

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PARD, PAHQ

<b>TA No. and Name</b> TA 3284-RMI: Preparation of a Pacific Islands Economic Report			<b>Amount Approved:</b> \$250,000	
			<b>Revised Amount:</b> \$250,000	
<b>Executing Agency:</b> Ministry of Finance		<b>Source of Funding:</b> TASF	<b>TA Amount Undisbursed</b> \$39,622.22	<b>TA Amount Utilized</b> \$210,377.78
<b>Date</b>			<b>TA Completion Date</b>	
<b>Approval</b>	<b>Signing</b>	<b>Fielding of Consultants</b>	<b>Original</b> 31 March 2000	<b>Actual</b> 30 April 2001
28 October 1999	2 February 2000	28 March 2000	<b>Account Closing Date</b>	
			<b>Original</b> 31 March 2000	<b>Actual</b> 17 December 2003
<p><b>Description</b></p> <p>The Republic of the Marshall Islands (RMI) experienced a serious financial crisis in 1996. As part of restructuring efforts, the Government began a reform process to reduce the burden of public services and bring expenditure in line with revenues. In three years (1996-1999), the civil service was eventually reduced by 35%. With a view to assess the status of the economy, evaluate the impact of the reform process, and provide recommendations for the country's medium-term economic development strategy, the Government requested ADB to prepare a new PIER (Pacific Islands Economic Report) for RMI. The report, which was named "Meto2000", followed a previous one of the same series, published by the Bank in 1996.</p> <p><b>Objectives and Scope</b></p> <p>The main objective of the TA was to assist the Government in preparing an economic report to document the status of the RMI economy, to assess the impact of the recent reforms, and to set out a forward-looking private sector-led strategy for development, including a medium-term economic strategy. The secondary objectives of the TA included: (i) enhancing the RMI planning capability; (ii) training three interns on related issues; and (iii) providing a basis for the Bank's future assistance to RMI. The assessment of performance in the education and health sectors, the utilization of Compact funds, and provision of social and community services were part of the scope of the TA. In order to provide continuity to the updating and planning processes, staff working in the Office of Planning and Statistics were involved in the TA work as counterpart staff.</p> <p><b>Evaluation of Inputs</b></p> <p>The TA financed 11 months of international consultant and 10 days of domestic consultant services. The TA team consisted of: (i) a Macroeconomist-Team Leader, with responsibility for the overall preparation of the report and presentation of major findings; (ii) a Microeconomist-Trainer, who had the task of providing guidance and training for the interns and evaluating their suitability for retention by the Ministry of Finance (MOF) in the economic planning unit; and (iii) a Sector Specialist-Economist. The Government was supposed to designate three interns to work with the PIER team, but only one individual was identified. A consultative seminar was organized with participation of private sector representatives, local NGOs, and government officials.</p> <p>The performance of ADB and the EA is rated as satisfactory. The PIER team interacted well with the Government and other stakeholders in identifying relevant issues, determining a suitable analytical framework, and providing useful recommendations. However, a lack of coordination in deciding the focus of the report, in liaison with Government agencies and staff (even within MOF), created some frictions and criticism. In particular, the PIER team preferred not to acknowledge the parallel work by the MOF's Strategic Economic Development Project (SEDP) on the creation of a long-term development strategy for the country (Vision2018). While this generated a reciprocal attitude by SEDP of scarce recognition of the work done by the PIER team, in principle, problems could have been avoided by appreciating the short-medium term approach of Meto2000 vis-à-vis the long-term perspective of Vision2018.</p> <p><b>Evaluation of Outputs</b></p> <p>The TA produced a good quality report, including an extensive analysis of the RMI economy, an evaluation of the reform process undertaken by the Government, and several strategic recommendations to improve the country's economic performance in the short to medium term. While a workshop was organized according to the scheduled timeframe, the actual delivery of the final report was delayed for more than a year, the main reason for the delay being a series of obstacles created by the SEDP team and slow writing by a consultant. In line with the objectives and scope of the TA, the Meto2000 also contributed to the formation of the ADB country strategy and program. However, the TA's output, in terms of training Government interns with a view to strengthen planning capabilities, was very much below expectations as only one intern was identified by the Government; eventually this person was not retained in any position within the RMI administration after the training.</p>				

The TA team conducted an intensive consultation process with the Government and other stakeholders, including private businesses and local NGOs. Nevertheless, failure to recognize the long-term perspective provided by the Vision2018 created, at times, a hostile attitude from Government staff and, during recent country missions, it was found that Meto2000 was not yet as widely used within the administration as expected. It was also found, however, that international and local consultants are familiar with the report's findings and recommendations and often mention Meto2000 in their work.

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

The TA is rated as partly successful. The overall quality and structure of the report, including its findings and policy recommendations were good. Its usefulness for providing a basis for ADB's assistance to RMI was also high. However, training of MOF interns and development of local capabilities, particularly planning skills, was only partially accomplished. The absence of a clear link between SEDP and Vision2018 limited the diffusion and effectiveness of the report. Nevertheless, the new Minister of Finance, who assumed office in November 2002, has shown appreciation of Meto2000 and indicated support for the policy recommendations included in the report. This can help promote sustainability of the benefits from the TA and result in a closer fit with the long-term approach of Vision2018.

#### **Major Lessons Learned**

The choice, as team leader, of an international consultant with an excellent reputation, helped the delivery of a good quality report. However, failure to link the PIER to the existing long-term Government vision for RMI development restricted the diffusion and usefulness of the report. A lesson learnt from this TA is therefore that the effectiveness of economic reports prepared under the PIER series is strictly correlated to the manner in which these reports are endorsed by the Government and felt to be locally owned as well as supportive of the overall process of economic and social development.

#### **Recommendations and Follow-Up Actions**

Further efforts to increase local ownership should be properly considered in future PIERs. The report, which is of good quality, is to be disseminated widely.

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