

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PARD/PAHQ

TA No. and Name TA 3705-TON: Advising on the Economic and Public Sector Reform Program			Amount Approved: \$650,000	
			Revised Amount: 0	
Executing Agency: Ministry of Finance		Source of Funding: TASF	TA Amount Undisbursed \$25,388.40	TA Amount Utilized \$624,611.60
Date			TA Completion Date	
Approval	Signing	Fielding of Consultants	Original	Actual
22 August 2001	12 September 2001	13 October 2001	30 June 2002	February 2004
			Account Closing Date	
			Original	Actual
			February 2004	13 May 2005
Description The national strategic vision of the Kingdom of Tonga is the attainment of a higher standard of living for all Tongans. Achievement of this objective has been limited by persistent low economic growth rates. This disappointing outcome reflects a policy and governance environment that has discouraged private sector investment, and resulted in a relatively large public sector. Discussions between the Government and the Asian Development Bank (ADB) on the development of an economic and public sector reform program (EPSRP) have been ongoing since 1998. This culminated in the Government actively seeking to accelerate the reform process by formulating and implementing an EPSRP in 2001. ¹				
Objectives and Scope The TA advised the Government on the design of the EPSRP to enhance private sector-led economic growth by (i) promoting policies that create a conducive environment for increased investment and employment by the private sector, and (ii) improving the efficiency and effectiveness of service delivery by the public sector. The TA included assistance in (i) macroeconomic policy formulation and public financial management; (ii) promotion of private sector development and public enterprise reform; (iii) civil service and legislative reform; (iv) financial sector reform; (v) social impact assessment; and (vi) consultative/participatory processes and public relations. The TA was to (i) develop a comprehensive, coherent, and appropriately sequenced policy matrix based on various policy and reform recommendations made by previous ADB-financed TAs and other external assistance agencies, and reach consensus on the EPSRP implementation; (ii) assist the Government to generate support for the EPSRP through broad consultations with key stakeholders and civil society and catalyze involvement of key ministries; and (iii) carry out social assessments of the proposed reforms, and recommend appropriate measures to mitigate negative impacts, if any.				
Evaluation of Inputs The TA provided 33 person-months of individual international consultants. A public finance management specialist/team leader (7 person-months) advised the Minister of Finance on the overall reform agenda. The civil service reform expert (4 person-months) advised the Prime Minister's Office on results-focused public service and appropriate right-sizing measures. The economist/financial sector expert (2 person-months) worked with the National Reserve Bank of Tonga, resulting in the action plan for financial sector reform. The legal and regulatory expert (5 person-months) drafted amendments to existing legislation for all reform areas. The social sector/social impact assessment expert (2 person-months) assessed the likely impacts of the civil service right-sizing measures and supported the Central Planning Department in designing appropriate mitigation strategies. The public relations expert (8 person-months) developed and implemented an effective public awareness campaign. Additional consultancies were provided in the field of public sector accounting (4 person-months) and strategic management (1 person-month), and assisted in the implementation of the reform agenda. The TA also financed social impact surveys, workshops, and conferences. The inputs were of high quality and on time. ADB undertook quarterly reviews and engaged in high-level policy dialogues.				

¹ ADB. 2002. *Economic and Public Sector Reform Program*, Loan 1904-TON(SF) for SDR8,020,000, approved on 28 May 2002. Manila.

Evaluation of Outputs

Output 1 – As planned, a comprehensive policy matrix with a detailed implementation schedule was prepared and approved by the Cabinet in February 2002. This was part of the conditions for loan approval, which was obtained in April 2002.

Output 2 – Broad consultations with key stakeholders, including Government Ministers and civil society, generated support for the EPSRP. A draft reform action plan with performance targets was prepared by each ministry and was submitted prior to the approval of the EPSRP. Television talk shows, radio programs, and public hearings were effective in reaching out to the population at large. Booklets on each reform area were published in Tongan and English. The positive response by the public to the Government's EPSRP consultations encouraged senior government officials to freely disseminate public information. This development strengthened transparency and accountability.

Output 3 – The social assessments ensured inclusion of appropriate measures to mitigate negative impacts of the reform program; the mitigation measures were approved by the Cabinet in June 2002. The Central Planning Department established a reform team to oversee the implementation of the mitigation measures. These outputs were appropriate and of high quality.

Overall Assessment and Rating – successful.

The TA provided high level advice and support needed to ensure that the comprehensive reform agenda was results-focused and implementable. As a result of the TA, the first and second tranche conditions of the EPSRP were met on time and the project was completed as scheduled on 31 December 2003.

Major Lessons Learned

The TA demonstrated the importance of active stakeholder consultations for successful reform implementation.

Where intermittent inputs were needed to support reform implementation, individual consultants' inputs were appropriate. Sourcing such inputs from a single consulting firm would have reduced flexibility and access to a wider range of expertise.

Recommendations and Follow-Up Actions

The trust and confidence built between the Government and ADB should be maintained through regular high-level policy dialogue to further enhance the progress and impact of the economic and public sector reform.

Prepared by A. Iffland Designation Sr. Country Programs Specialist, PAHQ