

MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT FOR THE OUTER ISLANDS AGRICULTURE DEVELOPMENT PROJECT IN THE KINGDOM OF TONGA (Loan 1412-TON)

On 19 October 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 Project Performance Evaluation Report (PPER) well prepared with a comprehensive analysis of the Outer Islands Agriculture Development Project (the Project) and its implementation. The lessons learned provide valuable guidance for the designing of future loan and technical assistance (TA) projects in Tonga and elsewhere in the Pacific. Management response focuses on the overall assessment and the lessons learned. The Pacific Department will pursue the follow-up actions as recommended.

A. Overall Assessment

2. Tonga has been member since 1972 and the Project (SDR2.43 million in 1995) was ADB's 8th loan to Tonga. We acknowledge that the Project Completion Report (PCR) of December 2001 assessed that the Project was implemented mostly, with the exception of the community funds, as intended, and that the Project had achieved its main objective with an internal economic rate of return of 22%. The PCR recommended that (i) monitoring of the Project benefits be strengthened, (ii) a covenant be added concerning the Tonga Trade marketing agency to receive 50% financing from the private sector, (iii) the Project be adequately resourced by the Government, and (iv) external resources be sought to assess opportunities for enhancing the benefits to improve transport services to the Niuas, Tonga's far-flung Northern islands.

3. We also note that the agriculture sector has received a total of four ADB-funded TA projects, including the Project Preparatory Technical Assistance (PPTA) for the evaluated Project (Agricultural Development), its two piggy-backed TAs (Capacity Strengthening of Ministry of Agriculture and Forestry and Institutional Strengthening of Tonga Trade) and a TA for Agriculture Sector Review.¹ The latter aimed to assist the Government with the proposed reorganization of the Ministry of Agriculture, Forestry and Food and a preparation of a road map for the development of the sector over a 10-year period. In spite of efforts under this TA and by other development partners (Australian Agency for International Development), the processes to improve sector performance have seen resistance by the sector management, particularly constraining development of opportunities to expand private sector involvement in the sector.

¹ ADB. 1993. *Technical Assistance to Tonga for Agricultural Development*. Manila.

———. 1995. *Technical Assistance to Tonga for Capacity Strengthening of Ministry of Agriculture and Forestry*. Manila.

———. 1995. *Technical Assistance to Tonga for Institutional Strengthening of Tonga Trade*. Manila.

———. 2003. *Technical Assistance to Tonga for the Agriculture Sector Review*. Manila.

4. We acknowledge the rather severe downgrading in the rating from the PCR. This is congruent with the experienced difficulties in implementing and finalizing the report under the TA for Agriculture Sector Review in 2004.

5. We also acknowledge the PPER's evaluation with respect to (i) relevance, with the Project design involving seven components evaluated less than relevant to the needs that only partially achieved their intended objectives; (ii) effectiveness, with Project implementation arrangements involving five agencies and the Project suffering from shortages in counterpart funds and staffing; (iii) efficiency, with the Project affected by limited recognition of the logistics issues and less than acceptable degree of ownership of the Government manifested in limited counterpart and operational funding of the components; (iv) sustainability, affected by the policy incoherencies with respect to the Tonga Trade component and the lacking maintenance and operational funding for the established facilities, and (v) the poor performance of the Government as well as ADB. The recommendations of the PPER will be incorporated in ADB's work in Tonga and more broadly in the Pacific in the relevant sectors.

B. Lessons Learned

6. We agree with the lessons learned and will incorporate these in ADB's forward program.

- (i) **Organizational Restructuring:** While some progress was achieved in improving the efficiency of the Ministry of Agriculture and Forestry (now Ministry of Agriculture), we note that institutional restructuring in the Pacific requires long-term commitment of both the Government and the development partner as well as appropriately scaled and delivered interventions through TA consultants. A diligent and realistic assessment of the prevailing and developing institutional capacities to own and implement restructuring efforts is needed that are supported by targeted capacity building assistance.
- (ii) **Public Private Partnerships:** Development of market access institutions call for a critical assessment of the private sector ownership and capacity of the private sector to contribute to the initiatives such as the Tongan Trade.
- (iii) **Sustainability:** Capital investment funding of infrastructure requires greater efforts to ensure the lifecycle funding of the operation and maintenance of the built facilities in order for these to deliver their projected benefits to the economy.

C. Suggested Follow-up Actions

7. We agree with the three recommended follow-on actions and suggest that the Pacific Department take up the related policy dialogue. While ADB's next Country Partnership Strategy and Program may not include agriculture sector interventions, policy dialogue can be conducted through the Country

Partnership Strategy and Program Update preparation process in addition to the urban development sector work, where relevant.

8. In addition, ADB and Tongan development partners are preparing to support the Government with TA for the implementation of the newly adopted 8th Strategic Development Plan (SDP-8), under which opportunities are foreseen to address three proposed follow-up actions: (i) adoption of a sound sector policy framework; (ii) removal of impediments to investment in the sector; and (iii) establishment of private sector driven infrastructure to facilitate sector operations.

D. Conclusions

9. Management agrees with the report's conclusion that while support in the agriculture sector was and will continue to be needed, the sector policy framework should provide the enabling environment for appropriately designed interventions to successfully deliver sustainable benefits. The Government's SDP-8 provides an opportunity for dialogue that can be reinforced through development partner cooperation in the sector.