

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAUS/PARD

TA No., Country and Name			Amount Approved: \$225,000	
TA 8290-FSM: Public Administration Review of the National Government			Revised Amount: \$225,000	
Executing Agency The Office of President		Source of Funding TASF	Amount Undisbursed: \$13,557.88	Amount Utilized: \$211,442.12
TA Approval Date:	TA Signing Date:	Fielding of First Consultants:	TA Completion Date Original: 31 December 2013	Actual: 31 August 2014
18 December 2012	18 December 2012	6 May 2013	Account Closing Date Original: 31 December 2013	Actual: 30 September 2014
<p>Description: The Federated States of Micronesia (FSM) initiated public sector reforms both at the national and the state levels in the late 1990s with support of ADB. Early reforms focused on fiscal consolidation mainly through expenditure cuts. The country reduced the number of civil servants by over 20%, and imposed strict restrictions on wages of civil servants. Although the reforms contributed to a lower wage bill, they gave an adverse impact on morale of civil servants and reduced incentives to perform at high standards. The government has recognized difficulties in maintaining acceptable standards of public services and performing core governmental functions. Based on the request by the government, ADB provided the small scale technical assistance to support the government's initiative to review: (i) the organizational set-up of public administration; and (ii) the National Public Services System (NPSS). The TA aimed to support the assessment of the organization structure, the job classification, and the remuneration system at the national level based on roles and responsibilities assigned to government units and civil servants, and propose concrete reform options for better public administration.</p> <p>Expected Impact, Outcome and Outputs: The expected impacts of the TA were an overall political and administrative consensus on the need for reorganization of government structure and revisiting the NPSS, and adoption of the recommended approach. The expected outcome was the endorsement of reform measures to strengthen the national public administration and the NPSS by the Office of the President (OPR) for submission to Congress. The outputs included: (i) assessment of the rationale for the institutional and organization set-up of their national government's public administration and the NPSS; (ii) options for alternative institutional and organization arrangements in the national public administration; and (iii) options for revisions to the NPSS operational manuals.</p> <p>While the TA was ambitious, its design was appropriate. However, the objectives and goals of the TA were not well understood by the Office of the President (OPR), the executing agency (EA), and the Personnel Division, the implementing agency (IA), which resulted in an unnecessary confusion about the TA activities and a lengthy delay of TA implementation. Almost one year after the TA inception, an ADB TA review mission (Nov 2014), led by a new project officer, found that the government had a completely different view on TA's goals and activities. Major factors explaining the perception gaps are: (i) the lack of adequate consultations on TA goals and activities with the government at the processing and early implementation stages; (ii) the lack of communications with the government after a transfer of the original project officer; and (iii) the lack of involvements of higher levels of officials, which were required for public administration reforms that can affect the entire government.</p> <p>Given the perception gaps at the implementation stage, ADB and the government conducted a series of discussion to resolve the problem. It was then agreed that the TA would deliver: (i) medium term reform plan of public administration; and (ii) proposals for immediate actions in NPSS from where there would be better public administration.</p> <p>Delivery of Inputs and Conduct of Activities: The TA engaged two international consultants: (i) Public Administration/Institutional Development Expert and Team Leader; and (ii) Compensation Expert. The assignments started much later than anticipated because of lengthy delays in the recruitments of the two consultants. The inception mission (May 2013) was conducted about five months after the TA approval. Overall, the consultants performed well, while there were some difficulties in the team leader's coordination roles.</p> <p>The TA was extended for 8 months to complete assignments based on the revised TA outputs. However, limited TA resources could not allow the TA to produce some of the expected outputs. Savings of another capacity development TA (7213-FSM: Strengthening Public Sector Performance) were utilized to complete the assignments.</p>				

Evaluation of Outputs and Achievement of Outcome: The lengthy delay and limited resources did not allow the TA to achieve the expected outcome (endorsement of reform measures by the government). The TA could not produce all of the expected outputs, either. However, the Compensation Expert prepared concrete reform proposals of job grading and pay structure for civil servants. FSM's current job grading and pay structure are overly complicated without clear linkages with individual staff's roles, responsibilities, and performance. By appropriately rank-ordering jobs in line with the perceived value of each job's content, through job evaluation and grading, the fairness of the compensation system can be improved. Changing relative compensation through rationalizing job grades (rank-order) can alter workers' perceptions of the system's fairness. The proposals will continue to be discussed as a key reform option in the near future.

Overall Assessment and Rating: The TA could have been better managed with more consultation with the government at the processing and early implementation stages. TA review missions should have been utilized to identify adjustments required for effective implementation of the TA. Despite all these faults, the TA still produced some concrete reform proposals that can lay the foundation of future policy dialogue. The TA can be assessed as partially successful.

Major Lessons: TA processing requires a careful assessment of the government's ownership. Clear understanding of TA goals, objectives, and activities need to be established at the processing stage. Even at the early stage of TA implementation, regular communications with the government and consultants are required for effective TA implementation.

Public administration reforms require a strong political commitment by top policymakers since they can affect the entire government. In the TA, the Personnel Division could not perform well as the IA with its limited administrative capacity. Further, organizational structure of public administration, one core element of the TA, was far beyond the responsibilities of the Personnel Division. It is thus important to choose appropriate government units as the executing and implementing agencies.

It is also critical to consider an appropriate resource allocation to TA that covers a wide range of topics in a public administration reform initiative. While the project officer requested an additional financing after the revision of the TA goals and objectives in consultation with the government, it was not materialized due to the lack of TA resource in the department.

The success of reforms depends on technical merits of proposed reform options, but more on political feasibility. ADB needs to consider a long-term commitment with appropriate resources once it decides to intervene in public administration reforms. ADB also needs to avoid any disruption of TA implementation due to a transfer of a project officer during the TA implementation.

Recommendations and Follow-Up Actions: TA activities that could not be accomplished were transferred to the ongoing TA 7213-FSM: Strengthening Public Sector Performance. Major outputs prepared under the TA, particularly reform proposals of staff grading and pay structure, will be discussed with the government and other stakeholders to seek their commitment to reforms.

ADB will continue to support the government's initiative of public administration reforms. COBP 2015-2017 puts a high priority on technical supports for public administration reforms both at the national and state level as a core policy reform agenda towards the long-term fiscal sustainability. The outputs of this TA will be utilized as a basis for more effective interventions in public administration reforms. As a key development partner, ADB will continue its policy dialogue with the government to find out priority areas of public administration reforms and an appropriate approach that can lead to actual reforms both at the national and state level governments.

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