

**MANAGEMENT RESPONSE TO THE TECHNICAL ASSISTANCE PERFORMANCE
EVALUATION REPORT FOR TECHNICAL ASSISTANCE IN SUPPORT OF
THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE
IN THE PACIFIC ISLAND COUNTRIES**

On 8 June 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Technical Assistance (TA) Performance Evaluation Report well prepared with comprehensive analysis of the project and its implementation. The lessons learned provide valuable guidance for designing future regional and national TA projects in the Pacific. Management's response focuses on the overall assessment and the lessons learned.

A. Overall Assessment

2. ADB has been contributing to the Pacific Financial Technical Assistance Centre (PFTAC) through seven TAs since 1994. The performance of PFTAC was assessed by relevance, effectiveness, efficiency, and sustainability over the four program areas, including (i) public financial management, (ii) tax and customs policy and administration, (iii) banking regulation and supervision, and (iv) economic and financial statistics. We note that the report concludes that the overall project was rated as successful. Individually, the banking regulation and supervision component was found to be highly successful, while public financial management and tax and customs policy and administration were rated successful. Economic and financial statistics was rated as partly successful.

3. The objectives of PFTAC were found to be highly relevant, and the anticipated benefits from a regional approach were realized. However, we note that the overall score was reduced because of the absence of macroeconomic support. PFTAC was assessed as effective, with the performance in the economic and financial statistics as the least effective program area. PFTAC was rated as efficient with anticipated gains and economies of scale arising from the regional approach of providing high quality services and capacity building to many small countries. However, the assessment found that the lack of resources for hands-on, peripatetic support has rendered service delivery as inefficient, except for the banking regulation and supervision area, where IMF provided backstopping with short-term and hands-on assistance.

4. We note that capacity has been built in most of PFTAC's areas of activity and that PFTAC's outcomes are likely to be sustained although capacity building in the Pacific is a difficult and long-term process.

B. Lessons Learned

5. Management agrees with the lessons learned but notes that while financial contributions from the Pacific island countries would encourage ownership, it may induce inequitable distribution of outputs. We particularly

appreciate that PFTAC's function is not to make up for the shortfalls in funding agencies expertise but that PFTAC involvement in TA design can achieve better development results, provided that this does not dominate PFTAC's work. We note that the recommendations, particularly with regard to Pacific island countries' financial contribution, are subject to discussions with the Tripartite Review Committee (TPRC), donor agencies, and the International Monetary Fund (IMF).

6. We appreciate that clearly defined performance criteria and ongoing self-assessment to allow for rigorous and objective evaluations and to guide the future direction of PFTAC is essential. Ongoing dialogue with PFTAC, IMF, and other donor agencies has led to improvements in these areas. We also appreciate that the regional approach to capacity building has proven to be a successful model.

C. Recommendations

7. Management agrees with the recommendation of greater short-term and peripatetic hands-on assistance. The report also recommends that PFTAC should include a macroeconomist on the team. While Management agrees that support for capacity building in macroeconomic forecasting in Pacific island countries is an important area, we note the difficulties that IMF has in providing technical backstopping and oversight in macroeconomics, which is essential for effective outcomes in that area. As the recruitment of a macroeconomist and the increased short-term and peripatetic hands-on assistance require an expanded PFTAC program that has budgetary implications, these would depend on the availability of increased funding for PFTAC.

8. We agree that the financial contribution by the Pacific island countries to the operation of PFTAC would encourage greater ownership and accountability. However, it should not be expected, given limited affordability of the smallest and poorest countries, that PFTAC would move towards self-sufficiency for a very long time.

9. We appreciate the recommendation that ADB continues funding for PFTAC on a 3-year cycle to avoid repetitive TA processing and improve planning. The current TA for PFTAC is in line with this recommendation.