

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No., Country and Name TA 3125-NAU: Capacity Building for Financial and Economic Management			Amount Approved: \$600,000	
			Revised Amount: \$702,812	
Executing Agency: Ministry of Finance		Source of Funding: JSF and ATF	TA Amount Undisbursed \$15,155.23	TA Amount Utilized \$687,656.77
Date			TA Completion Date	
TA Approval 16 December 1998	TA Signing 03 February 1999	Fielding of Consultants 1 June 1999	Original 31 December 2000	Actual 30 June 2006
			Account Closing Date	
			Original 31 December 2000	Actual 30 March 2007
Description				
<p>The technical assistance (TA) provided assistance to the Government and people of Nauru in the late 1990s and again in 2005. Nauru faced an increasingly grave financial and economic situation in the late 1990s which was largely the result of weak governance and mismanagement of the public sector and the economy. The Government of the day requested Asian Development Bank (ADB) assistance and ADB responded to this request with a program of reform designed to address the fundamentals of financial and economic management. Loan 1661: Fiscal and Financial Reform Program was designed to assist the Government to achieve sustainable economic growth in line with the capacities of the economy. As a first step, the Program was to address the fundamentals of financial and economic management through adoption of fiscal management reform, introduction of an asset management framework, rehabilitation of the banking sector and restoration of the financial services, and reform of the public sector. A Program Completion Report (PCR) was prepared in July 2003. The PCR concluded that “the Program was not implemented as conceived, the majority of the intended objectives, purpose, and outputs of the Program were not achieved, the Program was not sustained, and the overall assessment is that the Program was unsuccessful.”</p> <p>ADB subsequently repeatedly attempted to help the Government to return to a reform agenda. The need for reform remained and the TA was held open with this need in mind. A new reform-minded Government was eventually elected with a substantial majority support for reform in October 2004. At the request of the new Government, and with additional channel funding from the Government of Australia, ADB and the Australian Agency for International Development (AusAID) jointly planned and implemented with Government a fully participatory preparation of a reform agenda in the form of what became the Nauru National Sustainable Development Strategy (NSDS).</p>				
Expected Impact, Outcome and Outputs				
<p>The objectives of the TA were: (i) to support capacity building of critical public sector functions of the Government such as economic policy management; fiscal, financial, and debt management; and general public sector strengthening; and (ii) in particular, assist the Program Steering Committee of the Ministry of Finance in implementing the reform Program measures. The TA was piggy-backed to Loan 1661.</p>				
Delivery of Inputs and Conduct of Activities				
<p>Under the TA, a wide range of specific expert inputs were fielded from the 1990s in several areas of reform: (i) legislative support for reform measures and public sector reform; (ii) budget and planning process development; (iii) banking and financial sector reform and rehabilitation; (iv) public debt management; (v) valuations for the assets of the Nauru Phosphate Royalty Trust; and (vi) reform program coordination. The macroeconomist and fiscal management specialist (8.0 person-months [pm]), debt management and financial specialist (2.0 pm), funds management adviser (1.36 pm), banking expert (3.0 pm), and financial and investment portfolio management specialist (6.0 pm) were all recruited but their policy recommendations were largely not implemented by government. There was a change of government during the course of the TA and the new Government did not support continuation of economic reforms under the FFRP and the work of the TA. All consultants struggled to complete their terms of reference but without full support of the Government of the day, hence the results of the various assignments were greatly constrained.</p> <p>Upon election of a new and reform-minded Government in 2004, the new Government requested assistance from ADB in formulating a people-supported reform agenda. This assistance was provided to the Government and this led to what became known as the Nauru NSDS. Consultants were hired in the areas of economic development (4.0 pm), participatory planning (0.53 pm), demography (0.76 pm), social development (3.90 pm), and legislation (0.46 pm). This latter exercise was well coordinated, monitored and managed by officials of Government, AusAID and ADB as well as New Zealand’s International Aid and Development Agency (NZAID) and the Pacific Islands Forum Secretariat (PIFS), although the Pacific Department’s budget restricted the total number of missions (total of six from 1999 to 2006) that ADB could field for Nauru NSDS.</p>				

Allowing for the varying political circumstances over the life of the TA, the performance of the EA is rated as partly satisfactory while the performance of ADB is rated as satisfactory.

Evaluation of Outputs and Achievement of Outcomes

The macroeconomist, debt management and financial specialist, funds management adviser, financial and investment portfolio management specialist, and banking expert all produced a series of on-time, specialist reports, but these were little used as the new Government, elected during the initial course of the TA, was not committed to the TA objectives.

The later output of the NSDS was alternatively well embraced by the new political leadership. The NSDS was the first of its kind in the country. It was well prepared in a thorough and a fully participatory and timely manner. This succeeded in establishing ownership for the output. The NSDS was presented by the President of Nauru and his Cabinet to the country's first roundtable meeting comprising international development partners and the Nauru public on 30 November 2005. Some 170 people attended this meeting. The NSDS is now being implemented.

Overall Assessment and Rating

Given the varied responses of respective Governments, the TA is assessed as partly successful.

Major Lessons

Extensive participation can work in the Pacific islands to help garner support of society at large for difficult development decision-making by the leadership. TA implementation should be flexibly timed to accord with Government commitment to reform. With regard to the latter stages of the TA and assistance to NSDS formulation, close and regular monitoring and review of TA in progress by all relevant interested parties (i.e., Government, PIFS, NZAID, AUSAID and ADB) helped secure TA implementation. In comparison with other development partners, ADB administration budget constrained ADB Headquarters' participation in Fiji and Nauru-based program reviews.

Recommendations and Follow-Up Actions

More careful interpretation of prevailing political economy and commitment to reform is essential. Closer monitoring and review of the TA implementation by ADB staff should be ensured.

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