

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No., Country and Name TA No. 4439-RMI: Improving the Environment for Private Sector Development		Amount Approved: \$760,000 Revised Amount: -		
Executing Agency: Ministry of Resources and Development		Source of Funding: TASF	Amount Undisbursed: \$36,297.58	Amount Utilized: \$723,702.42
TA Approval Date: 19 November 2004	TA Signing Date: 22 April 2005	Fielding of First Consultants: 20 November 2005	TA Completion Date Original: 28 February 2009  Account Closing Date Original: 28 February 2009	Actual: 28 February 2010   Actual: 31 May 2010

### Description

The Government of the Republic of the Marshall Islands (RMI) understands the importance of a strong private sector in RMI and recognizes that the key to private sector development is an enabling environment that provides for competition, productivity and efficient delivery of goods and services that meets the needs of the population. Under these conditions, the private sector is able to generate broad-based growth, broaden consumer choice and generate opportunities for all people, especially the disadvantaged.

At the request of the Government of RMI, ADB completed a private sector assessment in 2002 (TA 6037-REG: *Private Sector Development Strategy for the Pacific*) and technical assistance (TA) supporting regulatory reform under a regional framework in 2004 (TA 6202-REG: *Diagnostic Studies for Secured Transactions Reforms in the Pacific Region*). Two TAs, i.e., the Land Registration Authority (LRA) (TA 3941-RMI: *Mobilizing Land*) and the joint ADB/Foreign Investment Advisory Service regional TA to address administrative barriers to private sector development (TA 6162-REG: *Improving the Legal Business Environment in the Pacific*) had significant impact on the business environment in RMI. Following an ADB fact-finding mission in March/April 2004, the Government of RMI and ADB reached an understanding on the goals, purpose, scope, implementation arrangements, costs, and financing arrangements for this TA.

### Expected Impact, Outcome and Outputs

The primary long-term goal is to foster an enabling environment for productive opportunities, transactions, and capital formation for private sector development leading to broad-based growth and an increase in the standard of living. The TA was expected to help create an environment conducive to investment and productive employment by freeing up assets that are currently under utilized due to the lack of a movable property registry. The TA is expected to simplify public sector land transactions, increase administrative efficiency, and therefore reduce the burden and potential for poor investment of public and private resources. Expected outputs include: (i) a strengthened LRA with increased applications and registrations with an improved computer environment; (ii) a secured transactions regime operational in RMI including the passing of a secured transactions law and the implementation of a computer-based secured transactions registry; and (iii) reduction in administrative working barriers for the private sector.

### Delivery of Inputs and Conduct of Activities

The TA required a total of 25.61 person-months of input (19.29 of international and 6.32 of local) through Vinstar Consulting (the consultant). In consultation with the Government of RMI and ADB, international TA team members made 23 visits to Majuro to meet with counterparts, stakeholders, and donors. The focus of the TA was to build capacity of local resource. In this regard, to further strengthen local capacity that resided within the counterpart organizations, the local TA team member was selected for intensive knowledge transfer and capacity building (in the specialist areas covered by the TA, most notably secured transactions reform and land reform) under the guidance of the Team Leader. The Team Leader worked closely with the team member in a focused manner, providing specialist inputs while in the field, supplemented by extensive support while in the home office. The team leader also provided regular support and direction to TA counterparts (most notably to the LRA and also the Ministry of Research and Development) during field visits and on a consistent basis from the home office. In addition, the consultant's Project Director made a number of visits to Manila (funded by the consultant), especially in the early stages of the TA, to review the expected deliverables and plan the required direction of the project.

### Evaluation of Outputs and Achievement of Outcome

The TA was implemented intermittently commencing in November 2005 with the first visit of the Team Leader. As of March 2010, land registration recording increased from 200 in 2005 to 3,500 in 2010. More than 300 movable assets were also registered under the Secured Transaction Registry. Other outputs and achievements of the TA were as follows:

- An operational Secured Transactions environment (including an operational Filing Office in RMI);
- A comprehensive Secured Transactions Operations Manual;
- A comprehensive training in the operation of the secured transactions system via seminars, workshops and one on one training;
- A Secured Transactions Act and Regulations;
- A Memorandum of Understanding between the Ministry of Research and Development and the LRA;
- Secured Transactions Bidding Documents followed by procurement;
- Secured Transactions computer-based system established;

- Secured Transactions Lenders' Kit;
- A website for the LRA;
- An LRA Amendment Act (effectively securing the future of the LRA in the face of increasing opposition in the RMI Parliament);
- Capacity building of staff at the LRA;
- Upgrading of the Land Registration Management Systems Software;
- Revision to the Manual of Land Registration Procedures;
- LRA Administrative Policies and Procedures Manual;
- Land Symposium;
- Recommendations on the Labor and Immigration Acts; and
- Updates to the National Investment Policy Statement.

### Overall Assessment and Rating

The Project is rated as highly satisfactory. During TA implementation, the number of land registration recording increased from 200 in 2005 to 3,500 in 2010. More than 300 movable assets were also registered under the Secured Transactions Registry. All of the goals, except for enactment of bankruptcy law, are met based on close consultations and good ownership of the project implementation. The LRA and Secured Transaction Registry are now fully operational and this will enhance more enabling environment for private sector growth.

### Major Lessons

A number of lessons can be learned from this TA. These are summarized as follows:

- There is great benefit in providing intermittent TA inputs over a long period of time. Such an approach has improved local capacity and increased the likelihood of sustainability of reforms introduced under this TA.
- There is great value in utilizing the skills of a high-caliber local consultant. The local consultant's continuous in-country availability and application of skill sets at key times has ensured that good progress has been made both by the LRA and the process of establishing a secured transactions environment has continued to progress in a timely manner. In addition, the TA team has equipped the local consultant with the necessary capacity to manage the LRA system.
- Land reform is a very sensitive area and needs to be progressed at a pace that allows comprehensive stakeholder participation. As such, the process of land reform in RMI will be slow, but steady progress can be made. The LRA has continued to support and champion the process of land reform, while the number of registrations and recordings continue to increase.
- Working in partnership with the private sector is vital for the kind of reform envisaged by this TA, i.e., legal reform and institutional reform aimed at private sector development. The private sector in RMI is highly supportive of the reform process and has benefited from the TA. The TA team has worked ceaselessly to build a strong bridge between the private sector and key Government counterparts.
- An appropriate consultative approach and private-public dialogue is necessary to support and champion the reform process. This is required to maintain focus, achieve the required general interest and momentum, and ensure that all stakeholders have a voice and thereby provide input to the reforms undertaken.
- The innovative design of the offshore hosting of the Secured Transactions Filing Office provided not only a highly cost-effective solution, but also vastly improved the robustness, reliability, and sustainability of the secured transactions environment. Innovative approaches to system solutions should always be considered when implementing such solutions in small and vulnerable jurisdictions.
- The skills of TA team members in advocacy and also their ability to understand and work closely with both the Government and the private sector (which were over and above the standard technical and consultancy skills expected of international consultants) were considered critical to the success of this TA.

### Recommendations and Follow-up Actions

Recommendations for the future include:

- Regional TA on supporting secured transactions registry (6353-REG or 7430-REG: *Pacific Private Sector Development Initiative, Phase I and II*) should provide continuous technical support.
- Maintain a close watch and provide continued support, as required, to the LRA, which is a critical organization in the process of land reform in RMI.
- Provide post-implementation support, if necessary, for the secured transactions system, an environment which is already showing benefits through confirmation of lower rates of interest following implementation.
- Capitalize on the appetite for reform in RMI and support the push for additional reform in specific areas where administrative barriers exist to facilitate further private sector development.

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