

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PLCO/PARD

TA No. and Name TA No. 3449-VAN: Institutional Support to Central Agencies for the Comprehensive Reform Program – Phase III			Amount Approved: \$700,000		
			Revised Amount: \$700,000		
Executing Agency: Department of Strategic Management	Source of Funding: TASF		TA Amount Undisbursed \$124,063	TA Amount Utilized \$575,937	
TA Approval Date: 26 May 2000	TA Signing Date: 2 June 2000	Fielding of First Consultant: 22 June 2000	Completion Date		
			Original 31 January 2001	Actual 28 February 2005	
			Account Closing Date		
			Original 31 January 2001	Actual 28 February 2005	

Description

In response to the disarray in macroeconomic policy stemming from fiscal fragility and political instability dating back to 1996, the Asian Development Bank (ADB) approved, in July 1998, the Comprehensive Reform Program (CRP) Loan for \$20 million equivalent. The Program aimed to enhance and sustain private sector-led economic growth with its benefits distributed equitably within Vanuatu. This was to be achieved by (i) redefining the role of government and enhancing the quality and delivery of its services, (ii) increasing the productivity and growth of the commercial and private sector, and (iii) supporting improvement of social indicators. Two technical assistance (TA) grants – Institutional Support to Central Agencies for the CRP, Phases I and II, both rated as successful in their respective TA completion reports – supported implementation of the Program's policy framework. This TA (Phase III) represented the third phase provided to help entrench and deepen reforms.

Objectives and Scope

The TA support focused on building capacities in two central government agencies: the Department of Strategic Management and the Ministry of Finance and Economic Management, and two line agencies: the Department of Public Works, and the National Provident Fund (NPF). The TA supported five strategic objectives: (i) entrenching and deepening the CRP reforms introduced by improving the mechanisms for policy dialogue; (ii) delivery of training programs to strengthen leadership, policy design and management skills of senior line agencies staff; (iii) strengthening the focus on social reforms to ensure the CRP's benefits are shared; (iv) improving the economic environment to attract increased private sector activities; and (v) strengthening NPF's management information system. The TA design was relevant in the context of support to the larger CRP agenda. As in the previous 2 TAs (Phases I and II), the TA design focused on four key areas: (i) overall national-level coordination, development management, and monitoring of the implementation of the CRP; (ii) coordination of the good governance and public sector reform component of the CRP; (iii) coordination of the economic and financial management reform component of the CRP; and (iv) development of leadership skills and managerial capacity at the level of the DG of ministries and the directors of departments.

The TA design was not coherent in the linkage between TA goals, objectives, outputs, and activities. Specifically, the desired improvement in linkages between public and private sector as a basis for economic growth was not appropriately reflected in on the output and input levels. Considering the complexity of TA scope, the choice of individual consultant recruitment, while allowing some degree of flexibility on the part of ADB in responding to counterpart needs, posed a burden on ADB in terms of coordination and monitoring of TA activities and outputs. The TA design also seemed to underestimate the complexity, both in substance and politically, of the underlying CRP. A combination of these factors resulted in substantial delay of implementation of the TA.

Evaluation of Inputs

A total of nine consultants provided inputs under the TA. A major change in TA scope was approved in August 2001 to extend services for the Economic Reform Adviser and Public Sector Reform Adviser to assist the Government in the organization and formulation of inputs for a National CRP Summit, the implementation of legal sector reform, parliamentary activities, infrastructure sector support, agriculture development, and promotion of Ni-Vanuatu business. A minor change in TA scope was approved in March 2002 to accommodate Government's request for a short-term revenue and customs expert. All consultants met their respective terms of reference to the satisfaction of ADB and the Executing Agency. The Executing Agency performed satisfactorily. ADB performed satisfactorily by cooperating closely with all government agencies involved, coordinating individual consultant activities, and providing flexibility in responding to relevant emerging needs and requirements.

Evaluation of Outputs

Most components of the TA were completed satisfactorily. The close contact maintained between ADB staff and central agencies enabled effective monitoring of progress. However, the TA was burdened by the complexity of issues related to the underlying CRP, which in its project completion report was rated as partly satisfactory.

Human resources constraints, typical in small island countries such as Vanuatu, pose real limitations for an effective outcome of an ambitious program like the CRP and, by extension, the TA. This had an impact on continued extensions of the TA, in response to emerging TA needs in support of CRP implementation, resulting in a significant delay in completion of the TA. The outputs of the TA, therefore, should be evaluated in the context of the larger CRP exercise.

The TA helped strengthen the role of the Department of Strategic Management in its information exchange and coordination with central line agencies. Specifically, the role of the Director, Department of Strategic Management in managing the coordinating role of the ministry was strengthened through personal mentoring support. Likewise, high level strategic advice on key reform policy coordination and strategic management issues was provided to the director general of the Prime Minister's office. Training programs for Department of Strategic Management staff were successfully completed. While the TA initiated training workshops for senior government officials (director generals and political advisers) in policy making, leadership and management skills, interest in these capacity building opportunities turned out to be relatively low. Overall, the CRP, with support by the TA, has had a positive, sustainable impact on the capacity of a significant number of government officials involved.

The TA was vital in supporting the Government in implementing the CRP, monitoring and reporting on linkages in the strategic direction and sequencing of priority reform initiatives indicated in the CRP reform matrix, and monitoring and reporting on progress in complying with the tranche conditions attached to ADB's CRP program loan. The TA effectively assisted the Government in developing a mid-term macroeconomic management strategy, monitoring and reviewing the sequencing of selected structural adjustment policies, and developing capacity in monitoring ongoing progress with the rehabilitation of the asset management unit, the National Bank of Vanuatu, and the National Provident Fund.

The TA helped strengthen the National Statistics Office. It was instrumental in the production and tabulation of the census report, national accounts, labor statistics, social statistics, and an informal sector survey. Sustainability was evidenced by the Department of Statistics' tabulation of national accounts without outside assistance since 2003. While selected staff of the Department of Statistics interviewed reported effective skills transfer as an output of the TA, some of the staff concerned have since moved to other ministries.

The TA assisted the Public Works Department (PWD) in revising its management improvement plan, which aims to strengthen the management and capabilities of PWD—the plan is still effective and being monitored on a regular basis, and has resulted in PWD being regarded as one of the more effectively run ministries in Vanuatu.

The TA helped strengthen the National Provident Fund's information systems. It successfully designed and delivered a computerized system, including upgraded supporting infrastructure to upgrade the member or contribution system, along with an integrated financial system and investment module. Likewise, the TA provided a management and leadership training course to National Provident Fund management, which was rated as highly effective.

ADB assisted in supporting Government in the preparation and holding of the National Summit in October 2002. Under revised terms of reference, the TA supported the Government in preparing a consultative group meeting in Port Vila in September 2003, including the compilation of outcomes and reports. This output was regarded as effective and undertaken efficiently.

The TA failed in delivering desired private sector initiatives, partly due to lack of dedicated TA activities, and partly due to lack of understanding and awareness of the underlying issues impeding private sector activity in Vanuatu.

Overall Assessment and Rating

The TA is rated as partly successful. While most TA components were completed satisfactorily, the TA failed in some critical areas, such as progress in private sector development. This was partly due to ambitious TA design, and partly due to lack of absorptive capacity of counterpart agencies. At the same time, this TA should be seen in the context of the highly complex comprehensive reform program that, while necessary at the time, may have overwhelmed relatively weak local absorptive capacities.

Major Lessons Learned

TA design should take into account the complexity of the underlying reform efforts. Specifically, it may be advisable to package components in way that ensures effective implementation, and review and monitoring. Linkages between desired outcome, outputs, and activities should be ensured. On the positive side, the TA's support of senior public sector managers through expert mentoring turned out to be a highly effective means of capacity building.

Recommendations and Follow-Up Actions

No follow-up action required.