that arise when a new government adopts a different approach on a particular issue.

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

It would appear unlikely that the Government of Kiribati will now support this Program in the short term. Should it revise priorities, then a further program of island visits would be necessary to restore credibility and to obtain renewed support for the Program. This may prove a more difficult task.

The need to reduce poverty as well as empower the outer island communities remain. The Program was designed with a principled rather than a prescriptive approach and remains flexible in its structure. With further debate and input from the Government, changes could still be considered to meet any concerns that may be raised and the Government should be reminded of this during any further discussions.