

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ/PNRM

TA No., Country and Name		Amount Approved: \$1,000,000	
TA 4055-PNG : Preparing the Agriculture and Rural Development Project		Revised Amount: N.A.	
Executing Agency Department of National Planning and Monitoring (originally Department of National Planning and Rural Development)	Source of Funding Japan Special Fund	Amount Undisbursed: \$164,105	Amount Utilized: \$835,895
TA Approval Date: 19 December 2002	TA Signing Date: 16 January 2003	Fielding of First Consultant: 01 October 2003	TA Completion Date Original: 31 March 2004 Actual: 31 December 2005 Account Closing Date Original: 31 March 2004 Actual: 23 October 2007

Description

Non-mining rural activities, including agriculture, forestry and fishing, contribute to about 30% of the country's gross domestic product and provide income, employment and food security for about 87% of the population. About 90% of the poor live in rural areas. In 2002 when the technical assistance (TA) was approved, key agriculture industries (apart from oil palm) had been stagnating since the 1980s. Although the Government had stated that reviving the export sector and supporting rural development were high priorities, and the depreciation of the kina had improved the competitiveness of agricultural exports and of domestically produced food, the institutions and policies for agricultural expansion were not in place. The rugged terrain, eroded capacity of the bureaucracy, particularly in rural areas, and the much deteriorated infrastructure system severely constrained the options for the rural economy. Although there were some relatively well performing institutions (particularly commodity-based and largely private sector led) and some promising public-private linkages had been identified, there was no agreement on how to develop their potential. Similarly, there were useful studies of the rural economy with potentially useful recommendations that were mostly developed with active private sector participation and support. However, the Government did not adequately consider the implications and certainly no consensus was developed. At the time of TA approval, the overall economic situation was generally poor, due in part to poor macroeconomic management and bleak fiscal prospects. In particular, this limited the scope for public sector interventions and required streamlining of public service programs. It was, therefore, critical that coherent strategies for rural development be developed, agreed, and implemented.

Since the time of TA approval, agricultural price movements (especially of coffee and cocoa) have ameliorated the situation in the rural sector, with growth in private sector activity (both formal and informal), the Government's overall revenues have been greatly boosted by price and supply developments in the mineral sector, and macroeconomic management has been generally sound. The Government is responding to the much improved macroeconomic circumstances by planning to devote far greater public resources to support agriculture and rural development, including for improvement of transport and communication infrastructure. The Government has also formulated a new National Agriculture and Development Plan, based in part on the report prepared under the TA, and is prioritizing agriculture development—the aim is to support growth in private sector activity.

Expected Impact, Outcome and Outputs

The overall goal of the TA was to assist the Government to first articulate and then implement a clear national vision for agriculture and natural resources development, with the implicit goal of sustainably improving the welfare of the rural populations and increasing private sector involvement in the economic activity. The specific purpose of the TA was first to prepare and gain consensus on a coherent strategy for agricultural and natural resource development involving private sector activity, and then to formulate a project that would enable Government to implement key elements of the strategy. This was to be achieved through a two-phase process, beginning during the first phase with agreement on four main outputs: (i) a consistent policy and legal framework; (ii) sector priorities and strategies covering the main domestic and export industries; (iii) defined key stakeholder mandates and roles; and (iv) an effective monitoring and learning mechanism. It was envisaged from the start that a contracting-out approach to service delivery would emerge as a leading option, based on experience being gained under the ADB-supported Smallholder Support Services Pilot Project (Loan 1652-PNG). Phase 2 would then design a project suitable for loan financing to assist in the implementation of priority reforms.

The detailed description of overall impact, outcome and outputs (including for the proposed ensuing loan project) was to be developed during the Phase 2 project preparation phase (which never eventuated, as detailed and explained below in the evaluations of inputs and outputs). The goal for Phase 1 itself was articulated in the TA Paper as developing a clear national vision for agricultural and natural resource development; the purpose for Phase 1 was articulated as developing a coherent strategy for agriculture and natural resource development. The Phase 1 outputs included a consistent policy and legal framework, sector priorities and strategies, defined mandates and roles for the various stakeholders, and an effective monitoring and learning mechanism. The evaluation of TA design and its relevance is provided below.

The TA and its agriculture and rural development activities were relevant as these were designed in the context of broader government reform efforts, being supported by ADB and other development partners focusing on public sector management and governance.

Delivery of Inputs and Conduct of Activities

The overall design of the TA was generally satisfactory. Two phases were envisaged under the TA: (i) Phase 1—for strategy formulation and identification of a range of possible project proposals; and (ii) depending on agreement on the way forward,

Phase 2—for formulation of a detailed project proposal. In the event, although there was generally strong support for the Phase 1 strategy and its recommendations (which have since been generally adopted by government), consensus on the way forward to Phase 2 could not be developed within a reasonable time frame and it was mutually agreed not to proceed with Phase 2. As described in the evaluation of TA outputs below, the cause of the delay was that the recommendations emerging from Phase 1 were sufficiently far-reaching and involving significant institutional changes. Notwithstanding broad support for the reforms, the stakeholders agreed that first a functional and expenditure review of the entire sector should be conducted. The Government undertook such an additional functional and expenditure review of the sector, with AusAID assistance, concluding that the broad approach should be supported but further reviews of specific institutions were warranted. Although the thrust of the TA activities was supported, but due to the likelihood of extensive further delays and the shift in ADB's strategy of moving away from direct involvement in agriculture and rural development sectors in PNG, it was mutually agreed that the TA itself would be wound down. It was also agreed that further development and implementation of the agriculture and rural development activities will be supported through alternative avenues, notably from other development partners. The Executing Agency and the Government were generally satisfied with the TA inputs and with the flexibility shown by ADB and the consultants.

The terms of reference for Phase 1 were generally satisfactory, although the consultants were stretched to their full capacity in striving to deliver on all aspects within the time available. The consultants, both international and national, performed satisfactorily given the demanding expectations of the TA and the difficult working environment in PNG. Counterpart contributions by the Government were only partially satisfactory as the budgetary contributions were limited by the overall fiscal constraints, and the counterpart personnel were not fully assigned with high enough priority for the TA work. A notably satisfactory aspect was the participation of a wide range of public and private stakeholders, in a series of workshops and discussion forums, in reviewing the analyses and collaboratively developing options for future activities.

The performance of the Executing Agency and other Government agencies was generally satisfactory although the Government inability to come to conclusive decisions in a timely manner contributed to considerable delays.

ADB supervision of the TA was only partially satisfactory. The TA reviews were generally conducted concurrently with other activities in PNG. The TA could have benefited from greater intensity of staff supervision.

Evaluation of Outputs and Achievement of Outcome

The Phase 1 investigations produced a report which is widely acknowledged as an authoritative description and analysis of the situation in the rural economy in PNG, pulling together, as mandated, the many pre-existing analyses and reviews. Based on extensive stakeholder consultations, the report presents a broadly-agreed range of options, centering in particular on changing the system of delivery of services to agricultural producers, from one based on service delivery by public sector entities to one based on contracting out to private and quasi-private sector entities. Since the time of the TA implementation, the contracting-out approach has been adopted as a key feature of the Government's new National Agriculture Development Plan. The analysis underlying the Plan drew in significant part from the TA report and background papers, as acknowledged by the government authorities and the Food and Agriculture Organization staff and consultants involved in drafting the Plan. The strategy formulation part of the TA outputs therefore is generally satisfactory.

The Phase 1 report itself is thorough and extensive and continues to prove itself a useful input to the government's policy and strategy formulation. Notwithstanding considerable editorial efforts by all parties, the report itself remains dense and not 'user-friendly'—its utility would have been greater had alternative communication strategies been successfully implemented. The Executing Agency and broader government were generally satisfied with Phase 1 of the TA and its final report, as evidenced by (i) its use by the Government as background to the National Agriculture Development Plan, and (ii) adoption of the Phase 1 report recommendations. The Government was fully satisfied with the timeliness of delivery of inputs. The delays in TA implementation (and curtailment of Phase 2) were due to the Government's own decision making process.

Overall Assessment and Rating

Phase 1 of the TA is rated as having been successful, albeit with considerable delays. Phase 2 of the TA did not materialize, and was therefore unsuccessful. Overall, the TA is rated as only partly successful.

Major Lessons

Although the intentions of the TA were laudable, they proved over-ambitious. In particular, given the complexities and scale of the envisaged reforms, greater time was needed for generating support for the reforms before embarking on detailed design of an ensuing loan project to help implement the reforms. The review and strategy formulation phase and the project preparation phase should have been kept separate to reduce the risk and simplify the process. The two phases had originally been programmed as separate, but were later combined due to operational exigencies. The potential for success of ADB efforts to support ambitious reform efforts would be enhanced by ensuring that adequate staff resources are available and devoted to the specific task.

Recommendations and Follow-Up Actions

The current Country Strategy and Program for PNG does not envisage further direct ADB investment in the agriculture and rural development sector. However, the TA findings may possibly be useful in infrastructure development and general private sector development activities.