

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Pacific Operations Division

<b>TA No. and Name</b> TA No. 2646-FSM: Capacity Building for Management and Operation of Water Supply and Sanitation Systems			<b>Amount Approved:</b> \$587,000	
			<b>Revised Amount:</b> —	
<b>Executing Agency:</b> Department of Transport, Communications and Infrastructure		<b>Source of Funding</b> TASF	<b>TA Amount Undisbursed</b> \$38,307.53	<b>TA Amount Utilized</b> \$548,692.47
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b> 19 Sept. 1996	<b>Signing</b> 11 March 1997	<b>Fielding of Consultants</b> 16 October 1997	<b>Original</b> 30 November 1997	<b>Actual</b> 30 June 1998
			<b>Account Closing Date</b>	
			<b>Original</b> 30 November 1997	<b>Actual</b> 30 September 1999
<b>Description</b> A project preparatory technical assistance (TA) <sup>1</sup> was approved on 18 August 1994 to assist the Government with the formulation of a Water Supply and Sewerage System. During project preparation, the consultant identified the need for institutional strengthening, and improvement of financial management capacities of the utility corporations (UCs) in various states of the Federated States of Micronesia (FSM).				
<b>Objectives and Scope</b> The objectives of the technical assistance were to develop financial and management systems, operations and maintenance (O&M) capability, and public education and participation capability in Chuuk Public Utilities Corporation (CPUC), Pohnpei Utilities Corporation (PUC), Kosrae Utilities Authority (KUA) and Yap State Public Services Corporation (YSPSC).  The overall services included (i) determination of requirements for leakage detection and prevention measures; (ii) determination of water supply and sewerage system O&M requirements; (iii) determination of Management Information Services (MIS), billing, and accounting requirements; (iv) identification of public education and public participation measures relevant to the socioeconomic background of each state; (v) establishment of the necessary systems to address these issues; (vi) provision of staff training; and (vii) preparation of operational manuals. The TA was to address the specific level of development and capabilities presently in each of the four UCs.				
<b>Evaluation of Inputs</b> The TA was formulated recognizing the technical and financial management inadequacies of each State utility. The TA covered a range of inputs for capacity building activities tailored to the needs of the UCs. KUA did not participate in the Project due to non-compliance of loan disbursement conditions. However, for KUA, some basic training in financial management was carried out along with training in operation and maintenance and public education related to a water supply system. <sup>2</sup> The involvement of YSPSC was limited as they already had in place a financial management information system, and effective operation and maintenance personnel.  The overall performance of the Consultants is considered satisfactory. Considering the differing needs of the four States and varying conditions under which they operated, the Consultants provided satisfactory support. The States of Pohnpei and Yap benefited most, but Chuuk did not fully benefit from the TA due to political and institutional constraints. Although the Consultants provided follow-up evaluations of its billing and financial management systems to CPUC, the impact was limited.  The performance of the EA and ADB is rated as satisfactory and the Government was generally satisfied with the quality of TA inputs.				
<b>Evaluation of Outputs</b> An O&M operations manual, and a financial management manual for the UCs were prepared.				

<sup>1</sup> ADB. 1994. *Technical Assistance to the Federated States of Micronesia for Water Supply and Sewerage Project*. Manila.

<sup>2</sup> With immediate benefits to KUA's power supply services.

The PCR Mission for *Loan 1459-FSM: Water Supply and Sanitation Project* noted that the financial management reports were prepared and covered (i) budgeting and procurement procedures, (ii) asset registration system, (iii) inventory management software, and (iv) an accounting manual. However, the accounting manual completed was generic, and it failed to clarify treatment of specific expenditures, such as lease payments in its accounting policies for the States. Nevertheless, the reports were highly appreciated by the UCs.

The TA generally produced the expected outputs. However, due to the delay in the loan project implementation, the outputs lacked the expected impacts. Adhering to the TA schedule rather than the loan project schedule in this case, produced less than expected results.

#### **Overall Assessment and Rating**

The TA has been instrumental in the improvement of the O&M and financial management capacities of the UCs. Despite the inability of KUA to participate in the Loan Project, it benefited from the TA capacity building program. Those trained outside of the UCs, mainly the State health, education and environment agencies have also benefited from the TA.

The PCR Mission noted that the TA activities were not timed with the implementation of the loan Project. As a result, the overall performance of the TA can, at best, be rated as partly successful.

#### **Major Lessons Learned**

The success of the TA greatly depended on the quality of the TA consultants. Selection of appropriate team and team leader, therefore, are vital for any capacity building assistance to succeed.

Timing of piggy-backed TA is crucial. In this case, the TA implementation should have been scheduled after the commencement of project implementation. This would have resulted in a more focused capacity development in the UCs.

#### **Recommendation and Follow-Up Action**

There is a need to assess the UCs' overall capacity to sustain the TA benefits. PARD will follow up on the progress.

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