

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

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Description <p>The Pacific Financial Technical Assistance Centre (PFTAC) was established in 1993 with initial support from the International Monetary Fund (IMF) and the United Nations Development Program to address the lack of technical skills and institutional capacity to formulate and implement appropriate economic and financial policies in 15 Pacific island developing countries, including the 13 Pacific developing member countries (PDMCs) of the Asian Development Bank (ADB). PFTAC aims to enhance financial and administrative reforms through capacity building, providing policy advice, and offering practical technical assistance (TA) in four program areas: (i) public financial management; (ii) tax policy and administration; (iii) banking regulation and supervision; and (iv) economic and financial statistics.</p> <p>ADB's Pacific Regional Cooperation Strategy and Program 2004–2006 included a TA to support PFTAC operations for 2004. Improving public financial management by supporting PFTAC is a demand-responsive, efficient, and cost-effective way of extending technical support in critical areas.</p> <p>PFTAC currently operates with financial support from ADB, IMF, and the governments of Australia, Japan, and New Zealand. Since 1994, ADB has provided a total of \$3.6 million for seven regional TAs to support PFTAC operations. Five of six regional TAs have been completed and were rated as successful, particularly on the grounds of PFTAC being a cost-effective mechanism for providing assistance and ensuring the consistency of advice.</p> <p>Objectives and Scope</p> <p>The objective of the TA was to ensure that PFTAC will continue to provide assistance in strengthening and improving economic and financial management capabilities in the PDMCs. PFTAC's aim is to build skills and institutional capacity for effective economic and financial management that can be sustained at the national level by providing quick-response to governments' requests, proactive assistance with reforms, and capacity development.</p> <p>Based on PDMCs' needs and requests in the four program areas, PFTAC provides advice and training by means of short-term quick-response visits by resident advisors, on-the-job-training, and in-country and regional seminars and workshops. The advisors are also supplemented by short-term consultants and technical backstopping from IMF as needed. PFTAC has been successful in supporting the following activities:</p> <ul style="list-style-type: none"> (i) providing advice on public financial management, including effective budgeting preparation systems and processes, improved budget implementation and monitoring, and better financial reporting for accountability purposes; (ii) providing activities to strengthen authorities' capacity to design efficient revenue systems and improve administrative processes and procedures to increase compliance; (iii) assisting with the establishment and effective management of legislative and regulatory systems for supervising banks and other financial institutions to improve banking supervision so as to facilitate private sector development; and (iv) strengthening statistical systems and practices to enable regular and timely collection, compilation, analysis, and dissemination of critical economic and financial statistics. <p>PFTAC's activities and services to the PDMCs remain very relevant. PFTAC has been very successful with the continuity of high quality technical advice in the four program areas. However, while PFTAC has contributed significantly to institutional strengthening, the impact on capacity development is to some extent being undermined by migration of skilled government officials.</p> <p>Evaluation of Inputs</p> <p>Under the Agreement signed between IMF and ADB, IMF is responsible for the recruitment of resident advisors in the four program areas and of short-term consultants, and for monitoring and reporting their performance. All donors have agreed to use IMF procedures and standards for efficiency reasons. The consultants recruited met the nationality requirements of ADB guidelines. In addition to resident advisors and short-term consultants, PFTAC can mobilize IMF resources and technical back-stopping. Donors are given the opportunity to comment on PFTAC's quarterly work plans. Six-month progress reports are submitted to donors and made available on PFTAC's website. Resident advisors</p>			

are also increasingly interacting directly with donor counterparts. This coordination helps PFTAC to compliment and support other related activities supported by donors.

The location of PFTAC's resident advisors in Suva provides a basis for efficient utilization of resources. The IMF back-stopping of technical support to the resident advisors is also highly efficient and of high quality. The performance of IMF is highly satisfactory.

IMF undertook an independent evaluation of PFTAC in 2004, covering the period 1997–2004. The report was discussed at the tripartite meeting in August 2004 on how to incorporate the results into the forthcoming project cycle. The findings of the report and the member countries particularly underscored the high quality of the technical expertise of advisors and consultants and consistency of advice. The PDMCs' need and demand for PFTAC's high quality technical advice and support remain high and relevant.

Evaluation of Outputs

PFTAC produces six-month progress reports on its activities and has, upon request by ADB, started producing reports on outputs and outcomes by country and program areas. The reports are published on PFTAC's website and made available directly to donors. IMF also produces regular independent evaluation reports. The latest evaluation was undertaken in 2004. In areas where there is a risk of significant overlap with other donor activities or where PFTAC inputs are regarded as relevant, PFTAC resident advisors have recently embarked on efforts to increase coordination and consultations with donor counterparts. These efforts consist of pre- and post-mission consultations and occasional joint missions.

Effective demand and need for PFTAC's high quality technical quick-response services and mission inputs remain high among PDMCs.

PFTAC has done significant and high-quality work in diagnosing the challenges faced by PDMCs, documenting needs, and developing reform strategies. In terms of capacity development, PFTAC has provided on-the-job-training, training courses (e.g., workshops) and conducted a number of seminars on specific topics. With PFTAC's support, two regional associations were formed in the areas of tax policy and administration and financial supervision. PFTAC arranged for and funded training for a number of PDMC officials to attend training at the IMF's Regional Training Institute in Singapore and for attachments to select institutions in Australia, Fiji, and New Zealand. PFTAC also developed a distance learning program on public expenditure management that is made available for the PDMCs through the University of the South Pacific system.

The quality of PFTAC's capacity development activities remains high and relevant which is reflected in the high level of client satisfaction and demand. However, the 2004 evaluation report noted that the effectiveness of these capacity development activities is to some extent being undermined by ministry staff rotation and migration. The effectiveness of quick-response missions of PFTAC's advisors and on-the-job training could be enhanced if the PDMCs would make available appropriate counterpart staff. Cultural sensitivity of PFTAC's advisors was noted as another area for improvement. PFTAC also needs to further enhance efforts to coordinate with other donor activities in the sub-region. Further, PDMC ownership of PFTAC and PFTAC advice needs to be strengthened more to increase effectiveness of inputs and outputs.

Overall Assessment and Rating

Successful. Based on the high quality services and inputs provided to PDMCs by PFTAC, but also considering that there are needs for improvements, the TA is rated as successful.

Major Lessons Learned

PFTAC's activities are more effective for countries that have a mutually-agreed gap analysis, developed reform agenda, and an action plan that are owned by the country. Ownership for PFTAC's activities could be further strengthened if PFTAC's coordinator engages in dialogue with PDMCs and conducts need assessment missions on a continual basis. However, the extent to which PFTAC can increase effective demand to fill needs is constrained by resources. The development of performance indicators, realizing these would be fungible with other donor activities, would be a useful tool for donors to engage in dialogue with PDMCs to improve effectiveness of PFTAC's operations.

Recommendations and Follow-Up Actions

A forthcoming independent evaluation report commissioned by ADB will further examine ways to improve effectiveness of PFTAC's operations. Specific follow-up actions include a donors' meeting in October/November 2005 where the findings and recommendations of ADB's evaluation report would be discussed. ADB has also requested IMF and PFTAC to develop performance indicators for discussion and agreement among donors.