

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name: TA 3735-TUV:Country Economic Study and Strategy Development		Amount Approved: 300,000 Revised Amount: 300,000	
Executing Agency: Ministry of Finance, Economic Planning, and Industries	Source of Funding: TASF	TA Amount Undisbursed 182,717.55	TA Amount Utilized 117,282.45
<b>Date</b>		<b>Completion Date</b>	
<b>Approval</b>	<b>Signing</b>	<b>Original</b>	<b>Actual</b>
9 October 2001	26 October 2001	31 October 2002	10 October 2005
<b>Fielding of Consultants</b>		<b>Account Closing Date</b>	
21 January 2002		<b>Original</b>	<b>Actual</b>
		31 October 2002	31 October 2005
<b>Description</b>			
<p>Since independence in 1978, the Government built a reputation for sound financial management. However, recent windfall revenues created high public expectations and the Government's expenditures in 2001 increased dramatically. Sustaining that level of expenditures will be very difficult as many revenues fluctuate widely, and no national development strategy can be formulated with any precision. The most recent development strategy in Tuvalu is from the period 1995-1998 and the Government recognizes that it needs to update its development strategies, alongside a new social and welfare policy. To achieve this, ADB offered the Government to prepare an economic report, and assist with training for preparation of financial statements and accounts. Further to this, the Government requested assistance to update the Tuvalu National Sustainable Development Strategy (NSDS), supported by ADB.</p>			
<b>Objectives and Scope</b>			
<p>This TA consisted of two parts. The first part comprised development of an economic report which supported the Government's effort to continue public sector reform to foster economic growth and maintain the level of quality of life. In particular, it assisted the Government to (i) develop a better understanding of emerging poverty issues, (ii) identify obstacles to growth and maintaining quality of life, and (iii) enhance the ability to the Government to identify development opportunities, constraints, and policy options by improving its economic and financial reporting. The scope of preparation of the economic report consisted of three major components: 1) Economic and Social Assessment, 2) Quality of Life Profile, and 3) Improved Data Gathering.</p> <p>The second part of the TA comprised support for the NSDS, which built upon the economic report and had the objective of creating a practical plan to overcome obstacles to growth and maintaining quality of life. The NSDS was based on background papers considered at the National Sustainable Development Summit (held in mid 2004), an assessment of global agreements to which Tuvalu is a party (including the MDGs), as well as input from broad-based community participation in the Summit. The scope consisted of three components: 1) Pre-Summit Preparatory Activities, 2) Summit Coordination and Conduct, and 3) Post Summit completion of final draft NSDS.</p> <p>The Government of Tuvalu (through the EA) was closely involved in the design of the TA. The objectives, Terms of Reference, and formulation of the TA were considered appropriate. During the formulation of the TA paper, government representatives were very insistent on inclusion of enhanced collaboration with the Department of Community Affairs (DCA) as well as on training of staff from the Ministry of Finance and Economic Planning in data collection, processing of data, and installation of appropriate software as part of the development of the economic report. Terms of Reference to undertake these tasks were therefore incorporated in the TA and 7 of the 14 person-months consultancy services under the TA were earmarked for training by domestic/regional consultants. However, due to unavailability of counterpart staff, the training component of the TA was not implemented.</p>			
<b>Evaluation of Inputs</b>			
<p>The international consultants for the economic report worked well, albeit somewhat alone during the first component, but availability of reliable data is a serious constraint in Tuvalu. The input of the recipient was minimal and the draft final economic report of the consultants never received any comments. Only when the Government was informed about the report's imminent printing under <i>Pacific Studies Series</i> was a late review demanded. Even then, only editorial comments were received, while the process was delayed for 5 months.</p> <p>The second component of the TA arose in response to a specific request from Tuvalu government following completion of what became the first component. ADB agreed that this extension fit within the initial TA concept and could also be accommodated within the remaining funds allocated. Thus additional time was taken for the TA. The EA was more closely involved with the second component of the TA creating a National Taskforce to oversee the development of the NSDS. The taskforce provided support to the development of background papers (some of which also drew upon the results of the Participatory Assessment of Hardship in Tuvalu undertaken under TA 6047-REG) and commented on the consultant's draft NSDS. The Summit itself was well attended and Government expressed</p>			

satisfaction with its outcome. The Tuvalu NSDS was endorsed by Cabinet in early 2005 and presented at the 2005 UN Summit where it was well received.

The inputs (consultant services) provided an economical means to achieve the outputs, and inputs were used productively in achieving the output. In terms of the consultant performance, two were rated as excellent<sup>1</sup>, two as satisfactory, and one as unsatisfactory as measured by the quality and timeliness of their reports and the PERs. The Government of Tuvalu has expressed satisfaction with the consultants.

The lack of interest (ownership) by the Government during the economic report component of the TA means the performance of the EA can only be rated as less than satisfactory. Given the early warnings of lack of ownership when the consultants were fielded, ADB should have caused more strict enforcement and, if necessary, temporary withdrawal of the consultants. However, budget, consultant availability, and maintaining of good relationship with a PDMC, all contributed to a lack of decisive action. This has led to the ADB's performance to be rated less than satisfactory.

### **Evaluation of Outputs**

The main output from the first part of the TA was the 2002 Economic and Public Sector Review published in *Pacific Studies Series* in November 2002. This report covers fully Component 1 and, to the degree it was possible to obtain reliable data, Component 2. However, DCA seemed to rely on data and analyses from the socio-economic study under the Outer Island Implementation Program, which was not yet finished at the time of this TA and the expected synergy in poverty profile creation between the TA team and DCA did therefore not materialize. The entire training component in improved data gathering, preparation of financial statements and accounts for audit as well as data processing and installation of appropriate software had to be abandoned as no counterparts were identified or available for the TA. In light of this, it was deemed inappropriate to provide the budgeted hardware.

The 2002 Economic and Public Sector Review was of very high quality and standard and has been received positively by the Government as well as many other development organizations. Similarly the other main output, the NSDS was comprehensive, well-written and well received. Thus the outputs achieved (recognizing the training component was not undertaken) were to the satisfaction of the EA and, despite delays in the release of the 2002 Economic and Public Sector Review, the high quality of both key outputs, as recognized by key stakeholders, contributed to their efficiency/effectiveness in achieving the outcome of a better understanding of the Tuvalu economy.

The EA is rated as partially satisfactory in evaluating the outputs due to limited input into the 2002 Economic and Public Sector Review and delays in finalization of the NSDS. The ADB is ranked as satisfactory given the high quality and usefulness of the final products, despite delays encountered in the process of achieving the outputs.

### **Overall Assessment and Rating**

Despite the cancellation of the training components and the minimal ownership at the start of the TA by the Government, the Economic Report is of such a high standard and covers such key areas, that the Project is justified as partly successful. Most of the information contained in the Economic Report can be used directly in the Government's development policies and strategies and are as such a very valuable output. Additionally the NSDS is of high quality and has gained widespread acceptance. Difficulties experienced during the development of the economic report rate this TA overall as partly successful.

### **Major Lessons Learned**

Tuvalu is a very small country with less than 10,000 inhabitants but has managed to attract many donors, and has a variety of (albeit variable) revenue sources to meet the Government's recurrent costs. This situation may have contributed to why little emphasis was placed by the Government in solving the shortcomings in data collection, analysis, and applicability under this TA. During the design of the TA, the inclusion of the counterpart training component had seemed appropriate – especially given the level of ownership demonstrated by government. In hindsight, however, the inclusion of a training component in an otherwise research focused TA may have been overambitious and demanded too much input from officials. Efforts need to be made in the future to ensure greater government ownership of, and commitment to, TA. Government should be discouraged from relying on TA to provide ad hoc solutions as they are needed, but rather seeing each TA as part of a greater strategic whole as set out in the CSP/CSPU to support the nation's development.

### **Recommendations and Follow-Up Actions**

Follow-up on how the Economic Report and NSDS have been used would provide better information upon which to base responses to requests for similar TA support. The NSDS, in particular, could provide useful input to the upcoming Tuvalu CSP.

Prepared by Emma Ferguson Designation Economist

<sup>1</sup> PERs for the five consultants rated two as excellent, two as satisfactory, and one as unsatisfactory overall.