

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name TA 4004-RMI: Improving the Delivery of Sea and Air Transport Services			Amount Approved: \$250,000		
			Revised Amount: NA		
Executing Agency Ministry of Transportation and Communications (MOTC)	Source of Funding: TASF		TA Amount Undisbursed \$470	TA Amount Utilized \$249,530	
Approval			Completion Date		
Signing		Fielding of Consultants	Original	Actual	
28 November 2002		30 December 2002	16 September 2003	31 May 2004	31 October 2005
			Account Closing Date		
			Original	Actual	
			31 May 2004	30 April 2006	
Description					
<p>During the 2002 ADB country programming mission to the Republic of the Marshall Islands (RMI), the Government, through the Ministry of Transportation and Communications (MOTC), requested a technical assistance (TA) to improve the operational and commercial systems of MOTC and Air Marshall Islands, Inc. (AMI). The TA was expected to improve the effectiveness and efficiency of sea and air transport services delivery in the outer islands.</p> <p>Government-subsidized shipping services serve RMI's many small and widely-dispersed outer island communities. The Government-owned AMI operates small aircrafts to outer island airstrips. As transport services are critically important lifelines in the outer islands, the Government was willing to support its development and contain the associated burden on public finances. The TA was approved along with the associated Loan No. 1948-RMI: Outer Island Transport Infrastructure Project.</p> <p>Expected Impact, Outcome and Outputs</p> <p>The objective of the TA was to assist the Government in the financial and operational management of inter-island shipping and air transport services. It aimed to achieve better financial sustainability and cost-effective services with minimum levels of subsidy. The TA was expected to assist Loan 1948-RMI to achieve its objectives by encouraging better fleet configuration and utilization, and optimizing the efficiency gains through infrastructure improvements. The objective and scope were relevant and appropriate.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>The TA objective and terms of reference were generally appropriate. The TA was initially intended to be completed over a 12-month period but there were delays in the appointment of the new AMI General Manager and an information technology (IT)/management information systems (MIS) specialist for the shipping component. As a result, implementation of both components took 2 years, from September 2003 to September 2005.</p> <p>The TA utilized 7 person-months of consulting services by McKay Shipping Limited (NZL) and an additional 0.5 person-months of individual consulting services for the review of the copra trade and outer island shipping services. The IT/MIS input by the EA did not fully live up to initial expectations, but with some modifications on the depth of work involved, a satisfactory level of input was achieved.</p> <p>Overall, TA inputs for the aviation component and the technical parts of the shipping component were highly satisfactory, while the commercial parts of the shipping component were satisfactory. Through AMI's cooperation, especially with close cooperation from the newly-appointed General Manager and Finance Manager, the consultants provided a comprehensive report than was expected. The timing of the aviation component was modified to ensure this. The EA provided satisfactory counterpart staff, office accommodation, and communications. The EA and AMI cooperated well.</p> <p>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 for the consultants. ADB, the EA, and AMI performed satisfactorily. Overall, the participation of government officials and other stakeholders was satisfactory.</p> <p>Evaluation of Outputs and Achievement of Outcome</p> <p>Main TA outputs for the shipping component were: (i) review and improvement of MOTC's shipping operating and commercial systems, and accounting and financial systems; (ii) ship surveys and condition reports; (iii) strategic review of domestic shipping; (iv) plans for redeployment of surplus or retirement of unsuitable vessels, replacement and acquisition plan for new vessels, and determined insurance guidelines; and (v) a performance monitoring system for domestic shipping for both the Government and subsidized private sector shipping services.</p>					

Main TA outputs for the aviation component were: (i) review of the financial position and capital structure of AMI; (ii) analysis of shipping routes and schedules, and profitability of AMI, future market opportunities and options for restructuring, expanding or reducing operations, alliances, and competition in the subregion; (iii) review of management and staffing structure, adequacy of information systems, and processes for financial and operational management; (iv) survey of opportunities for outsourcing services; and (v) assessment of the feasibility, risks, possibility of future privatization.

The consultants submitted the Final Report on time. The Final Report consisted of five volumes: the Main Report as one volume, and working papers in four volumes. The four volumes of working papers were: (i) *Shipping Series: Working Papers on Ships Maintenance Plans*; (ii) *Shipping Series: Working Papers on Commercial Systems*; (iii) *Shipping Series: Working Papers on Domestic Shipping Corporate Strategy*; and (iv) *Aviation Series Working Papers*.

Commercial operation systems were put in place for ship maintenance, including a shipping MIS, and performance monitoring of domestic shipping. In nearly all cases, the outputs met the original expectations. The MIS was not as wide-ranging as originally anticipated, but it nevertheless provided a satisfactory level of management information compared to none existed previously. The aviation outputs and the domestic shipping strategy work were of high quality, at a level that would be expected from a major airline or shipping company. The ship maintenance outputs were targeted at seafarers and supervisors who were without much formal training or experience, and were well received and understood by the recipients.

AMI was satisfied with the TA outputs. The TA enabled the Government and ADB to discuss the subsidy to the copra trade and shipping services. A report, *Conduct of the Copra Trade and Outer Island Shipping Services*, was produced. The outputs were produced on a time frame that suited the recipients and was consistent with the timetable of the TA. The Government was satisfied with the quality and timeliness of the TA outputs.

Overall Assessment and Rating

Partly successful. The aviation component was successful, mainly due to the new AMI General Manager's focus on changing the airline's strategic direction and financial performance. The shipping component has yet to demonstrate its overall success. The TA provided valuable recommendations and the Government is implementing some changes such as the formation of a shipping corporation that would enable realization of the TA benefits.

Major Lessons

Design, development, and implementation of MIS need to be tailored to the knowledge, skills, and experience of the local (counterpart) IT technicians. Where no such systems exist, as was the case with the EA, a basic system should be introduced initially so that staff/managers can grasp the concept and use the system to improve operational efficiency. Over time, a more sophisticated system may be merited.

Recommendations and Follow-Up Actions

Inter-island transport is the lifeline of the outer islands of RMI. Unfortunately, it is also a financial burden to the Government. More follow-up policy dialogues on the optimal use of the direct and indirect subsidies to the outer islands would be required in order that subsidies are reduced and properly targeted to the poor on the outer islands without distorting the domestic transport service and crowding out private operators.

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