

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PLCO

TA No. 4362-VAN: Development of a Medium-Term Strategic Framework			Amount Approved: \$500,000	
			Revised Amount:	
Executing Agency: Ministry of Finance and Economic Management (MFEM)		Source of Funding: TASF	Amount Undisbursed: \$25,291	Amount Utilized: \$474,709
TA Approval Date: 21 July 2004	TA Signing Date: 3 August 2004	Fielding of First Consultant: Date: 1 March 2005	TA Completion Date Original: 28 February 2007	Actual: 2 April 2007
			Account Closing Date Original: 31 August 2007	Actual: 13 December 2007
<p>Description</p> <p>Under the Government's reform program of 1998, supported by ADB, fundamental reforms were achieved, particularly in public finance. The old line budgeting system was reformulated into a program budgeting format as a first step to adopting output-based budgeting. The development budget was integrated with recurrent budget documentation and reformulated as the Government Investment Program (GIP), which showed the value and source of all foreign aid-grant and loans. The budget document included clear statement of the Government's objectives and policies in each key area of social and economic policy. In addition, the planning period was extended from one to three years, reflecting the expected stream of revenue and expenditure. These changes had resulted in the production of budgets that became more effective in aligning budget allocations with the Government's priorities. While these reforms were ambitious and rapid, it highlighted a number of gaps and inconsistencies in the policy framework and implementation. Areas that required examination and redefining were on the formulation and articulation of medium and long-term priorities of the Government through Prioritized Action Agenda (PAA), and the sequence and resourcing of critical policy interventions to realize the country's development goals. The PAA prepared under ADB assistance in 2003 provided a lead in direction setting out priority mapping, but remained too broad and complex, lacked focus in several areas, and was fragmented, without any cost estimates. Sector policies were vaguely defined, resulting in some ambitious project definition and/or difficulties in linking project proposals to the Government's national priorities. In addition, the GIP process though overhauled and simplified over the past years, needed continuous improvement. The investment proposals included in the GIP lacked policy analysis, cost-benefit analysis, and project justification. Therefore the need for setting priorities of sector development plans, corporate plans, departmental budgets, and project proposals increasingly became apparent to meet the country's development goals in the medium term. Consequently, a TA was designed to prepare a medium term strategic framework (MTSF) by revising the PPA, redesign the GIP, and strengthen aid management and the selection and prioritizing of development programs.</p> <p>Expected Impact, Outcome and Outputs</p> <p>The TA objective was to develop a MTSF that would create a basis for setting priorities of sector development plans, corporate plans, departmental budgets, and project proposals. The TA outputs comprised: (i) a revised PAA, (ii) a simplified GIP aligned with the PAA, (iii) well-focused project proposals, (iv) a manual on preparation of project cost estimates, (v) strengthened capacity of sector policy analysts in central and line agencies, and (vi) improved coordination of externally assisted projects. By strengthening the MTSF process of prioritizing policies and projects and allocation of resources to strategic priorities between and within sectors, the TA was expected to improve financial management and use of limited financial resources, and develop the capacity of the concerned agency staff through mentoring and training programs. As a result, it was to have a significant impact on governance due to improved planning and budgeting systems, formalized links between all components of the development planning and budgeting frameworks, a medium term approach to these activities and, more importantly, a move to far more strategic development planning. The MFEM had an administrative authority within the Government for all TA components; therefore it was the executing agency. The implementing agencies were Department of Economic and Sector Planning (DESP), aid management and coordination unit in the Ministry of Foreign Affairs, and selected line agencies responsible for productive sectors. To facilitate coordination between the TA and implementing agencies, a project coordination committee (PCC) was established, chaired by the director general, MFEM.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>The TA was adequately formulated and designed in terms of budget, provision of consulting services and implementation arrangements to meet its objectives. The implementation of the TA was over 30 months with the intermittent input of three international experts recruited from a firm: (i) a public finance specialist cum aid management adviser for 10 person-months (pm), (ii) an institutional development specialist for 2 pm, and (iii) a project financial management specialist for 4 pm. Upon additional request of the EA, an economic management specialist was recruited for 3.75 pm to assist DESP in (i) development of a medium-term expenditure framework (MTEF) and training of the local staff within DESP and the</p>				

Department of Finance, (ii) revision of ministerial corporate plans, and (iii) revision of the performance indicators in the PAA. As a result, the TA completion date was extended by further six months. The consultants provided their services in accordance with the terms of reference, which were generally adequate and acceptable by the EA. They adopted a proactive approach to ensure a wide range of government officials were involved in the activities under the TA. Several workshops were organized with stakeholder groups to consolidate their views in the development of the MTSF. DESP also actively participated in the implementation of the TA. The PCC provided guidance and support throughout the TA implementation. ADB regularly conducted the TA reviews and constant dialogue with the PCC and TA consultants. This enabled the ADB to be fully involved in decision-makings at major milestones of the reform process. The original scope of the TA was completed two months ahead of the original schedule. The performance of consultants, DESP and ADB was satisfactory.

Evaluation of Outputs and Achievement of Outcome

The consultants produced all comprehensive reports (inception, interim, mid-term, and final reports) on a timely basis, which was accepted by the Government and ADB. The MTSF has been successfully developed, which included the following outputs: the preparation of the PAA 2006 – 2015; redesign of the GIP and implementation of a process for developing and implementing an accurate development database that links into the budget through the government's Financial Management Information System; focused strategic program proposals; strengthen planning capacity in DESP of the Ministry of Finance and Economic Management and line ministries; development of a monitoring framework for the PAA; and preparation for the production of an annual development report, beginning in 2008.

The revised PAA 2006-2015 provides a clear guidance on the government's strategic development priorities and the direction in which it wishes to take the country in the medium term. It places emphasis on inter-sector linkages, and is based on programs rather than projects. As a result, the PAA and other planning and budget documents are not treated in isolation from each other. Rather careful consideration is taken on the linkages between the various components of the development planning and budgeting processes and a coordinated approach to these processes.

Certain additional outputs that significantly enhanced the completeness of the MTSF were also delivered during the TA implementation, namely (i) development of a MTEF, (ii) revision of ministerial corporate plans, and (iii) revision of the performance indicators in the PAA. The MTEF – the largest additional TA output - has also considerably contributed to the overall effectiveness of the MTSF process. It links the medium term programs of Ministries and sectors through multi-year activities, supported by information on development costs and recurrent funding needs in future years. Through the MTEF, the Ministries will have access to "budget envelopes" for future years.

A series of workshops and consultation meetings were organized to discuss the TA outputs and solicit inputs from key stakeholders, including government agencies, external funding agencies, and non-government organizations. Additionally, seven Discussion Papers, two Briefing Papers and three Information Papers were prepared and delivered. These papers ensured a higher degree of involvement and ownership by local counterpart staff, and served to strengthen local capacity. Some papers were used as manuals and guides for various activities such as the preparation of Corporate Plans by Ministries. The outputs delivered by the consultants exceeded those originally required, and this supported the achievement of sustainable TA outcomes. Consequently, the Government formally adopted the MTSF and all its components in November 2006 which was announced at the Development Partners' meeting on 28 November 2006. Cooperation with other development partners also established a framework to build on the achievements of the TA.

Overall Assessment and Rating

The TA was highly successful as all the components under the MTSF was completed and accepted by all parties. Despite staff shortages in DESP, the consultants established effective working relationships with the Executing Agency (EA) which eventually contributed to the sustainable impact of the TA results. In November 2006, the Government formally endorsed the MTSF as the basis of development planning and budget preparation. The endorsement was effective immediately and resulted in the MTSF being used as the framework for budget preparation activities in 2007 for the 2008 budget.

Major Lessons

The TA was initially implemented through a series of intermittent inputs by the consultants. Given the EA's weak institutional capacity and few staff, this proved to be an ineffective approach. As a result, a full-time Team Leader was fielded from June to December 2006, and rapid progress was achieved. The lesson is that continuous rather than intermittent advisor inputs are likely to be more effective.

Recommendations and Follow-Up Actions

Following the successful completion of the TA, the sustainability of the key outcomes, including the implementation of the PAA will be supported by the Australian Agency for International Development, Governance for Growth program. The New Zealand Agency for International Development will also assist the Government with implementation of an accurate development database that links into the budget through the government's Financial Management Information system.