

ASIAN DEVELOPMENT BANK

TAR:SOL 32398

TECHNICAL ASSISTANCE

TO THE

SOLOMON ISLANDS

FOR STRENGTHENING

PUBLIC SECTOR MANAGEMENT (PHASE 2)

March 2000

CURRENCY EQUIVALENTS

(as of 9 March 2000)

Currency Unit	—	Solomon Islands dollars (SI\$)
SI\$1.00	=	\$0.197
\$1.00	=	SI\$5.08

ABBREVIATIONS

ADB	-	Asian Development Bank
PSD	-	Public Service Department
TA	-	technical assistance

NOTES

In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. A key component of the Government of the Solomon Island's reform program involves measures to improve public service management and performance.¹ The reforms were initiated in late 1997, with support from the Asian Development Bank (ADB) under the Public Sector Reform Program loan² and Phase I of Strengthening of Public Sector Management.³ The ongoing technical assistance (TA) is due to be completed by about mid-2000⁴. To enable it to pursue the next stage of reforms in this area, the Government has requested additional ADB TA. Discussions on the design of the TA, terms of reference for consultants, cost estimates, and implementation arrangements were held during a mission from 6-11 December 1999.⁵ Although there have been inadvertent delays in the implementation of the reforms (and in the release of the second tranche of the program loan), the current TA is justified at this time given the need to maintain the momentum of the reform program and capacity building efforts. The TA framework is presented in Appendix 1. A summary of the Government's reform directions is found in Appendix 2.

II. BACKGROUND AND RATIONALE

2. In the past two years, the Government has stabilized the economy, brought recurrent expenditures under control, maintained fiscal discipline, eliminated arrears, restructured public debt, reduced public expenditure by 8 percent, and introduced a professional and performance orientation in the public service. Senior officers in the public service are being placed on performance contracts with measurable performance indicators. All Government departments are being asked to include verifiable performance targets as part of their budget submissions, and to report on the accomplishment of these targets. Public service employment processes and laws are being rationalized and streamlined, with a view to ensuring transparency, merit-based selection, and equal opportunity. At the same time, structures and systems in key line ministries are being reviewed and reengineered to eliminate waste and improve efficiency. Many of these innovations in the public service were introduced with the support of ADB's ongoing advisory TA due to close in 2000). In general, the aims of

¹ The Government's reform program covers policy actions in the areas of macroeconomic and fiscal management, privatization, public sector management, and governance institutions. In general, the reform program remains on track and the Government has maintained its commitment. However, the timetable for specific reforms has been set back almost a year due to the outbreak in mid-1999 of ethnic tensions in Guadalcanal province, which resulted in the displacement and resettlement of a large part of the local population and closure of major enterprises on the island. The ethnic difficulties have absorbed a large part of the Government's resources, and temporarily diverted its attention away from the reform agenda.

² Loan 1627-SOL: *Public Sector Reform Program Loan* for US\$25 million, approved on 27 August 1998).

³ TA 3061-SOL: *Strengthening Public Sector Management*, for US\$600,000, approved on 27 August 1998. TA 3061-SOL: *Strengthening Public Sector Management*, for US\$600,000, approved on 27 August 1998.

⁴ There may be a mistaken impression that inadequate or incomplete implementation of TA 3061 has motivated the Phase II TA. The reality is that the Government has just recently embarked on a reform and capacity building process that is likely to require, perhaps, 10 or more years of institutional strengthening in key areas of government.

⁵ The TA was first listed in the ADB Business Opportunities on 17 December 1999.

the ongoing TA are likely to be met; however, there is risk that some of the capacity building efforts might have less impact if the Guadalcanal crisis continues to absorb Government attention (footnote 1) or if Government counterparts are shifted to other positions in the near future.

3. The next stage of reforms involves continuing and consolidating these gains by building sustainable capacities in the policy-making central agencies situated around the Office of the Prime Minister and Cabinet. Central agencies play a key role in developing reforms and continuous improvement, assisting departments to implement reforms, and providing policy advice to the Prime Minister. The current TA focuses on strengthening the Prime Minister's Office (Cabinet function) and the Public Service Department (PSD), including the Institutional Strengthening Unit (ISU) and the Institute for Public Administration and Management⁶. The TA will focus on enhancing both management and technical skills in these key units of the central agencies. At the same time, the TA will facilitate the preparation of proposed legislation and possible constitutional amendments to support reforms in the public service.

III. THE TECHNICAL ASSISTANCE

A. Objective

4. The ultimate goal of the TA is to improve Government effectiveness and responsiveness. It can best attain this goal when the key policy- and decision-making institutions — the Prime Minister's Office, Cabinet, and PSD — are capable and equipped to formulate, implement, and manage comprehensive Government reforms. Among the desired outcomes from the TA are (i) the transformation of PSD into a central personnel agency, with responsibility for human resource policy, training and development, management improvement, consultancy, and management review for the whole of the public service; (ii) a Cabinet Office under the Prime Minister's Office that is able to provide timely and appropriate policy advice; (iii) a capable Institute for Public Administration and Management that is able to meet the training needs of the public service; and (iv) an improved legislative framework that supports the Government's reform agenda and provides a basis for sustainable continuous improvement over many years.

B. Scope

5. The TA will provide the Prime Minister's Office, Cabinet, and PSD with ready sources of policy advice and capacity building to enable them to introduce the desired reforms and modifications in the public service in coming years. Under the TA, international and domestic consultants will be deployed intermittently⁷ over the next 18-

⁶ The Ministry of Finance is excluded from the focus of the TA as it is already being provided with substantial support under ongoing Australian Agency for International Development (AusAID) TA projects focused on sound public expenditure management and on strengthening financial management and auditing capacity of the Government. ADB is closely coordinating with the Government and AusAID to ensure that the respective TA efforts are complementary.

⁷ The use of international consultants on an intermittent basis is to avoid dependence by the Government on expatriate assistance, especially for line functions, and to maximize local ownership of, and responsibility for, the reform process. The larger than normal amount budgeted for international travel is in view of the frequency of visits of the international consultants.

24 months to provide the required advice and skills transfer. The TA will also finance production of materials, minor office equipment, and seminars and workshops to support the work of the consultants. The outline terms of reference of the TA consultants, covering the areas of public sector management, training and development, human resources management and policy, legal drafting, and business process reengineering, are attached as Appendix 3.

C. Cost Estimates and Financing Plan

6. The total cost of the TA is estimated at US\$650,000 equivalent, comprising a foreign exchange cost of US\$480,000 and a local currency cost of US\$170,000 equivalent. The entire foreign exchange cost and US\$70,000 of the local currency cost, totaling US\$550,000 equivalent will be financed by ADB on a grant basis from the ADB-funded TA Program. The Government will provide the remaining US\$100,000 equivalent in kind through the provision of counterpart staff, office accommodation, and other support services. Detailed cost estimates are presented in Appendix 4.

D. Implementation Arrangements

7. PSD under the Office of the Prime Minister will be the Executing Agency of the TA. The TA will finance the services of international and domestic consultants, training, workshops and seminars, travel of consultants and officials, and office equipment and materials. The TA will finance 17 person-months of international consulting services consisting of (i) team leader and public sector management specialist, (ii) legal drafting expert, (iii) human resources management specialist, (iv) training and development specialist, and (v) quality and continuous improvement specialist. The services of the international consultants will be rendered on an intermittent basis, as and when required by PSD, to fit in with the requirements of the reform program. The TA will also finance up to 12 person-months of domestic consulting services in the fields of public administration, human resources development, training, client satisfaction surveys, and management improvement, to be used in a flexible manner⁸ to support the work of PSD and the international consultants.

8. The consultants will be engaged by ADB in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements for the engagement of domestic consultants. The procurement of office equipment and materials under the TA will be the responsibility of the team leader of the consultants. All equipment and materials financed under the TA will be procured in accordance with arrangements satisfactory to ADB. No advance payment facility will be required to finance the workshops, seminars, office equipment, and materials. Instead, these cost items will be included, as appropriate, in the contracts of the international consultants who will be responsible for procuring and liquidating the advances made to them for these items in accordance with the ADB's standard contract for consulting services. In most cases, workshops and seminars will be organized and facilitated by the consultants; the workshop venue

⁸ Two to three domestic consultants will each be engaged for about 100-200 person-days over one calendar year, to provide support on an intermittent basis to the Executing Agency and to the international consultants. It is envisioned that the domestic consultants will work, in part, as understudies to the international consultants, to provide continuity during periods when the international consultant is not deployed. This arrangement also aims to transfer skills and expertise from the international to the domestic consultants.

rental, food and refreshments, and other out-of-pocket costs of the workshops and seminars will be financed under the TA. It is expected that the TA will begin about April 2000 and be completed within 24 months, on or about the end of March 2002.

9. The consultants will be based at the Institutional Strengthening Unit of the PSD and will report to the secretary, PSD. However, the consultants will be expected to interact with, and, if requested, provide advice and support to, key officials of the central agencies of the Government, including the Office of the Prime Minister, Cabinet Office, Ministry of Finance and Development Planning, offices of the Attorney General and Solicitor General, and Institute of Public Administration and Management.

10. The international consultants will each be required to submit to ADB a brief progress report at the end of each visit to the country, and a final report at the end of their consultancy. However, in the case of the team leader, a brief status report on the progress of the overall TA should be provided regularly (at least on a quarterly basis), and a general final report upon the completion of the TA.

IV. THE PRESIDENT'S DECISION

11. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of the Solomon Islands in an amount not exceeding the equivalent of US\$550,000, for the purpose of Strengthening Public Sector Management (Phase 2), and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
Goal More effective and responsive Government	Government capable of restructuring to better accomplish its stated objectives; line agencies able to reorient themselves to better serve their intended clients	Agency reform and restructuring plans: client satisfaction surveys conducted by independent local groups or non-government organizations	Prolonged political and macroeconomic stability; resolution of Guadalcanal tensions
Purpose To build sustainable capacities in key policy-making central agencies, especially the Office of the Prime Minister and Cabinet	Central agencies capable of providing clear policy direction, introducing legislative and public service reforms, and monitoring policy implementation	Clear performance targets for all key agencies; monitoring reports produced and discussed by Cabinet; new laws passed to reform the public service	Political instability or resurgence of Guadalcanal violence may distract the Government from its reform agenda
Outputs 1. Provide advice, support, and mentoring to key officials of central agencies. 2. Provide legal advice and legal drafting services, and train local staff in legal drafting. 3. Strengthen performance management throughout the public sector. 4. Introduce best practice in human resource management and staff development.	1. Key policy positions in central agencies staffed by officials able to formulate and implement priority reforms. 2. Capacities strengthened in key legislative agencies; reform-oriented legislation introduced and passed 3. Key line agencies with ongoing performance improvement programs 4. Adoption of improved human resource development and training policies and systems in the public service;	1. Streamlined Cabinet processes; policy analysis and monitoring reports prepared by central agency staff 2. New laws and bills prepared by key legislative agencies; reduced lead time for drafting bills 3. Restructuring and re-engineering plans prepared by staff of key line agencies 4. Publication of new human resource development policies; availability of new training programs in line with reorientation of the public service	1. Continuity of local counterpart staff; support of, and access of consultants to, highest levels of Government 2. Political stability; resolution of ethnic tensions in Guadalcanal 3. Full support of local counterpart agencies, such as the Cabinet Office, the Institute of Public Administration and Management, and the Attorney-General's Office.

(Reference in text: page 1, para. 1)

SUMMARY OF REFORM DIRECTIONS

Situation in 1997

- Unproductive and demoralized public service staff
- Weak service delivery
- Absence of fiscal controls resulting in large deficits and arrears
- Lack of direction and performance orientation throughout Government
- No accountability for use of public resources or funds

Medium-Term Reforms (1998-2000)

- Cut in payroll cost
- Balanced recurrent budget
- Medium-term budget framework linked to medium-term development strategy
- Tight centralized controls on Government finances
- Institutional strengthening unit formed within Prime Minister's Office
- Ministry secretaries on performance contracts with specific deliverables
- Executive development program for senior officers and managers
- Measurable output targets in ministry budget submissions
- Streamlining and simplification of public service employment processes
- Rationalization of public service employment laws and procedures
- Reengineering of work processes and structures in key ministries
- Elimination of backlog of national Government accounts and audits

Additional Reforms Envisioned by 2002

- All heads of departments and senior staff on performance contracts
- Mechanisms for measuring and validating ministry and staff performance
- Deliverables of ministries and departments publicized in media
- Upgrading of Government accounting systems and skills
- Performance/value-for-money audits by the Auditor-General's Office
- Financial incentives and bonuses for good performance of officers and staff
- Non-government organizations and stakeholders involved in evaluations of ministry performance
- Elimination of backlog of accounts and audits of State-owned enterprises
- Corporate governance framework instituted for all State-owned enterprises

OUTLINE TERMS OF REFERENCE

A. Team Leader (4 person-months, intermittent)

1. The Team Leader, an expert in public sector management and reform in the Asian/Pacific region, will have the following responsibilities:

- (i) Act in a supporting role for the secretary, Public Service; the head, Institutional Strengthening Unit; and assist, at the discretion of the secretary, Prime Minister and Cabinet in the strengthening of the Prime Minister's Office, especially in the policy planning and analysis and Cabinet Secretariat functions.
- (ii) Provide regular reports to the Policy and Structural Reform Committee, the Chairperson of the Task Force on Public Service Reform, and the Prime Minister on the progress of the reform program.
- (iii) Provide position papers, as required, for the Prime Minister's Office, the Cabinet, and the Secretaries' Forum.
- (iv) Ensure that there is regular liaison between the technical assistance (TA) team of other bilateral and multilateral aid bodies to maximize coordination according to the broad framework of public sector reform as mandated by the Government, and directed and reviewed by the Policy and Structural Reform Committee.
- (v) Provide the Asian Development Bank (ADB) with regular (at least quarterly) status reports on the progress of its public sector reform TA throughout the year, and a general final report upon completion of the TA.
- (vi) Ensure that the work of the TA team and the timing of its deployment is achieved with optimal effectiveness.
- (vii) Handle the procurement of office equipment and materials required by and financed under the TA.

B. Legal Drafting Expert. (4 person-months, intermittent)

2. Acting in close consultation with the offices of the Attorney-General and the Solicitor-General, but seconded to the Cabinet Secretariat in the Department of the Prime Minister and Cabinet, the legal drafting expert will have the following responsibilities:

- (i) Provide legal drafting services according to the Government's legislative program priorities and timetable, particularly those related to public

employment and the reform of Government structures and systems.

- (ii) Assist, where feasible, with the supervision and training of indigenous legal graduates recruited for the purpose of assuming legal drafting roles within the Attorney-General's or Cabinet Office.
- (iii) Provide appropriate advice on systems, linkages; and protocol improvements in the legislative process from the standpoints of departments, the cabinet office, the Attorney-General's Office, and the Bills Committee.
- (iv) Submit to the team leader and to ADB a progress report at the end of each visit to the country, and a final report at the end of the consultancy. The reports should present the work program, activities, and objectives of the consultant, the outcome of the consultant's involvement, pending issues, and recommendations for further action.

C. Quality and Continuous Improvement Specialist (3 person-months, intermittent)

3. The focus for the work of the quality and continuous improvement specialist will be to embed corporate planning and performance management throughout the public sector. Lack of planning at an organizational level is a key gap that needs to be addressed. Accordingly, the quality and continuous improvement specialist, an expert in organizational development, total quality management and corporate planning methods, will be responsible for the following:

- (i) Develop a service-wide corporate planning, business planning, and annual reporting methodology.
- (ii) Provide training to departments on developing corporate and business plans and annual reports.
- (iii) Provide training to relevant sections of the Public Service Department (PSD) in the assessment of planning and reports.
- (iv) Reengineer and reform the establishment process — closely linked to financial systems and reporting development within the Department of Finance.
- (v) Submit to the team leader and to ADB a progress report at the end of each visit to the country, and a final report at the end of the consultancy. The reports should present the work program, activities, and objectives of the consultant, the outcome of the consultant's involvement, pending issues, and recommendations for further action.

D. Human Resources Management Specialist (3 person-months months, intermittent)

4. The human resources management specialist will complete the following:
 - (i) Act in a support and mentoring role for one or more project officers and domestic consultants in the Institutional Strengthening Unit.
 - (ii) Transfer consulting skills and knowledge of human resource management practices to members of working groups.
 - (iii) Develop a methodology for successfully delegating personnel powers to departments, including addressing risk minimization, reporting and accountability requirements, training requirements for both the central agency and the delegates and the development of an appropriate submission to the Public Service Commission.
5. In addition, in conjunction with the training and development specialist and a working group comprising PSD and departmental staff, the human resources management consultant will have the following responsibilities:
 - (i) Develop a policy on job design.
 - (ii) Develop a policy on job classification.
 - (iii) Transfer capability in job documentation, analysis, and design by providing training to key people.
 - (iv) Document, analyse, and redesign a range of identified key posts.
 - (v) Develop appropriate classification standards for an office-based cadre comprising the current administrative, accounting, and secretarial cadres.
 - (vi) Develop an implementation plan, including ensuring that adequate consultation occurs with key stakeholders.
 - (vii) Submit to the team leader and to ADB a progress report at the end of each visit to the country, and a final report at the end of the consultancy. The reports should present the work program, activities and objectives of the consultant, the outcome of the consultant's involvement, pending issues, and recommendations for further action.

E. Training and Development Specialist (3 person-months, intermittent)

6. The training and development specialist will undertake the following:
 - (i) Align the Institute of Public Administration and Management (IPAM) to the reform process so that its programs underpin and reinforce the

imbedding of changes.

- (ii) Review and redevelop the operational role and functions of IPAM.
- (iii) Develop a training needs assessment methodology.
- (iv) Develop training and development processes, and transfer knowledge of adult learning approaches.
- (v) Act in a support and mentoring role for one or more project officers and domestic consultants in the Institutional Strengthening Unit.
- (vi) Transfer consultancy skills and knowledge of human resource management practices to members of working groups.

7. In addition, in conjunction with the human resources management specialist and a working group comprising PSD and departmental staff, the training and development specialist will undertake the following:

- (i) Transfer capability in job documentation, analysis, and design by providing training to key people.
- (ii) Document, analyse, and redesign a range of identified key posts.
- (iii) Develop appropriate classification standards for an office-based cadre comprising the current administrative, accounting, and secretarial cadres.
- (iv) Submit to the team leader and to ADB a progress report at the end of each visit to the country, and a final report at the end of the consultancy. The reports should present the work program, activities and objectives of the consultant, the outcome of the consultant's involvement, pending issues, and recommendations for further action.

F. Domestic Consultants

8. The TA will also finance up to 12 person-months of domestic consulting services in the fields of public administration, human resources development, training, client satisfaction surveys, and management improvement, to be used in a flexible manner to support the work of the Executing Agency and the international consultants.

COST ESTIMATE AND FINANCING PLAN
(US\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. ADB Financing			
1. International Consultants Remuneration & Per Diem	360.0	0.0	360.0
2. Domestic Consultants Remuneration	0.0	48.0	48.0
3. International Travel	50.0	0.0	50.0
4. Local Travel	0.0	3.0	3.0
5. Communication and Report Preparation	0.0	0.0	0.0
6. Workshops and Seminars	0.0	10.0	10.0
7. Office Equipment	8.0	0.0	8.0
8. Contingencies	62.0	9.0	71.0
Sub total (A)	480.0	70.0	550.0
B. Government Financing			
1. Counterpart Staff	0.0	50.0	50.0
2. Secretarial Services	0.0	10.0	10.0
3. Office Accommodations	0.0	25.0	25.0
4. Contingencies	0.0	15.0	15.0
Sub-Total (B)		100.0	100.0
Total	480.0	170.0	650.0

(Reference in text: page 3, para. 6)