

PROGRAM COMPLETION REPORT

ON THE

**PUBLIC SECTOR REFORM PROGRAM
(Loan 1627-SOL[SF])**

TO THE

SOLOMON ISLANDS

December 2002

CURRENCY EQUIVALENTS

(as of 28 October 2002)

Currency Unit – Solomon Islands dollar (SI\$)

		At Appraisal	At Program Completion
		30 June 1998	28 October 2002
SI\$1.00	=	\$0.21	\$0.13
\$1.00	=	SI\$4.80	SI\$7.43

ABBREVIATIONS

ADB	–	Asian Development Bank
GDP	–	gross domestic product
PSRC	–	Policy and Structural Reform Committee
SDR	–	special drawing rights
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTE

- (i) In this report, "\$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Solomon Islands
2.	Loan Number	1627-SOL(SF)
3.	Program Title	Public Sector Program
4.	Borrower	Solomon Islands
5.	Executing Agency	Ministry of Finance
6.	Amount of Loan	SDR18,812,000.00
7.	Program Completion Report Number	PCR: SOL 725

B. Loan Data

1.	Appraisal	
	– Date Started	22 June 1998
	– Date Completed	30 June 1998
2.	Loan Negotiations	
	– Date Started	27 July 1998
	– Date Completed	29 July 1998
3.	Date of Board Approval	27 August 1998
4.	Date of Loan Agreement	11 November 1998
5.	Date of Loan Effectiveness	
	– In Loan Agreement	12 February 1999
	– Actual	24 November 1998
	– Number of Extensions	none
6.	Closing Date	
	– In Loan Agreement	30 May 2000
	– Actual	27 October 2000
	– Number of Extensions	1
7.	Terms of Loan	
	– Interest Rate	1%
	– Maturity (number of years)	40
	– Grace Period (number of years)	10

8. Tranche Releases

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
25 November 1998	25 November 1998	0
Effective Date	Original Closing Date	Time Interval
24 November 1998	30 May 2000	18 months 5 days

b. Amount (\$)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
01	25,000,000	25,000,000	9,734,039	15,672,563.85	15,672,563.85	0
Total	25,000,000	25,000,000	9,734,039	15,672,563.85	15,672,563.85	0

C. Program Data

1. Program Cost (\$)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	25,000,000.00	15,672,563.85
Local Currency Cost	0.00	0.00
Total	25,000,000.00	15,672,563.85

2. Program Performance Report Ratings

Implementation Period	Rating	
	Development Objectives	Implementation Progress
(i) From 1–31 October 1998	S	S
(ii) From 1–30 November 1998	S	S
(iii) From 1–31 December 1998	S	S
(iv) From 1–31 March 1999	S	S
(v) From 1–30 June 1999	S	S
(vi) From 1–30 September 1999	S	S
(vii) From 1–31 December 1999	S	S
(viii) From 1–31 March 2000	S	S
(ix) From 1–31 May 2000	S	PS

PS = partly satisfactory, S = satisfactory.

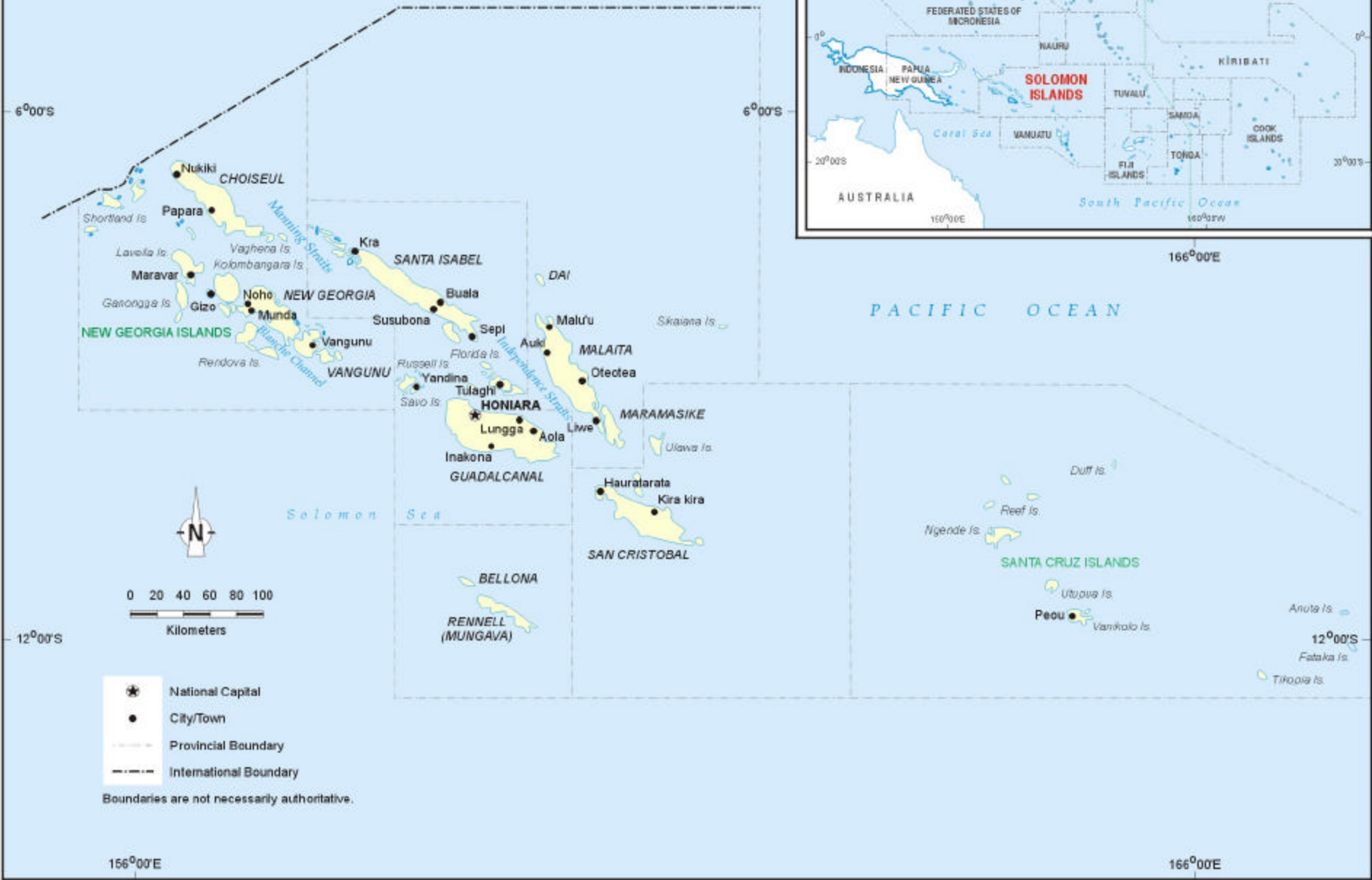
D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Appraisal Mission	22–30 June 1998	6	7	a, b, d, f, g
Contact/Consultation Mission	23 Jan–3 Feb 1998	3	12	c, d, e
Reconnaissance Mission	23 Feb–19 Mar 1998	3	25	b, c, d
Donor Coordination Mission	27–31 May 1998	1	5	d
Loan Inception Mission	20–27 Nov 1998	5	8	c, d, e
Review Mission	24 May–3 Jun 1999	1	11	d
Loan Review	8–14 Oct 1999	1	7	d
Technical Assistance Fact Finding Mission	6–11 Dec 1999	2	6	b, d
Program Completion Review ^b	n.a.	n.a.	n.a.	n.a.

^a a = Counsel, b = Economist, c = Procurement Specialist, d = Program Officer, e = Manager, f = Young Professional, g = Staff Consultant.

^b The program completion report was prepared by Winfried Wicklein, private sector development specialist. No program completion review mission was fielded.

SOLOMON ISLANDS PUBLIC SECTOR REFORM PROGRAM (as completed)



I. PROGRAM DESCRIPTION

1. In August 1998 the Asian Development Bank (ADB) approved loan number 1627-SOL(SF), the Public Sector Reform Program for SDR18,812,000 (\$25 million equivalent) to the Solomon Islands. The Program aimed at supporting policy reform measures in four main areas: (i) macroeconomic and fiscal reforms; (ii) public sector management, including public sector reform, reorientation of the public sector, and movement toward performance-based management; (iii) state-owned enterprise (SOE) reform, including the establishment of regulatory frameworks, corporatization, and privatization; and (iv) governance institution strengthening to improve accountability and transparency in the Government. The Program framework is in Appendix A.

2. The first tranche of the Program, amounting to SDR11,287,000 (\$15 million equivalent), was released on 25 November 1998. The ethnic disturbances that grew into a violent conflict in mid-1999 and resulted in a new government taking over in mid-2000 made the Program's objectives obsolete, because the new Government did not support them and the conditions for the second tranche would not be met. Following a dialogue in late 2000 with the new Government, as well as with the external funding agency community, on requirements after the conflict, ADB canceled the second tranche and the loan was closed on 27 October 2000.

3. In addition to the program loan and in support of the Program, ADB provided a technical assistance (TA) loan for the equivalent of \$1 million to support implementation of the Government's privatization policy.¹ The objective of the TA loan was to strengthen the capacity of the Ministry of Finance's Privatization Unit to implement the Government's privatization policy. The TA loan was designed to help the unit privatize selected SOEs, improve the financial performance of those SOEs that would remain under the Government's control or where the Government would retain majority ownership, and develop appropriate legal and regulatory frameworks for those sectors in which privatized SOEs would operate. ADB also provided an associated TA grant in the amount of \$600,000 to support advisory services and capacity building for improvements in public sector management.²

4. This report evaluates the design of the Program and its implementation until October 2000, when the Program was canceled. The special circumstances of the cancellation and the socio-political and economic developments in the Solomon Islands since that time make assessment of the Program difficult. Reform progress during the time prior to the coup d'etat was difficult to measure because of the safety and security situation (the last review mission took place in October 1999). Similarly, conducting an evaluation since the conflict ended has been difficult because of the lack of reliable data and of institutional memory in the counterpart agencies (as a result of the conflict, many public servants were dismissed or reassigned).

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

5. The period 1990–1997 was characterized by extremely poor governance and serious fiscal mismanagement that led to balance of payments and inflationary pressures, regular currency devaluations, suspension of trading in Government securities, and a loss of business

¹ ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed TA Loan to Solomon Islands for the Privatization of State-Owned Enterprises*. Manila.

² ADB. 1998. *Technical Assistance to Solomon Islands for Strengthening of Public Sector Management*. Manila.

confidence. In late 1997 the Government's domestic and external debt were each equivalent to 20 percent of gross domestic product (GDP), and Government arrears were approximately 11 percent of GDP. Public confidence in the Government and the economy was extremely low, and external funding agencies were reluctant to provide any further assistance to the country. On the fiscal side, years of profligate spending and capricious granting of tariff exemptions and remissions had resulted in the Government lacking the funds to pay its bills, or even to service its debts to official and private creditors. While large arrears accumulated, including to ADB, the Government abandoned audits of and controls over its expenditure. The public service was demoralized, and hardly any Government office could be regarded as functioning in a satisfactory manner. The Government that won office in August 1997 faced the immediate tasks of stabilizing the macroeconomic situation, a task made even more difficult by the impact of the Asian financial crisis on log export prices (log exports were the Solomon Islands' major export at that time), and rebuilding the Solomon Islands' reputation as an investment location. This necessitated a major reform program to restore macroeconomic stability and fiscal balance and create an environment conducive to private sector growth and employment generation.

6. Since 1995, ADB had essentially not had any operations in the country; however, the election to office of a reformist government in August 1997 provided an opening for ADB to restore its relationship with the Solomon Islands and to play a catalytic role in reorienting the public sector and the economy. At the 1997 ADB Annual Meeting, the Solomon Islands' delegation requested ADB assistance for a reform program. At the same time, several bilateral donors were hesitant to provide immediate assistance for a reform program unless a major multilateral funding institution coordinated it. Therefore in 1997, as a first step, ADB and the Australian Agency for International Development prepared an economic report³ to help the Government map out its medium-term strategy and reform directions. In addition, ADB approved two small-scale TAs⁴ to help the Government prepare for and implement the initial stages of the reform program.

7. From the outset ADB worked closely with other external funding agencies, both bilateral and multilateral, through a series of meetings, missions, and exchanges of information. Thus, the design of the Program and associated technical assistance was closely coordinated, thereby ensuring the catalytic effect of facilitating the support activities of bilateral funding agencies (especially on macroeconomic, public financial, and public sector reform matters), as well as lending programs from other multilateral institutions.

B. Program Outputs

8. The five intended key outputs of the Program were to (i) reduce the size and operating costs of the civil service, (ii) increase domestic revenue generation, (iii) restructure Government operations to improve efficiency and effectiveness and sell or liquidate several major SOEs, (iv) strengthen governance institutions to promote greater transparency and accountability in the public service, and (v) mitigate the negative social or economic impacts of the various reform measures. The policy matrix detailed 65 actions to be undertaken in pursuit of these outputs, grouped under four headings: macroeconomic and fiscal reforms, public sector management reforms, privatization of SOEs, and governance institution strengthening (see Appendix B). Table 1 summarizes the Program's components.

³ ADB. 1998. *Solomon Islands 1997 Economic Report*. Manila.

⁴ ADB. 1998. *Technical Assistance to Solomon Islands for Public Sector Management Reforms*. Manila; ADB. 1998. *Technical Assistance to Solomon Islands for Privatization of State-Owned Enterprises*. Manila.

Table 1: Summary of Components of the Public Sector Reform Program

Objective	Reform Measure or Action
1. Macroeconomic and Fiscal Reforms	
Impose immediate fiscal discipline	<ul style="list-style-type: none"> ▪ Approval of budget that eliminates overall budget deficit and reduces outstanding stock of Government arrears
Enhance revenue generation	<ul style="list-style-type: none"> ▪ Adjustments of fees and charges ▪ Review and simplification of tariff structures ▪ Revocation of tax exemptions and duty remissions
Reduce and control expenditure	<ul style="list-style-type: none"> ▪ Reduction of payroll costs
Ensure effective monitoring of key economic indicators	<ul style="list-style-type: none"> ▪ Improvement of financial management information system ▪ Re-institution of monthly monetary management meetings ▪ Improvement of reporting systems
Introduce proper debt management and restore creditworthiness	<ul style="list-style-type: none"> ▪ Clearance of arrears to international finance institutions ▪ Establishment of special accounts and payment arrangements at the central bank ▪ Preparation of long-term debt management strategy
Improve public expenditure management	<ul style="list-style-type: none"> ▪ Preparation of budget guidelines ▪ Preparation of medium-term development strategy to guide the medium-term budget framework and the public sector investment program ▪ Establishment of expenditure budget limits for each ministry ▪ Completion of public expenditure reviews for the health and education sectors
2. Public Sector Management Reforms	
Reduce size and costs of the public service	<ul style="list-style-type: none"> ▪ Approval of policy to reduce the size of the public sector by the Cabinet ▪ Establishment and operationalization of a restructuring task force ▪ Retrenchment of redundant staff
Manage negative impacts of rightsizing exercise	<ul style="list-style-type: none"> ▪ Establishment of a transition unit to manage separation payments, counseling, and training for retrenched staff
Improve performance of the public service	<ul style="list-style-type: none"> ▪ Establishment of a public service reform unit to assist departments and ministries with restructuring, process redesign, and management improvement ▪ Establishment of a system for planning, monitoring, and evaluating public sector performance ▪ Amendment of public service laws and/or passage of new legislation ▪ Application of competitive and transparent public service recruitment procedures
Develop leadership capability and motivation of senior staff	<ul style="list-style-type: none"> ▪ Implementation of a management development program for senior staff ▪ Preparation of revised guidelines on staff performance evaluation

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|--|--|
| Develop staff skills and capacities | ▪ Implementation of needs-based training programs |
| Establish links between accounting, budgeting, and planning processes and service delivery | ▪ Development and application of verifiable performance indicators |

3. Privatization of State-Owned Enterprises (SOEs)

- | | |
|----------------|--|
| Privatize SOEs | <ul style="list-style-type: none"> ▪ Approval of privatization policy ▪ Establishment of a privatization unit ▪ Implementation of SOE reporting and monitoring system ▪ Preparation of policy statements on sales, advertising, and tendering procedures and on the use of sales divestment proceeds (first priority to reduce Government liabilities) ▪ Preparation of action plans for all SOEs for liquidation, restructuring, corporatization, divestment, and/or privatization ▪ Establishment of corporate governance framework ▪ Preparation of regulatory framework for monopolistic services |
|----------------|--|

4. Strengthening of Governance Institutions

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|--|--|
| Enhance financial accountability | <ul style="list-style-type: none"> ▪ Contracting out of audits of Government and SOE accounts ▪ Publication of reports by the auditor-general and by the Public Accounts Committee ▪ Preparation of an action plan to improve the effectiveness of the Auditor-General's Office ▪ Completion of audits of the Government for previous years |
| Enhance accountability of civil servants and reduce opportunities for corruption | <ul style="list-style-type: none"> ▪ Approval of an action plan to rehabilitate land administration and the land registry by the Cabinet ▪ Preparation of report on measures to strengthen the offices of the ombudsman and of leadership code commissioners |
| Enhance transparency of key Government decisions | <ul style="list-style-type: none"> ▪ Application of public tender process and procedures for Government procurement and for nonland assets ▪ Publication of all discretionary exemptions and remissions from customs duties ▪ Submission to Parliament of amendments to the Lands and Titles Act and related legislation to ensure transparency in the process for disposing of Government land |
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9. No major modifications were made to the Program's components during the actual implementation period, but program implementation triggered the implementation of complementary TA, such as an executive development program for senior public civil servants.⁵

10. The Program was canceled before the second tranche release because of the civil unrest that occurred during 1999–2000. The underlying dispute, which resulted essentially from an ethnic conflict based on such issues as geographically unequal development policies, land issues, and economic competition from migrants—grew into a violent conflict by mid-1999 and resulted in loss of lives, major damage to property, substantial disruption of economic activity, and large displacement of people. It culminated in the forceful detention of the prime minister on

⁵ ADB. 1999. *Technical Assistance to Solomon Islands for Public Sector Executive Development*. Manila.

5 June 2000, and led to his resignation. By the end of June 2000 a new coalition aimed at achieving national unity, reconciliation, and peace formed a government, with peace as its number one priority. An agreement for the cessation of hostilities and for the restoration of peace and social harmony was signed on 15 October 2000 in Townsville, Australia. As the disruptions caused by the conflict had undone many of the outputs the Program had achieved hitherto and the new Government did not support the program objectives, following consultations with the Government ADB canceled the Program on 27 October 2000. The TA loan (footnote 1) was kept open to accommodate the finalization of the remaining activities that were of a technical nature and were supported by the Government. The ADB suspended disbursements to the Solomon Islands because of overdue loan service payments, thus the TA loan has not been closed to date.

C. Program Costs

11. ADB supported the Program with a loan of SDR18,812,000 (\$25 million equivalent). The loan was to be disbursed to the Government in two tranches over the 2-year program period: SDR11,287,000 (\$15 million equivalent) were made available upon loan effectiveness, and the second tranche of SDR7,525,000 (\$10 million equivalent) was to be disbursed by the end of 1999, pending compliance with the second tranche conditions. Counterpart funds to be generated from the proceeds of the loan were to be used to finance local currency costs related to program implementation. In particular, the counterpart funds were to be used to support (i) the implementation of public service staff retrenchment and separation under the Program; (ii) the payment of the incremental costs of additional professional staff for the Privatization Unit and the Public Service Reform Unit needed to implement the terms of the Program; and (iii) the retirement of arrears payable to commercial banks, financial institutions, suppliers, utilities, and other enterprises and agencies.

12. In addition, a TA loan in the amount of SDR752,000 (\$1 million equivalent) was approved (footnote 1). The Government financing for the TA loan was estimated at \$200,000 equivalent. ADB also approved a TA grant in the amount of \$600,000, for which the Government financed \$100,000 in kind (footnote 2).

D. Disbursements

13. The first disbursement, representing the first tranche of SDR11,287,000 (\$15 million equivalent), was released to the Borrower on 25 November 1998 in accordance with ADB's standard disbursement procedures. The Government used it to clear debt arrears and arrears in payments to trade creditors and international institutions. The second tranche release was canceled.

E. Program Schedule

14. The Program was approved in August 1998, and declared effective on 24 November 1998. The first loan tranche of SDR11,287,000 (\$15 million equivalent) was released on 25 November 1998. The second tranche release was canceled. The program loan was closed on 27 October 2000.

F. Implementation Arrangements

15. The Ministry of Finance was the Executing Agency for the Program and was responsible for its overall implementation. Other key agencies involved in program implementation were the

Office of the Prime Minister, the Ministry of National Planning and Development, and the Central Bank of the Solomon Islands. The Policy and Structural Reform Committee (PSRC) had already been set up prior to the Program to coordinate the reform process and direct the work of two task forces made up of permanent secretaries from relevant ministries. PSRC was supported by a secretariat within the Office of the Prime Minister.

G. Conditions and Covenants

16. During January 1998 to December 1999, 65 time-bound policy actions were to be implemented under the Program. While only 10 actions had to be completed before Board consideration, 26 out of the 65 conditions were completed before loan approval. Following the first tranche release, progress in terms of policy actions was initially good; however, the outbreak of ethnic tensions and related violence resulted in delays (although previously implemented conditions were not reversed until the new Government came to power). By the time of loan cancellation, progress in complying with second tranche release conditions was rated as satisfactory. Table 2 summarizes compliance with the conditions for the release of the second tranche. Appendix C provides an overview of the Borrower's compliance with loan covenants.

Table 2: Summary of Compliance with Second Tranche Release at Loan Termination

Tranche Conditions	Action/Comment
Reduction of annual public service payroll costs to a level that shall not exceed SI\$130 million per year.	Accomplished. However, the public service payroll has since been significantly exceeding targets, following a mostly politically motivated expansion of the public service.
Cabinet approval of budget limits established for the annual expenditure of each ministry in accordance with the Medium-Term Budget Framework (MTBF), and assurance that the Medium-Term Development Strategy, Public Sector Investment Program, and MTBF are consistent with each other.	The implementation of the MTBF was approved by the Cabinet. The framework was to be applied beginning with the preparation of the 2001 budget.
Competition and transparency in recruitment of public service staff.	New systems and procedures for the employment of public service staff had been prepared by the Public Service Department.
1999 budget submissions for at least four ministries to include verifiable performance targets.	All ministries included verifiable performance targets in their 2000 budget submissions.
Privatization of state-owned enterprises (SOEs).	The privatization of Solomon Telekom was completed, and the privatization of other enterprises was under way despite some political resistance. A corporate governance framework for SOEs was under discussion.

H. Related Technical Assistance

17. The TA loan 1628-SOL(SF) (footnote 1) was intended to support implementation of the Government's privatization policy by strengthening the capacity of the Privatization Unit of the Ministry of Finance. The TA was designed to help the unit privatize selected SOEs, improve the financial performance of those SOEs that would remain under the Government's control or in which the Government would retain a majority shareholding, and develop appropriate legal and regulatory frameworks for those sectors in which privatized SOEs would operate. Despite the delay in implementation because of the ethnic crisis, the TA loan was instrumental in the approval of the Government's privatization policy; the establishment of the Privatization Unit (which still exists, though in a different organizational setting); the approval of a series of action plans for the liquidation, restructuring, corporatization, divestment, and privatization of SOEs; and the conducting of training activities and seminars. A minor change in scope was undertaken to finance the purchase of a vehicle for the Privatization Unit. Despite some notable achievements in terms of institutional development and actual privatization work before the coup, the privatization program has failed overall, and most achievements have been reversed or come to a halt under the new Government. The TA loan is therefore rated as unsuccessful overall.

18. ADB also provided a TA grant in the amount of \$600,000 (footnote 2) to provide technical support (i) to enhance the capacity of the Office of the Prime Minister and PSRC to undertake reform and re-engineering of the public service to achieve greater efficiency and effectiveness, and (ii) to build the capability of PSRC and other Government entities to provide continuing management and technical support to ensure the long-term sustainability of the reform process. The TA's scope was aligned to the key result areas of the Government's Medium-Term Development Strategy 1999–2001 as they applied to the public service, namely: (i) rightsizing the public service, (ii) restructuring and reorganizing ministries, and (iii) strengthening the management of the public service. However, the TA emphasized helping the Government achieve its objectives in the areas of restructuring and reorganizing ministries and strengthening the management of the public service. The TA succeeded in assisting the Government to temporarily improve public sector management and build necessary capacities, and the Government was receptive to the TA outputs, but the social conflict resulted in the termination of TA activities and the new Government disregarded the TA outputs. Hence the TA was rated as partly successful.⁶

I. Consultant Recruitment and Procurement

19. No significant disagreements arose between the Borrower and ADB and no significant problems were encountered in selecting and fielding consultants. Counterpart funds generated from the proceeds of the program loan were used to finance local currency costs relating to program implementation, while those for the TA loan and the TA grant were used to finance local currency costs for counterpart staff, office accommodation, and secretarial services. Procurement was handled in accordance with ADB policies and procedures.

J. Performance of Consultants, Contractors, and Suppliers

20. No consulting services were provided under the program loan. Consultants engaged under the associated TA loan and TA grant generally performed in accordance with their terms

⁶ ADB. 2002. *Technical Assistance Completion Report on Strengthening of Public Sector Management in the Solomon Islands*. Manila.

of reference, and the quality of their input ranged from satisfactory to high. Consultants under both TAs performed under difficult circumstances because of the ethnic conflict and related violence. Client satisfaction with the consultant inputs provided was reported to be high.

K. Performance of the Borrower and the Executing Agency

21. The public sector reform was in large part designed by the Government, with some technical assistance from ADB and other external funding agencies, therefore strong domestic ownership of the reform program was an outstanding feature from the beginning. The reforms were driven by a group of reformist politicians spearheaded by a committed prime minister, with support from a small group of senior and middle management in the public service and widespread public support. PSRC provided an institutionalized mechanism for participation by representatives of the private sector and the trade union movement in the reform process. Once ADB became involved, the public sector reform program was formulated into the ADB policy matrix after dialogue between ADB and the Government, a process that was driven by the Government's willingness to reform. The crucial role of ADB was to support the Public Sector Reform Program with funds and targeted TA.

22. PSRC monitored progress in implementation of the Public Sector Reform Program and provided an institutionalized mechanism for representatives of the private sector and the trade union movement to participate in the reform process.⁷ The Monetary Management Meeting Committee, which consisted of staff of the central bank and the Ministry of Finance plus the secretary of national planning and development, also undertook regular monitoring of macroeconomic and fiscal reforms.

23. Despite the relatively strong ownership, the Borrower was confronted by limited institutional capacity and internal political problems. Politically, the Government had to devote much time and energy to keeping itself in power. At the same time, the Government had to deal with considerable obstructionism from some senior public servants adversely affected by the reforms and some resistance from provincial government officials who felt left out of the reform process.

24. Overall, and notwithstanding the political challenges and institutional weaknesses, the Ministry of Finance managed program implementation until loan cancellation in a satisfactory manner.

L. Performance of the Asian Development Bank

25. The performance of ADB is rated as satisfactory. ADB responded in a timely, proactive, and appropriate way to the deficiencies of the economy and the public sector of the Solomon Islands. From the initial reconnaissance mission to loan approval it took approximately 6 months.

26. Despite the external funding agencies' general hesitation to come forward with ready assistance given their experiences of economic mismanagement and negative sentiments toward them under the previous Government, ADB began to work closely with the Government that took office in 1997–1998 to shape a reform agenda and design a program loan that would address the Government's immediate financial requirements. As a result, ADB was catalytic in

⁷ PSRC was chaired by the prime minister and consisted of four ministers, the governor of the central bank, and the presidents of the Chamber of Commerce and the Employers and the Public Employees Union.

involving bilateral funding agencies and enabling the Government to develop a track record of reform that would be sufficient to justify new lending from other multilateral institutions.

27. The preparation of the program loan by various Bank missions involved consultative processes. The Fact Finding Mission used a workshop format to prepare the initial policy matrix. During a series of workshops senior officials presented their proposed reform action plans and, following discussions with the Bank mission, consensus was reached on the measures to include in the policy matrix. During the Appraisal Mission, workshops were conducted at which various stakeholder groups provided feedback on the impacts of proposed reforms on vulnerable groups. The workshops also formulated specific recommendations for mitigating the negative impacts of the reform program, most of which the Government adopted.

28. ADB closely monitored implementation of the Program until its cancellation through three missions from headquarters that engaged in dialogue and policy consultations with relevant Government officials. The missions regularly interacted with the prime minister and other senior officials to facilitate implementation of the Program. ADB coordinated closely with other external funding agencies, including the World Bank, the European Union, the Australian Agency for International Development, and New Zealand Official Development Assistance.

III. EVALUATION OF PERFORMANCE

A. Relevance

29. The program design, which aimed at placing the economy of the Solomon Islands on a sustainable track and improving efficiency and performance in the public service, was highly relevant in terms of needs, but was less relevant with respect to the prevailing political economy. The 1997 economic report (footnote 3) for the Solomon Islands noted that the Government needed to close the gap between revenues and expenditures as its first priority, and identified fiscal governance and corporatization and privatization as key areas in need of reform. The Program was well designed to respond to these challenges, with policy actions clearly explained and targeted and tranche conditions that were pertinent to program objectives. However, given the substantial restructuring of public institutions involved, the political context, and the significant human resource constraints, the Program seemed optimistic in the number of conditions, thin in terms of complementary TA for institutional capacity building, and ambitious in terms of the timeframe.

B. Efficacy in Achievement of Purpose

30. Until the outbreak of the ethnic crisis and the resulting cancellation of the program loan, the Program had a substantial impact on macroeconomic stabilization, public sector reform, and governance institutions. It achieved only minor progress in the area of privatization. Yet while much remained to be done to consolidate the gains made, the outbreak of the ethnic crisis undid most of the achievements. Overall, the Program is therefore rated as inefficacious.

1. Achieving Macroeconomic Stabilization

31. Probably the Program's most important objective was to achieve macroeconomic stabilization by eliminating arrears on public debt, maintaining a balanced recurrent budget, and adopting a supportive monetary policy stance. The Government made significant progress in these areas. Immediate actions to raise revenues and contain expenditures included the cancellation of tax exemptions and remissions that did not involve legally binding agreements. A

simplification of the tariff system was completed and introduced. Income taxes were revised to broaden the tax base and improve equity, and a range of other revenue-raising measures was adopted. On the expenditure side the Government instituted a public service wage freeze, restricted the payment of allowances, and froze all recruitment in advance of further actions aimed at downsizing and streamlining the civil service. It also successfully began a limited clearance of domestic and external arrears. Underpinning improved expenditure control and cash management was the revival of the accounting system. The Government took the first steps toward improved coordination in the preparation of the recurrent and development budgets. The Government completed the Medium-Term Development Strategy 1999–2001 and associated Public Sector Investment Program in early 1999. Monetary policy was tightened in 1998.

2. Undertaking Public Service Reforms

32. Public service reforms began with the dis-establishment of senior positions and the filling of a reduced number of senior positions. This reorganization then extended down to junior positions and ended in March 1999. In the process the Government abolished 103 vacant public service positions and made 447 public servants redundant, which amounted to a 7% cut in central Government employment. The time taken to complete this first phase was much longer than originally envisaged because of legal challenges, opposition from affected public servants, and delays in appointing a new head of the Public Service Division. Redundant public servants were entitled to a minimum separation package equal to 2 weeks' pay for each year of service. They were also entitled to receive assistance with paying their children's school fees for one year. The Transition Unit offered counseling and advisory services, assisted with job seeking, and arranged training.

33. The second phase involved reviewing organizational strategies, implementing systemwide changes, and carrying out institutional strengthening. The Institutional Strengthening Unit was established in the Public Service Division and worked toward realizing these objectives as well as developing and implementing an executive development program supported under the TA grant. As part of the 1999 budget process, the Government took the first steps in linking inputs with outputs by identifying and publishing performance measures in four ministries. This was extended to all ministries with the 2000 budget submissions.

3. Strengthening Governance Institutions

34. The governance environment improved under the reform program. Government accounts were brought up-to-date for external audit, accountability and transparency in the use of foreign aid improved, and the Government published lists of beneficiaries of duty remissions and exemptions. The Government also amended the Lands and Titles Act to increase transparency in relation to the disposal of Government land. The publication of reports by the Public Accounts Committee and the Auditor-General's Office was reported. However, until the cancellation of the program loan the Government had not taken effective action to prepare the envisaged plan for strengthening the Auditor-General's Office, and planned action to increase the transparency of public tendering had not occurred.

4. Privatizing State-Owned Enterprises

35. The SOE Monitoring and Privatization Unit was established in the Ministry of Finance with support from the TA loan (footnote 1). The review of SOEs moved slowly, however, primarily because of opposition from the political appointees on the boards of SOEs

administered through ministries and from the chair of the board of the Government-owned holding company, the Investment Corporation of Solomon Islands. The privatization of Solomon Telekom was completed, and the privatization of other enterprises was under way despite some political resistance. In addition, sectoral legal and regulatory frameworks were reviewed and the Cabinet approved a number of recommendations of options for privatization. While the SOE Monitoring and Privatization Unit still exists, although with a different organizational structure and alignment, the implementation of most actions has been put on hold since the outbreak of the crisis.

C. Efficiency in Achievement of Outputs and Purpose

36. The efficiency of the process was relatively high until program cancellation. Strong ownership of the Program had been an outstanding feature from the beginning, with the prime minister and a group of reform-minded ministers strongly driving the process. Efficiency was therefore enhanced by establishing the Institutional Strengthening Unit under the Office of the Prime Minister.

37. The reform of public finance, aimed first at restoring fiscal stability and neutralizing the budget's monetary impact, was relatively easy to design, because the dimensions of the problems were easily measurable, the remedial techniques were proven and transferable, and the central bank provided a stable institutional base for the reform process. By contrast, the reform of the public service and the SOEs was much slower to get started, more hesitant in its execution, and faced opposition. The national institutions involved in the development and implementation of the latter reform areas tended to be weaker than of those concerned with public finance and monetary policy, hence external influence was stronger in the detailed design of public finance and monetary policy. Similarly, these public sector reform components might have been too ambitious, both in terms of the timeframe in which change was expected and the inherent capacity of local authorities to accept, absorb, and implement the new concepts and techniques. While this might have been partly caused by an underestimation of cultural factors on the part of ADB, the main reasons appear to have been political. Given the volatile political situation, the Government was anxious to make rapid progress to demonstrate successes resulting from the reform process. With the tight fiscal situation, the Government faced considerable pressure for public service cost reductions and SOE sale proceeds to reduce the budget deficit.

38. The management and coordination of the reforms was not, however, as efficient as it should have been. Tensions existed between the Government units that managed the reform process and the regular administrative departments. Policy coordination remained weak throughout the period of the reform program, especially in the areas of public service reform and privatization. The reform program also appeared not to have been well communicated to the provincial governments and the wider public.

39. Based on anecdotal evidence from local stakeholders, in some instances the behavior of foreign consultants, as well as of the external funding agencies in general, was perceived locally as somewhat prescriptive and not taking into account local habits, sentiments, and preferred techniques of change management. This apparently caused friction among stakeholders and proved dysfunctional for smooth implementation of the reform process. However, the management of the TA supporting the implementation of the reforms was successful in that it used local consultants who were well qualified and committed to the reform process, and who proved instrumental in effectively expanding the Government's capacity to plan and manage the reform process.

D. Preliminary Assessment of Sustainability

40. The new Government that came into power in June 2000 following the ethnic conflict did not support the objectives of the reform program, and thus the loan was canceled in October 2000. The Program was not sustainable because of the political problems. Nevertheless, some of the work undertaken, especially in the area of public service reform, could be continued should any future government decide to do so. The TA reports have been made available to the Government.

E. Environmental, Sociocultural, and Other Impacts

41. The Program was classified as environmental category C as it had no direct environmental impact.

42. At program formulation, the expected impact of the reform package was anticipated to be a loss of welfare on the part of individuals and their dependents as a result of the retrenchment of public employees, the public payroll freeze, and the SOE reforms. In addition, as a result of reduced Government spending, increased tax collection, and other fiscal reforms, a significantly lower level of monetized economic activity was expected during the transition. However, as a result of proactive political leadership the public sector reforms were already under way at the time the Program was approved, thus no social impact scenario was carried out for the case without reforms. Rather, the social impact scenarios concentrated on successful program implementation and the unsuccessful case. The widespread violence and lawlessness that culminated in the coup d'etat resulted in the collapse of the economy and the destruction of the country's social fabric. This was, however, not caused by the Program, and as the Program was not completed, measuring its social impacts is impossible.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

43. Overall, the Program is rated as unsuccessful. Its design was highly relevant in terms of needs, however, it was less relevant in terms of taking the political economy and the lack of institutional capacity into account. It was quite efficient in terms of process until loan cancellation, but is rated inefficacious and unsustainable. However, without the political interruption (change in government), the Program would likely have had the potential to lead to successful outcomes. At the time of formulation and approval it was widely regarded as a unique opportunity to support a reform-oriented Government in achieving substantial change.

B. Lessons Learned

44. The Program has shown that strong government ownership of and commitment to a program with well-focused conditions can effectively support the reform process. By contrast, the Program has also demonstrated the vulnerability of reform programs to the political environment, especially in conflict situations. This suggests that the level of commitment to a program loan is determined not only by the commitment of the government in power, but also by its ability to manage vested interests that wish to maintain the status quo (reform resisters) and the overall political aspects of the reforms (for instance, displaced workers). Therefore, given such situations, carefully assessing and closely monitoring the political environment is important, including all supporting and resisting forces and the risks of a politically motivated

interruption of the reform process, as well as assessing the capacity of the civil service and its ability to continue a reform program despite political upheavals. Extensive consultations among political factions and the broader public, including at the provincial level, are indispensable to ensuring broadly based support for any reform program.

45. Especially in situations where the government's capacity is poor, the design of the reform measures should be kept simple and extensive conditionalities should be avoided. The design should also take into account the political environment and sensitivities, as well as the government's capacity to implement reforms successfully without losing touch with its constituency. The timeframe of the reform program should be realistic in balancing the government's need to rapidly establish a track record in relation to the external funding community and the broader public on the one hand, and the program's technical and political feasibility on the other. Moreover, providing sufficient resources for complementary institutional change and capacity building is indispensable.

46. Measures that promise relatively rapid progress should be prioritized to facilitate effective communication of success stories to the public. Effective communication of the reform program's rationale, objectives, and achievements is essential for maintaining public support, especially where an institutionalized participation mechanism does not exist.

47. The gap between domestic capabilities and skills requirements may be widened by the importation of inappropriate techniques and technologies, so that reforms may not prove durable. At the same time, the involvement of strong, committed local consultants can effectively help expand the government's capacities to manage and coordinate the reform process.

C. Recommendations

48. The 2000 coup d'état resulted in the cancellation of the Program and made its outputs obsolete. However, the imperative for the Government to undertake public sector reforms is more pressing than ever. Policy dialogue with the Government of the Solomon Islands on the issue of future program loans should draw on the lessons learned from the Program. The reports made available under the TA activities would provide a useful starting point for the Government and any intervention by an external funding agency from which useful approaches, concepts, and lessons could be learned.

PROGRAM FRAMEWORK

Design Summary	Project Targets	Monitoring Indicators	Assumptions and Risks
1. Goal			
To place the economy of the Solomon Islands on a sustainable track and to improve efficiency and performance in the public sector	Sound and sustainable economic management, return of private sector confidence, improvements in the delivery of essential services, and efficient and effective government	Elimination of fiscal deficits, clearance of arrears, positive feedback from target clients of Government services, and positive feedback from the Chamber of Commerce and commercial banks	Cabinet, Parliament, and general public support for macroeconomic policies to facilitate growth and transformation of the economy
2. Purpose			
2.1 Reform and reduce the size of the public sector, partly to adjust to the contraction of the logging industry to sustainable levels	Smaller and more efficient public sector that can be financed by domestic revenue generation	Reduction in the cost of public service provision and improved balance of wage and nonwage expenditures, especially in the health and education sectors	Parliament and public service implement reform programs, reduce budget expenditures, and raise revenues
2.2 Shift balance of economic activity away from the public sector to the private sector	The private sector leads growth in agriculture, fisheries, and tourism and operates former public enterprises; increased share of domestic credit for productive activity by the private sector	Increased proportion of GDP generated by the private sector and increased investment and employment in the private sector	The private sector responds to growth opportunities and new macroeconomic policies
			Failure of the private sector to grow as envisaged may lead to a weakening of political will to implement the entire reform program
3. Outputs			
3.1 Reduce size and operating costs of the civil service	Public sector downsizing, wage and salary reduction, other cost reductions	Payroll costs reduced to SI\$130 million on an annualized basis, subject to adjustments for 1998 inflation	Cabinet and Parliament approve reform measures and reduced budgets; risk of opposition from unions, resulting in delays
3.2 Increase domestic revenue generation	Improved administration, new revenue measures	Revenue collection data, new legislation on taxes	Administrative capabilities of collection units improved
3.3 Restructure Government operations to improve efficiency and effectiveness; sell or liquidate several major SOEs	At least four ministries with clear performance targets and with commencement of re-engineering processes to improve quality and quantity of services; functional and financial review of SOEs; reform and privatization; establishment of proper regulatory frameworks	Periodic monitoring reports on status and performance of various departments and the SOEs; divestment and privatization activities completed; proceeds from SOE sales; new legal and regulatory frameworks in place	Cabinet and Parliament approve restructuring, divestment, privatization, and regulatory frameworks; risk of opposition from public servants, SOE employees, and politicians with vested interests in certain SOEs

Design Summary	Project Targets	Monitoring Indicators	Assumptions and Risks
3.4 Strengthen governance institutions to promote greater transparency and accountability and to reduce opportunities for corruption in public service	Timely auditing of Government accounts; public access to information on audits, tenders, and so on; review of role of ombudsman and leadership code commissioners; improvement in land registration and land administration	Elimination of backlog of audits of Government accounts; public announcement of tenders and results of tenders; audit reports accessible to the public; reports completed for review of the ombudsman and leadership code commissioners; reduction in backlog of land surveys, registration, and titling	Political will and public support to promote transparency and accountability in public service; administrative capacities improved in the Accountant-General and Auditor-General's offices, in the Ministry of Lands, and in the Land Registry
3.5 Mitigate negative social or economic impact of adjustment in public expenditure	Training and outplacement counseling; separation payments to include children's school fees for a limited period; protection of expenditures for essential social services	Attendance of retrenched staff at training courses and counseling services; feedback from retrenched staff; actual expenditures (wage and nonwage) in health and education	The key assumption is that the village subsistence economy will provide part of the social safety net for families of staff who are retrenched
4. Activities			
Various	Technical assistance projects for strengthening public sector management reforms and privatizing SOEs; counterpart funds generated from \$25 million program loan	Reports of technical assistance consultants and ADB supervision missions; funds are provided by the Government and ADB for the retrenchment scheme and service during the transition	Consultants continue to produce quality advice acceptable to the Government; proceeds from the program loan are released as agreed on in the loan documents

ADB = Asian Development Bank, GDP = gross domestic product, SOE = state-owned enterprise.

POLICY MATRIX
(as of October 2000)

Primary Objective	Secondary Objective	Policy/Institutional Reform Measure or Action	Status
1. Macroeconomic and Fiscal Reforms			
To achieve macroeconomic stabilization	To impose immediate fiscal discipline	1a. Parliament to approve 1998 budget, which eliminates the overall budget deficit (excluding proceeds from privatization), meets all current budget outlays (including public debt service and contributions to the National Provident Fund), and steadily reduces the outstanding stock of government arrears.	Completed
	To enhance revenue generation	1b. A revenue enhancement group to be formed to review and recommend adjustments to fees and charges.	Completed
		1c. Tariff structures to be reviewed and simplified; 19 levels reduced to 5.	Completed
		1d. Nonlegally binding exemptions and remissions from customs duties to be revoked.	Completed
		1e. Recently granted log export duty relief to be withdrawn.	Completed
		1f. Posted price for frozen fish export duties to be increased from \$1,800/metric ton to \$3,600/metric ton.	Completed
		1g. Licensing and registration fees and similar charges to be raised.	Completed
		1h. The services of an internationally reputable preshipment inspection company to be contracted.	Completed
	To reduce and control expenditure	1i. Public service pay freeze to be announced and confirmed in 1998 budget, overtime to be restricted, and certain allowances to be frozen.	Completed
		1j. Payroll costs to be reduced to a level that would not exceed SI\$130 million on an annualized basis, subject to an adjustment for 1998 inflation acceptable to ADB.	Completed
	To have effective monitoring of key economic indicators	1k. The financial management information system to be reviewed and required improvements specified.	Completed
		1l. Monthly monetary management meetings to be re-instituted to provide systematic monitoring of economic indicators	Completed
		1m. Operational systems for timely reporting of fiscal, monetary, and balance of payments data, including accounting of Government arrears.	Partly completed
	To introduce proper debt management and restore credit-worthiness	1n. 1998 budget to include provisions for timely servicing of public debt and progressive reduction of arrears.	Completed
		1o. Arrears to World Bank, Asian Development Bank, IFAD, and European Investment Bank to be cleared and NPF arrears to be securitized.	Completed
		1p. Special account and payment arrangements to be established at the Central Bank of the Solomon Islands for debt service payments. Status report on interim	Completed

Primary Objective	Secondary Objective	Policy/Institutional Reform Measure or Action	Status
		arrangements for servicing government securities to be provided.	
		1q. As of 31 July 1998, semi-annual reports to be provided on ongoing negotiations with commercial banks, bilateral donors, overseas commercial institutions, and the central bank aimed at clearing or rescheduling all overdue principal and interest or regularizing arrears.	Not completed
		1r. Strategy paper on long-term management of external and domestic debt to be prepared, including detailed plan for clearance of remaining arrears.	Not completed
	To improve public expenditure management	1s. For the 1999 budget, draft section of budget guidelines to be prepared that require budget submissions from at least four ministries to contain verifiable performance targets as a first step in changing the budget process.	Completed
		1t. Draft Medium-Term Development Strategy (MTDS) to be prepared and to include participation by key stakeholders.	Completed
		1u. Cabinet approval of budget limits established for the annual expenditures of each ministry in accordance with the terms of the Medium-Term Budget Framework (MTBF) to be obtained and the consistency of the MTDS, Public Sector Investment Program, and MTBF with each other to be ensured.	Partially completed
		1v. Public expenditure reviews for the health and education sectors to be completed and the results incorporated into preparation of the fiscal year 2000 budget.	Partially completed
		1w. First rolling adjustment of the MTDS and PSIP to be undertaken and capital and recurrent expenditure within the MTBF to be integrated.	Partially completed
2. Public Sector Management Reforms			
Develop an efficient and effective public service	Reduce the size and cost of the public service	2a. Cabinet to approve policy to reduce the size of the public service.	Completed
		2b. A restructuring task force to be established under the Public Sector Reform Committee to help ministries with the restructuring and re-engineering exercise.	Completed
		2c. Cabinet approval to be obtained for eliminating specific positions from the public service to reduce payroll costs to no more than SI\$130 million per year.	Completed
		2d. Redundant staff to be retrenched.	Completed
	Address negative impacts of the rightsizing exercise	2e. A transition unit to be established to manage separation payments, counseling, and training for retrenched staff.	Completed
	Improve the performance of the public service	2f. A public service reform unit to be created to help individual departments and ministries with restructuring, process redesign, and management improvements. Unit initially to be staffed by at least two professional staff, with two more to be added after loan funds are available.	Completed
		2g. Cabinet approval to be obtained for the establishment of a system for planning, monitoring, and evaluating the performance results of ministries and key Government departments.	Completed

Primary Objective	Secondary Objective	Policy/Institutional Reform Measure or Action	Status
		2h. Semi-annual report on the implementation of Cabinet-approved changes in the structure of ministries and of the re-engineering of ministries' systems and processes to be provided.	Partially completed
		2i. MTDS to include directions for changing the public service.	Complete
		2j. Public service laws and related legislation in connection with improvements recommended by the Public Service Reform Unit to be reviewed by 31 July 1999 and proposals for amendments or new legislation to be submitted to the Cabinet for approval by 30 September 1999.	Partially completed
		2k. Competitive and transparent recruitment, selection, and appointment procedures to be applied to all public service staff, including prior public notification of vacancies, application of objective selection criteria, and application of equal opportunity principles.	Partially completed
	Develop leadership capability and motivation of senior staff	2l. Management development program targeted at senior staff to commence.	Partially completed
		2m. Revised guidelines on staff performance evaluation to be prepared to enhance effectiveness and necessary orientation and training to be provided to concerned staff.	Completed
	Develop staff skills and capacities	2n. Needs-based training programs to be implemented in collaboration with proposed staff training institute.	Not completed
	Link accounting, budgeting, and planning processes to service delivery	2o. 1999 budget submissions for at least four selected ministries to include verifiable performance targets.	Completed
3. Privatization of State-Owned Enterprises			
Improve efficiency of resource use by withdrawing the Government from commercial activities	Privatization of State-Owned Enterprises (SOEs)	3a. Cabinet to approve privatization policy.	Completed
Liquidate Government equity investments to enable debt repayment		3b. A privatization unit responsible for implementing the privatization policy and for monitoring operations of SOEs to be established.	Completed
		3c. The unit to be staffed by at least one professional staff member and after loan effectiveness by at least two more.	Completed

Primary Objective	Secondary Objective	Policy/Institutional Reform Measure or Action	Status
		3d. Monitoring system to be established by the Privatization Unit to obtain critical management and financial information from SOEs in the Investment Corporation of Solomon Islands (ICSI) portfolio, as well as information on the privatization status of the companies in its portfolio.	Completed
		3e. Policy statement to be issued that all asset sales of SOEs will involve advertising and open tendering procedures to ensure fairness and transparency (for SOEs with existing foreign partners who hold pre-emption rights, sales may be negotiated with the foreign partners at a price based on asset valuation by reputable international appraisal firms).	Completed
		3f. Policy statement to be issued that all proceeds from divestments/sales to be applied first to reduction of Government liabilities/arrears.	Completed
		3g. Instructions to be issued to ICSI to dispose of its shareholding in Solomon Telekom, Ltd. and Solomon Islands Plantations, Ltd.	Completed
		3h. Negotiations to sell ICSI's shareholdings in Solomon Telekom, Ltd. and Solomon Islands Plantations, Ltd. to potential buyers to be initiated.	Completed
		3i. For all SOEs, Cabinet to approve action plans for liquidation, restructuring, corporatization, divestment, and/or privatization.	Partially completed
		3j. Market offers to be invited for at least six SOEs, with the sale or liquidation of at least three of such enterprises to be finalized.	Not completed
		3k. For SOEs outside the ICSI portfolio, a monitoring system to be set up to obtain critical management and financial information.	Not completed
		3l. Prior to the privatization of monopolistic services (airline, power, water, telecommunications, and so on), regulatory arrangements to be established or improved to ensure fair pricing and proper service and environmental and safety standards.	Partially completed
		3m. Guidelines for SOEs to be issued that establish a corporate governance framework so as to enhance management and promote accountability.	Not completed
4. Strengthening of Governance Institutions			
To promote good governance in the public sector	To enhance the Government's financial accountability	4a. Audits of Government and SOE accounts to be contracted out.	Partially completed
		4b. Audits of Government 1993–1995 accounts to be completed.	Completed
		4c. Reports by the auditor-general and the Public Accounts Committee to be published and made available in the national library and to the media.	Not completed
		4d. An action plan to improve the effectiveness of the Auditor-General's Office to be prepared.	Completed

Primary Objective	Secondary Objective	Policy/Institutional Reform Measure or Action	Status
		4e. The Government's 1996 accounts to be completed.	Partially completed
		4f. The Government's 1997 accounts to be completed	Partially completed
		4g. Audit of the Government's 1996 accounts to be completed.	Partially completed
		4h. Audit of the Government's 1997 accounts to be completed.	Partially completed
	To enhance accountability of civil servants and reduce opportunities for corruption	4i. Cabinet approval to be obtained for an action plan to rehabilitate land administration and the land registry.	Partially completed
		4j. Report to be prepared, with participation by the ombudsman and leadership code commissioners on measures needed to strengthen these offices, including possible legislative amendments.	Partially completed.
	To enhance transparency of key Government decisions	4k. A public tender process to be applied for Government procurement of goods and services and for disposal of nonland assets.	Substantially completed
		4l. Regulations to be issued specifying that for public procurement above established thresholds, all invitations to tender, and the names of successful tenderers shall be published in the Gazette and in newspapers.	Completed
		4m. All existing and rescinded discretionary exemptions and remissions from customs duties to be published in the Gazette and in newspapers.	Completed
		4n. Amendments to the Lands and Titles Act and related legislation, as necessary, to ensure increased transparency with respect to the disposal of Government land to be presented to Parliament.	Partially completed

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, organizational and economic management practices.	LA, Section 4.01(a)	Complied with
In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.	LA, Section 4.01(b)	Complied with
The Borrower shall make available, promptly as needed, the funds, facilities, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Program.	LA, Section 4.02	Complied with
The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.	LA, Section 4.03	Complied with
Except as the Bank may otherwise agree, the Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.	LA, Section 4.04(a)	Complied with
The Borrower shall enable the Bank's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.	LA, Section 4.04(b)	Complied with
The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods financed out of the proceeds of the Loan; (iii) the Counterpart Funds and the use thereof; (iv) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.	LA, Section 4.05(a)	Complied with
Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to the Bank quarterly reports on the implementation of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall	LA, Section 4.05(b)	Partly complied with

Covenant	Reference in Loan Agreement	Status of Compliance
<p>reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.</p>		
<p>Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.</p>	LA, Section 4.05(c)	Partly complied with
<p>It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will <i>ipso facto</i> equally and ratably secure the payment of the principal of, and service charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.</p>	LA, Section 4.06(a)	Complied with