

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SPSO

TA No., Country and Name			Amount Approved: \$800,000	
TA 6281-REG: Pacific Financial Technical Assistance Centre 2005-2008			Revised Amount: N/A	
Executing Agency		Source of Funding	Amount Undisbursed:	Amount Utilized:
International Monetary Fund		TASF	Nil	\$800,000
TA Approval Date:	TA Signing Date:	Fielding of First	TA Completion Date	
9 December 2005	21 December 2005	Consultants: N.A.	Original: 30 April 2008	Actual: 30 April 2008
			Account Closing Date	
			Original: 30 April 2008	Actual: 22 July 2008

Description

The Pacific Financial Technical Assistance Centre (PFTAC) was established in 1993 with initial support from the International Monetary Fund (IMF) and the United Nations Development Programme to address the lack of technical skills and institutional capacity to formulate and implement appropriate economic and financial policies in 15 Pacific island development countries, including the 13 Pacific developing members countries (PDMCs) of the Asian Development Bank (ADB). PFTAC aims to enhance financial and administrative reforms through capacity development providing policy advice, and offering practical technical assistance (TA) in four program areas: (i) public financial management, (ii) tax policy and administration, (iii) banking regulation and supervision, and (iv) economic and financial statistics. Supporting PFTAC is consistent with the key result areas outlined in ADB's Pacific Strategy 2004-2006. Providing support through PFTAC has proven to be an efficient and cost-effective way to extend technical support in these critical areas. PFTAC currently operates with financial support from ADB, IMF, and the governments of Australia, Japan, the Republic of Korea, and New Zealand. Since 1994, ADB has provided a total of \$4.4 million under eight consecutive regional TAs to support PFTAC. The seven preceding regional TAs have been completed and were rated successful, particularly as PFTAC was deemed a cost-effective mechanism for providing assistance and ensuring consistency of advice.

Expected Impact, Outcome and Outputs

The expected impact of the TA was to improve governance and good practice in public sector economic and fiscal management as measured by improvement in policy and governance ratings according to ADB's country performance assessments (CPAs) conducted every two years. The TA's desired outcome was improved policy, systems, and practices within PFTAC's four program areas as recorded in progress of government undertakings and reforms in these areas, and these were all achieved successfully. In terms of outputs, the TA was expected to increase institutional capacity of PFTAC member countries to undertake reforms in the four program areas as illustrated by the increase in number of participating countries, recorded PDMCs requests and PFTAC responses, number of trainees, number and length of short and long-term advisory missions, number of seminars and workshops and number of counterparts assigned and trained by PFTAC. The rationale for the TA and its formulation were satisfactory, including the stakeholder consultations that were conducted capitalizing on the Tripartite Review Committee (TPRC) meetings that provided the opportunity to consult the relevant ministers and officials. All outputs were achieved.

Delivery of Inputs and Conduct of Activities

IMF was the Executing Agency for the TA under an Agreement signed between IMF and ADB. IMF was responsible for the recruitment of international resident advisers in the four program areas and short term experts in accordance with its standard practices. In addition, PFTAC mobilized IMF resources and technical backstopping. All accounting, reporting, and auditing procedures were consistent with the provisions set forth in the IMF's overall framework account. The resident advisers and the short term experts recruited met the nationality requirements of ADB guidelines. The IMF backstopping and technical support was highly efficient and of high quality. The performance of IMF was highly satisfactory. The strategic direction of PFTAC operations was guided by the TPRC, which comprised representatives of IMF, funding agencies and member countries. The TPRC, chaired by the Governor of the Reserve Bank of Fiji Islands, met twice during the TA implementation, in June 2006 and September 2007. ADB was well represented at both meetings. Located in Suva, Fiji Islands, PFTAC benefited from a centralized location that provided basis for efficient utilization of resources. To improve sustainability of capacity development activities, PFTAC increased its efforts to better coordinate activities with donors and on-the-job training. Follow-up and monitoring of progress in key reform areas were integrated into PFTAC's country strategies. There were no deviations from planned inputs and activities or any contract variations and the TA was successfully completed within the original timeframe. The performance of ADB was satisfactory.

Evaluation of Outputs and Achievement of Outcome

PFTAC produced six-monthly reports on its activities on outputs and outcomes by country and program area. PFTAC also prepared reports to the donors on all Missions conducted by the resident advisers and short term experts. PFTAC recently adopted the use of the IMF Technical Assistance Information Management System (TAIMS) to report on its activities. In cases where work of PFTAC was expected to overlap or was considered relevant with the work of the development partners, PFTAC improved coordination through information sharing and participation in joint Missions. Coordination with ADB was deemed good in the areas of public finance management and taxation, adequate in the area of economic statistics, but limited in the area of financial supervision. There also seems to be better coordination in PDMCs covered by the ADB's South Pacific

Sub-regional Office (SPSO)¹ may be due largely to the location of the relevant offices in Suva, Fiji Islands. Demand and need for PFTAC's high quality, flexible, quick, and demand-responsive services remains relevant among PDMCs in the four program areas. This is evidenced in the increasing number of requests for regional capacity building and training workshops by the member countries. PFTAC has continued its high quality work in diagnosing the challenges faced by PDMCs and supporting them in developing reform strategies. In terms of capacity development, PFTAC has continued to provide on-the-job training, regional and sub-regional training courses, and workshops with some, which are now annual events. PFTAC collaborated with the Pacific Islands Forum Secretariat (PIFS) to deliver the PeGASus series of seminars on a range of topics on a monthly basis, which has attracted a good following in the Fiji Islands. PFTAC continues to support a number of regional associations it was instrumental in establishing in the areas of tax policy and administration, financial supervision, and public finance management.

The bi-annual CPAs conducted by ADB showed mixed results in policy and governance ratings for the 10 PDMCs rated.² All PDMCs showed a slight decline in policy ratings, while 50% of the PDMCs improved their governance ratings. The 2007 average ratings for policy and governance were 3.1 and 3.3, respectively compared to 3.5 and 3.4 in 2005. The four program areas of PFTAC fall within the governance areas of the CPA, hence, PFTAC has contributed to improvements in governance, an intended impact under the TA.

ADB's Operations Evaluation Department (OED) prepared a TA Performance Evaluation Report of ADB's operation in support of PFTAC in 2006 and overall, the assistance to PFTAC was assessed as successful. The objectives of PFTAC were found to be highly relevant and the anticipated gains from a regional design were realized. However, a weakness in PFTAC's scope of services was that it did not provide technical support for the development of macroeconomic capability needed in the Pacific. PFTAC was assessed as effective, although the lack of available performance measures to monitor its activities made rigorous assessment problematic. The operation of PFTAC was rated as efficient although, according to the report, gains in efficiency and reduction in unit costs could be achieved by increasing the use of hands-on short term advisers. Capacity development in the Pacific is known to be difficult due to a narrow human resource base and ease of out-migration. However, capacity development has progressed in most of PFTAC's areas of activity. The operations of PFTAC are, therefore, likely to be sustained. The report recommended engaging a macroeconomist to emphasize the aspects of macroeconomic work, including in the area of economic forecasting, aiding PDMCs to prepare and implement macroeconomic frameworks, and financial programming. The recommendation was not adopted as IMF felt that through its Article IV consultations it provides adequate support to macroeconomic advisory work.

Overall Assessment and Rating

The TA is rated successful based on the high quality of service provided to the PDMCs. PFTAC's results-focused services in the four program areas remain relevant. PFTAC has given consistently quick-response quality advice and training, and a regional TA delivers these more effectively and efficiently than would an individual TA. A key comparative advantage is the technical backstopping of PFTAC work by IMF. However, the small size of PFTAC's activities and the fungibility with work funded under other donor-supported activities make it difficult to assess the specific impact of PFTAC's technical advice and capacity development. More effort has been made to track progress on reforms resulting from specific PFTAC advice. The high mobility and out-of-country migration of key government officials have posed a risk to sustainable impacts of training.

Major Lessons

The 2006 Performance Evaluation report by OED identified two major lessons. First, the lack of any outcome or performance measures has made evaluation problematic. The difficulty in developing outcome measures relates to the way PFTAC operates on a demand-driven system that responds to client requests. Therefore, it shares outcome targets with other donors doing similar work in the region. Second, the PFTAC experiment—a regional approach to TA delivery—was found to be effective and efficient and has enabled PFTAC to leverage development partner funding to support implementation of its recommendations at the country level and thus achieve a broader spectrum of results than would have been achieved had the funds been allocated separately to national-level activities in the four program areas. ADB among the financiers of PFTAC has enhanced its effectiveness in the Pacific through a closer cooperation with PFTAC in country programming. There is, however, a need to identify ways to encourage member countries assume accountability and greater ownership for PFTAC's operations to ensure that the impacts of PFTAC's interventions are sustained. Options include the increased use of experts from within the region as well as increased contribution by member countries either financially or in kind to PFTAC activities.

Recommendations and Follow-Up Actions

Both the 2004 IMF evaluation and the 2006 OED performance evaluation of PFTAC highlighted the lack of performance indicators as a problem for measuring the impact of PFTAC's interventions. A recent IMF evaluation of the Middle East Regional Technical Assistance Centre (METAC) proposed an institutional and organizational assessment for each beneficiary organization, with which METAC works in order to improve the system for monitoring of outputs and results. Such analysis, among other instruments, can be developed under PFTAC to better measure the impacts of its services. Lastly, to focus on results and avoid repetitive TA processing, ADB plans to continue the 3-year cycle to aid planning for PFTAC.

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¹ SPSO covers Cook Islands, Fiji Islands, Kiribati, Samoa, Tonga and Tuvalu; Nauru, Solomon Islands and Vanuatu are covered by the Pacific Liaison Coordination Office (PLCO) in Sydney; Palau, Federated States of Micronesia, Palau and the Republic of the Marshall Islands are covered by PAHQ; and Papua New Guinea has its own country office.

² Fiji Islands is not included in the CPA as it is an OCR borrower. Timor-Leste is not a PFTAC member and Nauru and Palau only recently joined ADB and Nauru is included in 2007 CPA only.