

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SPSO

TA No. and Name TA 4114-TON: Business Development Services			Amount Approved: \$250,000	
			Revised Amount:	
Executing Agency Ministry of Labour, Commerce and Industries	Source of Funding: TASF		TA Amount Undisbursed \$69,443.14	TA Amount Utilized \$180,556.86
Date			Completion Date	
Approval 14 May 2003	Signing 5 June 2003	Fielding of Consultants Jun 2003 – Jun 2006	Original 30 April 2006	Actual 31 July 2006
			Account Closing Date	
			Original 30 April 2006	Actual 11 December 2006
Description				
<p>The objective of Tonga's national strategic vision is the attainment of a higher standard of living for all Tongans. In its strategic objectives, Government emphasized the need to achieve a steady average gross domestic product growth of around 5% in real terms through a dynamic and competitive economy driven mainly by the private sector and an efficient public sector. ADB's strategy for Tonga focuses on the core objectives of (i) promoting economic growth, (ii) fostering good governance, and (iii) supporting equitable social development. The achievement of these goals is mainly supported by (i) Government's economic and public sector reform program to facilitate economic growth through a stable macroeconomic environment and enhancing the efficiency and effectiveness of the public service, and (ii) improvements in the regulatory environment to enable private sector growth.</p> <p>An assessment of Business Development Services (BDS) was carried out in Tonga in 2002 as part of a regional technical assistance (RETA). This led to a request by the Government of Tonga for ADB assistance to develop the micro-, small, and medium-scale enterprises (MSMEs) through BDS. The TA was also requested to build on and strengthen ADB's ongoing support for the economic and public sector reform program and the Government's efforts to support private sector development in the context of MSME development.</p>				
Objectives and Scope				
<p>The TA objective was to contribute to private sector-led economic growth, increased income, and employment opportunities by promoting MSME development. The TA scope was designed to (i) facilitate market development for BDS, (ii) bridge gaps between existing demand and supply of BDS, (iii) deepen the market to reach micro- and small enterprises, and (iv) stimulate demand, particularly in the rural areas and outer islands. The outcome of the TA was to improve the performance of existing and budding start-up micro and small enterprises through their utilization of BDS. Increased use of BDS will lead to improved competencies of new and existing entrepreneurs and will subsequently enhance the performance of the enterprises.</p> <p>The TA had the following outputs: (i) increased outreach and use of BDS by micro- and small enterprises, particularly in rural areas and the outer islands; (ii) public awareness and interest in entrepreneurship, business development, and self-employment; and (iii) availability of business information through a commercially operated website.</p>				
Evaluation of Inputs				
<p>Three individual consultants --one international and two domestic-- were contracted to undertake the TA activities. A Business Development Consultant, the international consultant, was contracted intermittently for 60 calendar days. A Small Enterprise Development Specialist, who was also the Project Manager, was contracted on a full-time basis for 36 person months, while another domestic consultant, a Business Education Specialist, was contracted on a full-time basis for 24 person months.</p> <p>The Business Development Consultant specialized in the design of funding facilities for business development services and assisted the EA and the domestic consultants in the (i) design of the funding facility, (ii) provided information on BDS development, and (iii) supported the evaluation of activities on a regular basis. He assisted in the initial set up of the BDS units and provided good support to the Project Manager as needed. His terms of reference was delivered satisfactorily to both the EA and ADB.</p> <p>The Small Business Development Specialist/Project Manager's role was to stimulate the market for BDS. This Specialist developed awareness campaigns to generate a greater understanding for and interest in business operations and appreciation of self-employment as an alternative to paid employment. As the Project Manager, the Specialist guided the operations of the facilitation unit in Vava'u and was responsible for the overall TA management. The inputs of the Project Manager were initially of good quality; however, the incumbent's involvement in politics and the civil strike in 2005 affected his ability to complete his tasks in the 2nd year of TA implementation. The Project Manager's performance deteriorated further, resulting in the termination of his contract in May 2006, 2 months prior to the scheduled completion date.</p> <p>The Business Education Specialist provided advice on business education and managed the BDS facilitation unit in Vava'u. Like the Project Manager, he was also involved in politics, which also had an impact on his performance. Upon request of the Advisory Committee, an assessment was carried out on the performance of the Business Education Specialist by the Project Manager and a representative of the EA that concluded this to be well below expectations. This resulted in the termination of his contract in December 2005, 7 months prior to the scheduled completion date.</p> <p>Overall, the performance of the 2 domestic consultants was unsatisfactory to Government and ADB, and this had a direct negative impact on the overall success of the project.</p>				

The performance of the EA and ADB was satisfactory.

Evaluation of Outputs

The two BDS units were established and became operational, as envisaged, to provide services to the potential clients. The outreach and use of BDS by micro- and small enterprises was successfully implemented as illustrated by a good database of BDS providers and users maintained by the BDS Unit. The voucher scheme¹ was set up and is considered a strength of the TA. There was a reported slowdown in the use of the vouchers in the 2nd year of TA implementation. This was partly due to a diversification from group training programs to the use of individual business services as recommended by the ADB Review Mission after the 1st year of TA implementation.

The public awareness program aimed at creating interest in entrepreneurship, business development, and self-employment was successfully implemented. The Ministry of Labour, Commerce and Industries (MLCI) secured TV and radio slots twice monthly for the Project Manager to conduct BDS awareness and marketing campaign, and this was well-received by audiences. However, the frequency of programs was reduced to quarterly amid allegations that the Project Manager was using the awareness opportunities to promote his own political agenda. The use of TV was considered a major strength of the TA and contributed to increased awareness of the voucher scheme. There was good involvement by both BDS units in annual school career days, community group meetings and school sessions.

The 3rd output aimed at ensuring that business information is available through a commercially operated website was not implemented as envisaged, although an attempt was made by the Project Manager with local assistance to develop a very simple website. A draft can be accessed via <http://bb/domainidx.com/bdstonga>. Expected support from the Pacific Enterprises Development Facility (PEDF) did not eventuate, and ADB was not able to secure the services of another specialized consultant. The TA's Advisory Committee expressed their preference to see utilization of local resources in website development. In the end, this was accorded low priority by the BDS Unit in the remaining months of the TA.

Overall Assessment and Rating

Overall, the Project is rated as Partly Successful. The expected outputs were mostly delivered, and the intended objectives of the TA were generally achieved. The TA stimulated demand for BDS for micro-, small, and medium enterprises, and facilitated market development for BDS. The TA attempted to bridge the gaps between existing demand and support of BDS, although it was challenging to determine an accurate impact assessment due to the poor choice of survey methodology used by the Project Manager.

Major Lessons Learned

The implementation of the TA was affected by the poor performance of the 2 domestic consultants, who played critical roles in the conduct of activities. It was evident that both consultants had limited experience in carrying out the work required of them, and their capacity was further affected by the involvement of the incumbents in politics as well as the Project Manager's role in the civil strike. It was also felt that the remuneration offered for the domestic consultants was not adequate to attract domestic consultants of the caliber required to successfully implement the TA, a major lesson for designing future assistance with similar implementation arrangements. The market development of business development services is a long-term task and requires a long-term commitment to awareness raising. In particular, there is a need to foster a change in the prevailing mentality of expecting such services free of charge. Lastly, there was also a need to highlight that improvement in the performance of businesses was due to their use of BDS.

Recommendations and Follow-Up Actions

The Government of Tonga favors a continuation of the BDS units after the end of ADB support. The TA has been successful in introducing an innovative and 'state-of-the-art' approach to MSME development in Tonga that will have a role to play in future MSME and private sector development activities. The recent ADB TA on Youth Microenterprise Development² will partly be involved in the areas where the BDS TA started to generate awareness and could benefit from the approaches and tools the BDS TA launched. The Government has stressed the importance of private sector development in its recently approved Eighth Strategic Development Plan, and plans to outsource public sector operations to the private sector. There is also interest in developing support to civil servants who have left the service as a result of the recent public service downsizing and who are likely to be involved in business in the future. Both strategies could be supported using the approach of the BDS units. The international consultant prepared a Concept Paper which presented several options for the continuation of the BDS unit and its services. The Government of Tonga has opted to attach the unit to a private sector organization and it recently signed a Memorandum of Understanding with the Chamber of Commerce to this effect. It is recommended that ADB continue to conduct dialogue and determine further interventions during development of the next CPSPU for Tonga now underway.

Prepared by Maria Melei Designation Senior Project Implementation Officer, SPSO

¹ The voucher scheme provided a 50% subsidy up to a maximum of T\$100 for payment of any business development services rendered. Applicants can only apply for a voucher three times.

² TA No. 4488-TON: Youth Microenterprises Development Project, approved for \$250,000 in December 2004.