

Evaluation and Review Series
No. 36 September 2004

Capacity Building in Public Finance: An evaluation of activities in the South Pacific



Australian Government
AusAID

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ACRONYMS

ADB	Asian Development Bank
AESOP	(Now known as) Australian Business Volunteers
AHC	Australian High Commission
AMC	Australian Managing Contractor
AMS	Activity Management System
ASAS	Australian Staffing Assistance Scheme
ATL	Australian Team Leader
AusAID	Australian Agency for International Development
CRP	Comprehensive Reform Program
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DESP	Department of Economic and Social Planning
DG	Director General
ECP	Enhanced Cooperation Program
EPSRP	Economic and Public Sector Reform Program
FMIS	Financial Management Information System
GOA	Government of Australia
GOS	Government of Samoa
GOT	Government of the Kingdom of Tonga
GOV	Government of Vanuatu
HIS	Health Information System
HLA	High-Level Adviser
HR	Human Resources
HSMP	Health Sector Management Program
IT	Information Technology
KPI	Key Performance Indicator
LA	Line Agency
LAN	Local Area Network
LTA	Long Term Adviser
MFEM-ISP	Ministry of Finance and Economic Management – Institutional Strengthening Project
MOF	Ministry of Finance
MOH	Ministry of Health

NZAID	New Zealand Aid
PAA	Priority Action Agenda
PCC	Project Coordination Committee
PCG	Project Coordination Group
PDD	Project Design Document
PFMA	Public Finances Management Act
PID	Project Identification Document
PIX	Project Information Exchange
PMG	Program Monitoring Group
PRG	Peer Review Group
PSC	Public Service Commission
QAG	Quality Assurance Group
SBSP	Strengthening Budget Systems Project
STA	Short Term Advisers
TA	Technical Assistance
TAG	Technical Advisory Group
THLAP	Treasury High Level Advisers Project
TISP	Treasury Institutional Strengthening Project
TOR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
VAGST	Value Added Goods and Services Tax

EXECUTIVE SUMMARY

Purpose and Method

This AusAID Evaluation had two objectives. Firstly, it was to assess the relevance, efficiency, effectiveness, impact and sustainability of financial management capacity building activities in Samoa, Tonga and Vanuatu. Secondly, it was to identify effective methods to build capacity in the public finance sector in countries of the South Pacific. The Evaluation was to take into account both the recent shift in Australia's aid policy in the Pacific towards that of "enhanced cooperation"; and the draft Capacity Building Framework developed by AusAID in 2004.

The Evaluation focussed on five projects in three countries.

Samoa	Treasury Institutional Strengthening Project (1997-2001) Treasury High Level Advisers (1997-2000 & 2001-2004)
Vanuatu	Ministry of Finance and Economic Management: Institutional Strengthening Project (2000-2005)
Tonga	Strengthening of Budget Systems Project (2001-2004) Health Sector Management Project (1999-2004)

The Evaluation Team included a financial management and organisational performance specialist and an institutional strengthening and organisational development specialist. The evaluation manager was from AusAID's Program Evaluation Section.

Relevant activity documents and files were examined, information/data to be collected during the Field Review was determined, and a work plan was prepared during a Desk Review in Canberra. The Field Review was conducted in Tonga, Samoa and Vanuatu from 15 March to 2 April 2004. An Aide Memoire outlining the key findings was presented to each counterpart agency before the Evaluation Team departed the country. The Field Review was facilitated by the excellent cooperation of counterpart agencies for the five projects, Australian Managing Contractors (past and present) and AusAID staff at the Australian High Commissions in the three countries.

The draft report of the Evaluation Team went through an extensive Peer and stakeholder review. This report represents the views of the Evaluation Team, after consideration of comments expressed during this process.

Capacity Building

AusAID documents define capacity building as: *the process of developing competencies and capabilities in individuals, groups, organizations, sectors or countries which will lead to sustained and self-generating performance improvement.*

Capacity building includes building of frameworks, work cultures, policies, processes and systems within an organisation to improve performance to achieve successful outcomes. Training, or building capacity in individuals, is an integral part of this process insofar as it supports the attainment of organisational goals.

Because financial management is a whole-of-government function, the sustainability of development activities in this area will be largely dependent on the effectiveness of national planning and training bodies and Public Service Commission functions. Financial management programs need defined links to these functions for both sustainability and performance monitoring reasons.

Financial management activities also depend on the capacity of national telecommunications systems to efficiently transport data and on effective financial management information systems for whole-of-government reporting. The dependencies on these systems and tools suggest that constraints in these areas should be addressed prior to, or in tandem with, individual capacity building programs.

For the purposes of this Evaluation, *institutional strengthening* is defined as capacity building at the organisational level.

ORGANISATIONAL CAPACITY BUILDING

The Evaluation found that a critical factor for the success of organisational capacity building was that the Partner Agency had a very clear view (vision) of its own future. Projects that work with an organisation to develop (if needed) its vision, and to implement that vision, are more likely to succeed. Transparency of information and its processing are also enhanced.

There were examples of visions, and associated strategies, being developed by high-level consultative processes, e.g. economic reform programs in Vanuatu and Tonga's finance projects. There were also examples of a common vision being conceived and 'sold' within the organisation by transformational leaders, or 'champions', as was the case in Samoa and in Tonga's health project.

The more closely linked an organisation's vision and strategy is to a whole-of-government vision and strategy, the better is the enabling environment for organisational capacity building. This was the case in Samoa and Vanuatu, where the organisational vision for each Finance Ministry was clearly linked to the national reform program.

The Evaluation considers that organisational capacity building projects need to identify the organisational and national visions; and then clearly link their activities to them. As these visions are modified, so flexibility of project design is needed to allow regular joint reviews and adjustments of project components to take account of changes in organisational resources and capacities. The key objective of these reviews is to keep the activity relevant and sustainable.

One of the main constraints to financial management activities in the South Pacific is the lack of counterparts to absorb skills and then apply them post-project. Adequate time is needed for the pre-project situational analysis to assess the Partner Agency's vision of its future and its need for external support to define it; and to make a realistic evaluation of the capacity and availability of counterparts.

Simply making project design missions longer is not effective or affordable, so the Evaluation proposes an alternative based on the advantages of 'ASAS-type' roles. Technical Advisers could be placed, for periods of six months or more, in an advisory capacity to observe, assist and mentor locally appointed officers and to accurately assess what needs to be factored into a project design. Stakeholder surveys could also be conducted during this pre-project period to independently gauge local ideas prior to embarking on project design.

Another challenge faced by these activities is the requirement to address concurrently both counterpart agency development and enhancement of communications and IT systems. It is better to address these issues on a whole-of-government, rather than a piece-meal, basis to enhance sustainability. The scope and duration of South Pacific financial management activities would be enlarged under this more holistic approach.

A more holistic approach to South Pacific financial management development may require more time and inputs from a wider range of participants in AusAID-funded activities. One option is to include specialist expertise from Australian agencies such as Treasury, Department of Finance and Administration and/or the Public Service Commission. The Evaluation proposes that this mix of resources is coordinated across a three-phase approach to activity management.

Financial management programs could commence with a Scoping Mission, which places Technical Advisers alongside line officers for an appropriate period with the added brief of preparing a detailed situational analysis; and conducting stakeholder surveys. The next phase would be a Design Mission leading to a contracted AusAID-assisted Development Program that delivers the resources needed to address the counterpart's organisational and systems needs. The Evaluation also proposes that program logframes be expanded to separately identify Partner Agency performance indicators. The concluding phase would be a structured Exit Strategy that takes place over a number of years.

The use of independent Technical Advisory Groups (TAGs)/Program Monitoring Groups (PMGs) throughout all three phases will ensure that the objectives of the program are being met. Participation by relevant GOA agencies, particularly on TAGs/PMGs, is likely to improve outcomes.

Building GOA agencies into the development relationship eg. through twinning arrangements, may create opportunities to establish "assistance of last resort" agreements as part of the Exit Strategies for AusAID-supported activities. These would allow a South Pacific government facing a crisis to call on the GOA agencies to provide short-term emergency assistance to keep their financial governance intact.

This approach may require involvement and cost sharing from more GOA actors, although AusAID would still take the lead coordination role; commitment to activities of a longer duration; flexibility in contracting that signals a preference for a program approach based on Annual Plans; and a well defined communications strategy that links the application of development resources to the Partner Agency's vision for their future.

Communication strategies in the Pacific are often best based on oral briefings, as this form of communication is most highly valued. This avoids isolating those parts of an organisation that program initiatives do not interact with; and encourages open communication within the organisation by "leading by example" from within the program.

Where there is more than one organisational capacity building activity in the same country, they need to be proactively coordinated and managed to ensure that their benefits are maximised and that they do not compete or conflict. AusAID is best able to support this role, as it has country offices and regular liaison with other development partners.

INDIVIDUAL CAPACITY BUILDING

Building the capacity of an organisation will also depend on the capacities of individuals within the organisation to develop new skills, acquire knowledge and implement and sustain change.

There are many strategies for building individual capacity, but the Evaluation found that on-the-job training was most effective in all three countries visited and well regarded by senior managers and project teams for the results that it achieved.

“On-the-job training refers to learning by doing as part of ‘real’ work.”¹ It can be complemented with off-the-job learning, being the “development of theoretical frameworks to underpin practical abilities and their transference to the workplace”². It is done best where training needs are determined in a participatory process with the Partner Agency and adult learning principles are applied to the subsequent training.

Participants, who preferred formal training and placed highest value on overseas tertiary study programs, do not always identify on-the-job training as “real” training. Projects that formally identify on-the-job training sessions in individual counterpart learning agreements do better at having it recognised as “real” training.

Classroom, seminar, and in-country courses are also valid methods for transferring skills to individuals, but it is important to ensure they support the organisation’s capacity building needs. Regular follow-up with participants of training courses ensures that they are applying their knowledge to operations.

Manuals are useful tools as both reference sources and for operational instruction. To be effective these documents need to be simple, developed using participatory methods and available early enough in the project life to support iterations of training. Manuals delivered at the end of the project, or developed by advisers without significant counterpart input, have little ownership within the Partner Agency and are not used post-project.

Advisers learn more about the environment and the challenges facing their counterparts when they share the same work area with their counterparts on a day-to-day basis. This was stressed throughout the Evaluation, and collocation of advisers and counterparts is considered good practice for building rapport and establishing an adviser’s operational credibility. In addition, collocation helps create an environment that encourages advisers to provide continuous informal coaching.

¹ Page 1, Bridging The Gap: Cost Effective Partnerships And Meta-Simulations. Berwyn Clayton & Ivan Johnstone, Canberra Institute of Technology, 7/01/2003.

² Ibid

Advisers that develop multiple counterparts drawn from both senior and junior staff have fewer difficulties with sustainability of their activities. This is more complicated in the very small Departments and Sections that exist in Pacific countries, but multi-skilling of appropriately educated staff from other sections may be one way of building a counterpart cohort, improving inter-divisional communications and breaking down the information 'silos' that build up in some agencies.

Conclusions on Capacity Building Issues

The counterpart availability issue begs the question of how small Pacific states will mobilise sufficient finance professionals to sustainably manage their public finances into the future.

Public Service reforms that address the specific recruitment and retention needs of this cadre in each Pacific country are a complex and notoriously slow-moving part of the answer, although Samoa has gone some way to addressing them. Post-project activities also need to be considered; and the Evaluation Team sees a potential role for the Enhanced Cooperation Program in this area.

In terms of promoting sustainability and increasing the impact of financial management development activities, the Evaluation sees a case for a structured interplay between organisational capacity building, counterpart development and systems enhancement. To be effective, financial management programs will need to move beyond technical issues and look to organisational issues and national human resource frameworks.

The consequence of this approach is bigger development initiatives that involve more players over a longer timeframe. It is also likely that the administrative burden will increase in order to coordinate a variety of GOA inputs over a longer period. Further, the need for continuity of advice signals that TAGs/PMGs will play a key role in reporting program progress to all stakeholders.

Evaluation

A rating was given to each project evaluated, noting that some of the projects are due to complete in mid to late 2004 or early 2005, and that the sustainability and impact of these activities may change over these periods. The Evaluation does not consider this a significant risk to the ratings made, because sustainability is mainly known at this late stage in the project cycle.

SAMOA: TREASURY INSTITUTIONAL STRENGTHENING PROJECT (OCTOBER 1996 – SEPTEMBER 2001)

This activity's goal was to achieve enhanced levels of economic growth on a sustainable basis to enable the realisation of higher living standards for the citizens and future generations of Samoa.

This five-year project incurred AusAID expenditure of A\$6.0m. There were three components, Economic and Financial Management, Financial Operations and Corporate Management. The PDD was substantially redesigned in 1998 after the Government of Samoa expressed its inability to field sufficient counterparts, or follow the timeline, for the original project. The original project design was found to be overly prescriptive and did not adequately focus on organizational capacity building issues.

The Government of Samoa was deeply committed to whole of government reforms and wanted TISP as a leading initiative. It needed to succeed, and received excellent support following redesign when counterparts were made available.

The Evaluation found the impact and the sustainability of both technical and change management initiatives were high. The Evaluation gave this project an overall rating of 4 – “Fully Satisfactory”.

SAMOA: TREASURY HIGH LEVEL ADVISERS (1997 – 2000 & 2001 – 2004)

This project operated through specific Terms of Reference for the two high level advisers. The AMS notes that the primary benefit of this activity is the provision of independent, external, high-level strategic advice for the Executive Management of Treasury (now Finance), which should result in considered and better policy outcomes within Treasury.

This two-stage activity involves two high level advisers only; AusAID expenditure as at April 2004 was A\$0.23m. The two positions were that of Policy HLA and Revenue HLA.

The Policy HLA had significant impact in Phase 1, less so in Phase 2 due to the time demands on the CEO Ministry of Finance. Counterparts were not available

to the Revenue HLA, who has recently started email-based, on the job, training with two replacement counterparts. This appears to be both practical and successful in this instance; and Government of Samoa may independently employ this adviser to continue this form of input.

The Evaluation found that the impact of both HLA inputs was high, but sustainability of the Revenue HLA was limited; an overall rating of 3 was given – “Satisfactory Overall”.

VANUATU: MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT: INSTITUTIONAL STRENGTHENING PROJECT (FEBRUARY 1999–FEBRUARY 2005)

The Goal of MFEM–ISP is to promote the economic well being of the people of Vanuatu through improved economic and financial management of the nation.

This five-year project, based in the Ministry of Finance and Economic Management, has been extended by 12 months and has incurred AusAID expenditure of A\$12.1m. as at April 2004.

It has four components: Budget Preparation and Management; Accounting Procedures and Service-wide Training; Information Technology Improvement; and Corporate Management. The Government of Vanuatu was strongly committed to whole-of-government reforms in 1997, but this support has weakened with changes to the Comprehensive Reform Program and few improvements in service delivery.

The IT component is four years behind schedule and seven times over cost, but represents a major accomplishment nonetheless as processing of financial transactions and information sharing has been completely automated and extended to all Line Agencies. This, along with improved budgeting and up to date public accounts, has given this project a high impact.

Sustainability is lessened by the on-going difficulties MFEM has in finding sufficient numbers of suitable counterparts. The Evaluation has given this project an overall rating of 3 – “Satisfactory Overall”.

TONGA: STRENGTHENING OF BUDGET SYSTEMS PROJECT (SEPTEMBER 2001 – JUNE 2004)

This activity’s goal is to strengthen the budget systems of the GoT Ministry of Finance through the development of core processes, policies and procedures whilst enhancing financial management capacity and capability. The two year project is located in the Ministry of Finance, has been extended by 10 months and has incurred AusAID expenditure of A\$2.6m, as at April 2004.

It has two components, being Budget Management and Financial Management Information System. The project has not had the benefit of enough counterparts, and is viewed by the short-staffed Ministry as drawing resources away from operational tasks. The main outputs are two technical manuals; both are completed, but have not been endorsed by the Ministry. The manuals are not being used in Ministry of Finance or Line Ministry training activities conducted by the project.

Sustainability appears very limited and the overall impact of the project is considered weak. The Evaluation awarded this project an overall rating of 1 – “Weak”.

TONGA: HEALTH SECTOR MANAGEMENT PROJECT (FEBRUARY 1999 – SEPTEMBER 2004)

The goal of this project is to develop a management approach for line ministries, which would be used as a model for the Government of Tonga in reforming governance and economic management.

This four-year project with a one-year extension is located in the Ministry of Health and has incurred AusAID expenditure of A\$4.2m, as at April 2004. There are three components, Management Development, Human Resources Management and Financial Management. The PDD was substantially redesigned in 2000 to focus on enhancing management to improve services delivery. Support for clinical services was dropped at this time. However, performance monitoring of management input and associated clinical outcomes has only commenced late in the project.

The availability of counterparts has been problematic; and the finance and human resources components have had limited impact. However, support for the organizational development work of the project has been very strong and the impact of this has been high.

The sustainability and impact of the management change process is high. The Evaluation gave this project an overall rating of 3 – “Satisfactory Overall”.

Summary of Evaluation Findings

The five public finance capacity building activities in the South Pacific reflect varying degrees of sustainability and impact. The most sustainable and highest impact projects were in Samoa and Vanuatu. The Government of the Kingdom of Tonga continues to grapple with public finance reforms.

In some cases, these variations can be traced back to the accuracy of the situational analyses that were performed pre-project; and the subsequent design of project activities. In other cases, difficulties during activity implementation were responsible. In all cases, the most notable reason for reduced project sustainability and impact is the absence of effective management and suitable counterparts.

The proper assessment of the availability of suitable counterparts should be a central matter in designing and implementing capacity building activities in the Pacific. Where the situational analysis is overly optimistic about the likely availability of counterparts, project activities will be too ambitious and compressed into too short a time frame. Where counterparts are not available during implementation due to staff mobility and poor HR management practices, project activities are reduced and/or the project life is extended. In both circumstances, the result is fewer outputs and longer projects with more adviser inputs at a greater cost to the Commonwealth. Four of the five projects were extended beyond their original project terms; and on-going support for Partner Agencies will be needed to sustain project gains.

Project management was professional for all five activities evaluated. The greater the level of Partner Agency involvement in activity management, the more closely the project was linked to organisational objectives. In some cases particular project components were not as well managed as the project overall. These shortcomings tended to be in areas that were outside the specialisations and prior experience of the project team.

From the perspective of activity monitoring and evaluation, all projects have benefited from regular oversight visits by independent Technical Advisory Groups or Program Monitoring Groups. In a number of instances, these groups performed more than the external monitoring role; they became an additional resource that the Partner Agency, AusAID, and the Project Team were able to draw on. The importance of ongoing monitoring by appropriate groups is clear and could be further reinforced by ensuring an appropriate mix of technical and organisational development skills in teams; continuity of team membership; and transfers of knowledge on public financial management between teams working in Pacific countries.

1 INTRODUCTION

1.1 Context and Purpose

The objective of this Evaluation is to:

assess the relevance, efficiency, effectiveness, impact and sustainability of capacity building activities in the public finance sector in the South Pacific countries of Samoa, Tonga and Vanuatu; and identify effective methods to build capacity in the public finance sector in the South Pacific.

The Evaluation Team was asked by AusAID to focus on two areas:

- the evaluation of the five projects detailed below using AusGUIDE methodology and criteria.
- the identification and evaluation of methods used to build capacity at both the organisational and individual levels.

The Evaluation was also asked to take into account the recent shift in Australia's aid policy in the Pacific towards that of "enhanced cooperation". Under this new approach, there is an increased willingness to place skilled Australians in line positions in core government agencies in countries perceived to be failing.

The Evaluation draws on its findings to generate sector and region specific lessons on capacity building that will be of use in designing and implementing new approaches to the provision of development assistance in this sector, and in particular where the line should be drawn between 'doing' and 'capacity building'.

1.2 Scope of the Evaluation

The Evaluation focussed on five projects in three countries:

Samoa

Treasury Institutional Strengthening Project (1997–2001)

Treasury High Level Advisers (1997–1999 & 2002–2004)

Vanuatu

Vanuatu Ministry of Finance and Economic Management: Institutional Strengthening Project (2000–2005)

Tonga

Strengthening of Budget Systems Project (2001–2004)

Health Sector Management Project (1999–2004)

The only completed project was the Treasury Institutional Strengthening Project in Samoa. Only in this case could impact and sustainability of project initiatives/benefits be accurately assessed. In the four other projects the assessment of impact and sustainability had to take into account the continued presence of the project for up to 10 months after the Evaluation.

1.3 Method

The Evaluation Method and Evaluation Team are discussed in the Terms of Reference (Annex 1 to this report).

1.4 Links with Existing AusAID Initiatives

This work will inform AusAID's thinking on the draft 'Framework for Analysis of Capacity Building'. Annex 4 annotates this draft framework with the findings from this Evaluation.

The Evaluation called on earlier work by AusAID and others to inform its work, the Desk Study in particular. A list of documents reviewed is attached as Annex 3.

The Evaluation Team has assessed the sixteen indicators set out in the guidelines for project assessments³ to arrive at an overall rating for each project. The total number of factors considered by these guidelines is extensive and are not reproduced in full in this report; however, the guidance provided in the framework was applied in making each project rating.

1.5 Appreciation for Contributions and Assistance

The Evaluation Team wishes to formally thank the many officials of the Governments of Tonga, Samoa and Vanuatu who so willingly participated in meetings and gave opinions on the question of capacity building in public financial management.

Our gratitude is also extended to the AusAID project personnel in Australia and overseas, AusAID Canberra staff, AusAID posted officers and support staff in Nuku'alofa, Apia and Port Vila. The Posts coordinated extensive meeting timetables and arranged both work and social events. Without this advance assistance the Evaluation could not have operated as efficiently.

The Team has listed all persons officially met in Annex 2, but also wishes to acknowledge those with whom informal discussions were held and whose names are not included in the Annex.

³ AusGUIDEline 12 – Project Quality Standards

1.6 Disclaimer

The views and opinions expressed in this report are those of the Evaluation Team only; and do not represent the official positions of the Government of the Kingdom of Tonga, Government of Samoa, Government of Vanuatu, nor of the Commonwealth of Australia.

PART A – EVALUATION

2 SAMOA – TREASURY INSTITUTIONAL STRENGTHENING PROJECT (TISP)

The Evaluation Team visited Samoa from 23 to 27 March 2004. A counterpart was requested by AusAID Apia, but was declined by Government of Samoa (GOS) because it considered an ex-post evaluation was unlikely to require counterpart assistance.

2.1 Project Goal and Purpose

Goal: To achieve enhanced levels of economic growth on a sustainable basis to enable the realisation of higher living standards for the citizens and future generations of Samoa.

Purpose: The Evaluation could not locate an overall project purpose, but noted that four Component purposes were defined at the time of the 1998 redesign of the project. These are discussed later in the report with the exception of the 'project management' component.

2.2 Environment

TISP took place in an atmosphere of urgent whole of government reform in Samoa. Cyclone disasters in 1990 and 1991 had severely damaged agriculture and infrastructure; and Taro Leaf Blight after 1993 all but wiped out a major food and export crop. Further, the national airline required a large fiscal injection to continue operations and GOS moved to restructure the economy to stabilise economic performance.

Private sector led growth and decentralisation of the Public Service were key themes of the reforms; and 12 institutional strengthening projects were implemented at various times between 1996 and 2002⁴, one for each agency in GOS. Each of these was sequenced to meet the needs of the reforms and all were donor funded. Throughout this long-term process, GOS has demonstrated a capacity to mobilise and coordinate donor resources in a clear demonstration that it owns⁵ the reforms. There is no doubt that this deep commitment to organisational capacity building was instrumental in TISP achieving its objectives.

⁴ Page iii, Final Report – Review of Institutional Strengthening Projects in Samoa. AusAID, May 2003

⁵ Page 5, *ibid.*

Treasury, renamed the Ministry of Finance (MOF) in 2002, became the lead agency for the reforms. As a litmus test for the reform process, MOF introduced a 10% Value Added Goods and Services Tax (VAGST) in 1996 while simultaneously reducing import tariffs and income tax rates. The objective was to improve fiscal revenues, while increasing the level of voluntary compliance with import regulations. This strategy succeeded, thereby lending credibility to Government's total reform package.

Despite support for reforms, there were still difficulties in sourcing counterparts for TISP activities. This was more of an issue early in the project and has been partially addressed by PSC salary reforms and MOF's status as an "attractor" employer as the reforms have progressed.

Of the three countries visited by the Evaluation, Government's commitment to reform was strongest and most widespread in Samoa.

2.3 AMS Budget

TISP officially concluded in September 2001. Total AusAID expenditure on the activity was A\$6.0 million. Government of Samoa contribution to TISP was A\$2.4 million.

2.4 Chronology of Design, Monitoring and Evaluation

TISP began with a Pre-Project Implementation Phase in April 1996 and commenced full implementation in October 1996. In March 1998, the original PDD was extensively redesigned and a revised Project Implementation Document (PID) agreed in August 1998.

The 1998 redesign reflected two main factors that were adversely impacting on the MOF reform programme. The first was MOF's need for basic budget accounting and procurement reforms around revised financial management legislation, which the PDD addressed in part. The second was overlap and duplication between TISP and the ADB macroeconomic management project in MOF. The redesigned TISP was aligned with MOF's own stated objectives and budget outputs. The revised TISP PID reflected Samoa's Statement of Economic Strategy and took full account of ADB activities.

Subsequently, further refinements were made to the project; however, these remained within the scope of the 1998 redesign.

The Project Monitoring Group (PMG) played an important role in TISP; completing eight missions during the five-year project period. The PMG included a representative of GOS, as well as limited participation from ADB.

Typically, PMG missions preceded Project Coordination Group (PCG) meetings and reported to MOF, and subsequently PCG, through written reports.

Amongst the issues reported on by the PMG were – conflict between the original Australian Team Leader (ATL) and MOF that led to his removal; the departure of the second ATL and two senior advisers shortly thereafter at GOS request; and a call from GOS to redesign the project to meet its needs and timetable, or discontinue it. Throughout these difficult issues, the PMG was seen by AusAID, MOF and TISP as an independent sounding board that could offer views on the way forward. This partnership approach to external monitoring was well regarded by all stakeholders.

The Evaluation Team is not aware of any formal AusAID evaluations that were made of TISP.

2.5 Appropriateness of Objectives and Activity Design

The redesigned TISP goal clearly supports the broad objectives of the GOS reforms, as stated by the 1998 GOS Statement of Economic Strategy's medium term vision. It does so by supporting MOF to implement public service reforms and good governance practices.

The original 1996 TISP design comprised nine components and called for a larger volume of counterpart support than MOF was able to provide. The project time frame was not consistent with MOF's own change management approach, leading to unrealistic targets and milestones to be achieved by the AMC. The Evaluation was advised that the original design team over estimated the capacities of MOF, by not taking into consideration the difficulties that non-availability of counterparts could pose to project implementation.

A key factor that negatively impacted on MOF's ability to effectively manage counterparts was the long delay in devolution of HR functions from PSC. Throughout the project period, MOF did not have the authority to manage its own staff, due to the late commencement of the PSC-ISP.

The original TISP PDD was found to be inappropriate after 18 months of implementation. This finding reinforced MOF's conviction that GOS needed to be firmly in control of future TISP direction and implementation; and appropriate levels of counterpart resources were directed to this role thereafter.

The redesigned project consisted of four components and avoided any overlap with the ADB macroeconomic activities, which had been an initial source of tension between the projects in MOF. The revised TISP design was jointly reviewed every six months and any suggested revisions presented to the PCG for consideration and approval.

The Evaluation concludes that, after an initially flawed design process, TISP was redesigned in a way that was both consistent with GOS objectives and used appropriate methodology. The cost of this was an interrupted implementation and the additional resources to undertake a comprehensive redesign.

2.6 Professionalism of Management

The Evaluation notes that TISP management faced multiple challenges early in its implementation. These included: an inappropriate design, restrictive contractual obligations to the Commonwealth, conflict between Advisers and MOF, and the departure of senior staff at GOS request. There were also communications breakdowns between Post and Project Advisers and Desk and AMC. The Evaluation believes that only the professionalism of all stakeholders enabled the project to work through these management issues; and so avoid early termination in 1998.

MOF was the driving force for project redesign in TISP; and the AMC and AusAID were flexible in making changes to suit the needs of the dynamic reform program in Samoa. The obvious goodwill that exists between the stakeholders helped to carry a difficult process through to satisfactory completion. Also obvious to the Evaluation was the role that the former Financial Secretary played as a transformational leader in Treasury and of the project. As a result, the project gained a true “champion” who was supported from the highest levels of GOS.

It was decided that all reporting of project outputs would be done by counterparts, through normal MOF Committees. This approach avoided creating a parallel reporting process for the project and reinforced the need for transparency in information sharing, which was one of the Corporate Management outputs of the project.

Because of the strongly collaborative approach taken to project management, selection of advisers became a joint exercise to ensure that both the AMC and MOF were happy with those selected. A similarly consultative approach was applied to project revisions.

The Evaluation considers that these are all examples of good project management practice by TISP.

2.7 Achievement of Goals and Objectives

To conduct an ex-post assessment of TISP impact and sustainability, the Evaluation reviewed the TISP PDD and identified those outputs that are still in use by MOF. The summary of project achievements below is limited to the concrete end-products that are likely to remain in MOF, and does not include any of the preparatory work that was done.

2.7.1 COMPONENT 1 – ECONOMIC AND FINANCIAL MANAGEMENT

Purpose: To assist Treasury to improve economic and financial management policies and practices.

This component was designed to assist MOF to improve economic and financial management policies and practices. This was to be done by improving the efficiency of tax and non-tax revenue systems; documenting systems of budget management and training MOF and Line Ministry staff in their use; updating relevant legislative instruments; and establishing, documenting and training in Internal Audit and Investigation procedures.

TISP PDD Output	Evaluation comments	
1.3.1 Revenue retention policy implemented in all line agencies and incorporated into Budgets.	Revenue retention policies were developed and were implemented by MOF, but were discontinued by Treasury management on advice from Budgets and Public Accounts.	✘
1.3.2 Tax and tariff reforms applied to line agency budgets.	Tax and Tariff reforms have been implemented and have contributed to GOS revenue streams in the years during and after end of project.	✓
1.3.3 Monitoring system to provide reports to National Revenue Board	Monthly Monitoring Reports continue to be provided to the National Revenue Board.	✓
1.3.4 Refined revenue forecasting model in use by MOF.	The trained counterpart in Budgets Section has left MOF. A High-Level Adviser supports the revenue estimates process at present, but two young counterparts will need further training. Reserve Bank of Samoa expressed concerns about GOS capacity in this field and the impact unforeseen GOS borrowing could have on private sector credit growth.	✘
1.7.1 – 7 Prepare Budget Policy and Procedures Manual	Budget Policy and Procedures Manual was completed in the second-last year of the project and used for training in the final year. The departure of six trained MOF counterparts from Budget Section in the latter	✘

TISP PDD Output	Evaluation comments	
	stages of the project left little 'corporate memory' of the manual's development. It is not currently used during MOF Induction Courses, Annual Budget Refresher Workshops with LAs, nor is it regularly updated by Budgets Division. This output is a possible reference source rather than an operational tool for Budgets preparation and has had no impact after its delivery at end of project.	
1.7.1 – 1.7.3, 1.7.7 Prepare Budget TOT and Coaching materials	Training-of-Trainer materials prepared by the project are not filed in the MOF Library and do not appear to be used by Divisional staff in Line Agency training exercises. Staff turnover in the Divisions has meant that most TISP – trained officers have since left MOF.	✘
1.8.4 Prepare Public Finance management legislation	Legislative changes introduced by TISP were effective and remain intact.	✓
1.9 Prepare Audit Manual 1.11 Prepare Investigation Procedures Manual	The Audit & Investigations Policy and Procedures Manual prepared by TISP is not in use and has not been updated by the Audit & Investigations Unit. It could not be located and this output has had no impact.	✘
1.9 Audit and Investigation Unit able to conduct a range or audits.	Audit & Investigations Unit does not currently conduct audits, but does complete regular unannounced spot checks in LAs and in MOF. The Audit Test Programs prepared by TISP have been retained by this Unit to support future audits.	✓

2.7.2 COMPONENT 2 – FINANCIAL OPERATIONS

Purpose: *To improve financial operations within Treasury and promote increased operational responsibility for the processing and management of departmental budgets to line agencies.*

This component was designed to improve financial operations within MOF and promote increased operational responsibility for budgets management to Line Agencies. This was to be done by bringing Government Accounts reconciliation up to date and establishing an Accounting Manual for MOF and Line Agencies; establishing and documenting Performance Budgeting procedures with agreed reporting formats; advising and training to strengthen Network management; improving Procurement and Disposal policies and procedures; streamlining, documenting and implementing a MOF Training Plan; and enhancing and documenting revenue forecasting, cash flow and debt management functions.

TISP PDD Output	Evaluation comments	
2.1 Prepare Accounting Policy and Procedures Manual 2.6 Prepare Procurement and Disposal policy and Procedures Manual	The Accounting Policy and Procedures Manual has been updated regularly and is used in training MOF junior officers and LA staff. This manual has also absorbed the Procurement and Disposals Policy and Procedures Manual prepared by TISP, which was too complex to be used as a stand-alone guide.	✓
2.1.2, 2.2.1, 2.3.3 Prepare TOT materials on bank reconciliation, salary allocation for performance budgeting, and management reporting.	Training of Trainer materials are in use and updated by Accounts Division	✓
2.1.1 TCS bank reconciliation module implemented and in use.	Bank reconciliations and Financial Statements are up to date; and TISP training material in the area of TCS bank reconciliations and report writer is still used when training LAs.	✓
2.5 IT Unit supports MOF links with line agencies.	Network support initiated by TISP has been maintained and expanded by MOF IT Unit; and has acted as an effective catalyst for more on-line processing by LAs.	✓
2.8.3 Develop templates for internal cash management function	Internal Cash Management Templates prepared by TISP were overly complex. Simplified versions continue to be used by MOF, but may be further streamlined during the ADB funded Financial Management Improvement Program ⁶ .	✓
2.8 Accounting staff training and development plan	There is no evidence of Annual MOF Training Plans being produced after the initial TISP supported process. This output has not been integrated into MOF processes, but is informally organised within Accounts Division.	✗

2.7.3 COMPONENT 3 – CORPORATE MANAGEMENT

Purpose: To assist Treasury to design and implement a change management program which enables it to effectively deliver core business.

This component was designed to assist MOF with a change management program to enable it to effectively deliver core business. This was to be done by enhancing MOF decision making structures and processes; supporting the implementation of Human Resource management policies and practices; improving documents management and introducing a performance measurement system.

⁶ Technical Assistance to the Independent State of Samoa for the Implementation of the Public Finance Management Act 2001.

TISP PDD Output	Evaluation comments	
3.1.4 Institutionalise Corporate Planning processes in MOF	TISP support to the MOF Corporate Plan helped to clarify roles and responsibilities for each Division and acted as a catalyst for wider and better communications between the five Ministry Divisions, which continues today. Communications with Line Agencies were also improved during the TISP-introduced Performance Budgeting and accounting training processes.	✓
3.4.2 DB Textworks used as MOF documents management system; supported by Manual and TOT materials.	DB Textworks system is used as a documents management tool by MOF. Manual continues to be used in induction processes, but has not been updated. TOT materials could not be located. No technical support for this application within Samoa, although it is used in two academic sites.	✓
3.5.2 Performance appraisal system used for MOF staff.	TISP-developed MOF HR management policies and the performance management tools have since been subsumed within Government-wide initiatives, which are currently being implemented by the PSC-ISP.	✗

2.8 Sustainability of Benefits

Seven out of 18 “concrete” outputs identified by the Evaluation have not been sustainable. However, the 11 out of 18 that have been sustained for three years beyond end of project have made tangible and lasting impacts on MOF organisational capacity.

2.9 Impacts

“TISP changed the way we looked at things....professionalism has increased enormously” and “TISP was successful, this is recognised by all” are direct quotes from a senior MOF officer present during and after TISP implementation that convey the impact that the project has had.

The level of impact in the areas of revenue retention and forecasting and Internal Audit and Investigations are less than anticipated.

2.10 Capacity Building

2.10.1 ORGANISATIONAL CAPACITY BUILDING STRATEGIES AND PROCESSES

A participative approach was used to redevelop the project design approximately eighteen months into the project. This led to a high level of engagement and ownership by senior managers. Processes were put in place to ensure managers were responsible for project outcomes. These included: all Deputy Secretaries were involved in preparing and signing off on six monthly reports and annual plans for the project; presentations on project matters were delivered by counterparts (not advisers); all consultations carried out with stakeholders were conducted jointly by counterparts and advisers (not led by advisers); and there was joint selection of long term advisers.

The project worked with MOF to improve economic and financial management policies and practices (i.e. technical aspects of the organisation) through improvements in tax and non-tax revenue systems, improvements in budget management, training of MOF and line agency staff, the updating of relevant legislative instruments and the implementation of effective audit procedures. This strategy has had mixed success with work still needed in areas such as revenue retention and revenue forecasting.

The project worked with MOF to improve financial operations and promote increased operational responsibility for budgets management to line agencies. Advisers worked with MOF staff to bring bank reconciliations and accounts up to date. The strategy included the development and delivery of a MOF Training Plan. A new plan is currently being developed under the guidance of the PSC to address organisational capability. An accounting manual, for use by MOF and line agencies, was developed and continues to be updated and used.

The project worked with the Finance Secretary to design and implement a change management program. The strategy targeted organisational decision making structures and processes, corporate planning, HR policies and practices, information services and performance management. Progress with HR issues (including job evaluation) was delayed to work in with proposed, whole of government, changes that were to be driven by the Public Service Commission. Consequently, the HR elements of TISP were deleted on the basis that these matters would be addressed by the PSC. Major impacts of the change management strategy include improved accountability and transparency and more effective resource management.

2.10.2 INDIVIDUAL CAPACITY BUILDING STRATEGIES AND PROCESSES

Adviser/counterpart learning agreements were developed, based on joint work plans. These agreements committed each party to specific skills transfer activities. Monitoring of progress was carried out by the team leader. The agreements ensured a structured learning program was in place for each counterpart. It also ensured counterparts recognised that learning was taking place even if it was not through a formal off-the-job training course. On-the-job training was validated as a legitimate learning process.

Adviser/counterpart workshops were sponsored by AusAID to support the development of the relationship between the two. The workshops explored cultural differences and assisted advisers to develop an understanding of the Samoan context for skills transfer. They helped counterparts understand the imperatives and culture of advisers. The workshops enhanced the working relationship between advisers and counterparts.

Secondary counterparts were identified and trained when primary counterpart positions were vacant. Many of these secondary counterparts have now been promoted to key positions in MOF.

A high proportion of training was conducted by advisers in small groups or through one-on-one training⁷ – training was planned annually and the plan updated every six months to take into account changes in focus, counterpart availability and capacity to absorb new information. Training materials were developed for all programs for future use. They are no longer in use (or accessible).

Manuals were developed as a record of policies and procedures and as a basis for future training. Feedback on the value of manuals as an ongoing tool for capacity building was mixed. In Accounts and the File Registry, the manuals developed under TISP continue to be revised and used as a training tool and resource guide. In other areas (eg. Budgets and Audit) the manuals have not been kept up to date and are not used at all. These mixed results reflect the level of 'buy in' from the manager of the area concerned and the availability of counterparts at the time of handover.

7 AusAID. TISP Project Completion Report. October 2001. Section 3.7 p.22.

2.10.3 CONCLUSIONS

The capacity building impacts of TISP are considerable. As a project, it offers important lessons in relation to project design (don't try to do too much too soon; make sure the agency is committed to the project and that the work is directly linked to its business priorities; ensure engagement through participation and consultation in project design and ongoing management) and to project team success. The project design targeted technical, management and governance capacity building, ensuring that changes to the organisational culture and its management processes helped support the implementation of the technical changes.

The need for alignment with other whole of government projects and priorities was clearly demonstrated in respect to the implementation of human resource improvements. In some respects, the need to wait for PSC driven reforms, hampered the project's short-term progress. However, in the longer term, the decision to wait for the whole of government reform agenda should help ensure sustainability and congruence with Government of Samoa priorities.

3 SAMOA – TREASURY HIGH LEVEL ADVISERS PROJECT (THLAP)

3.1 Project Goal

*The primary benefit of this activity will be the provision of independent, external, high-level strategic advice for the Executive Management of Treasury, which should result in considered and better policy outcomes within Treasury.*⁸

3.2 Environment

The Treasury High Level Advisers Project (THLAP) has been implemented in two Phases.

Phase 1, which occurred during a project implementation between 1997 and 2000, consisted of a single, policy high-level adviser working directly to the Financial Secretary, Treasury, (now CEO – MOF). The activity was designed to respond to specific MOF demands and was ad hoc in nature.

The decision by GOS and AusAID to mobilise a high-level adviser to the Financial Secretary came about because of the large volume of often internally inconsistent advice that was flowing from the AusAID and ADB projects in MOF. The Financial Secretary was primary counterpart to both projects and soon became overwhelmed by this flow.

The purpose of the role was to filter the disparate advice being offered and construct a coherent whole of government agenda for the Financial Secretary to consider. Working one-on-one with the Financial Secretary enabled effective reform strategies to be framed that complemented the technical capacities that were being developed within MOF.

The second stage of THLAP began in 2001 and concludes in 2004. The purpose of this stage was quite different, it was designed to “plug gaps” that remained after project completion in September 2001. Two high level advisers were mobilised, the same Policy High-Level Adviser again working directly with the CEO, Ministry of Finance; and a Revenue High Level Adviser working with the Budget Division in the area of GOS revenue modelling and forecasting. The latter role is more structured around the GOS budget cycle.

⁸ Activity Details: Samoa Treasury High Level Advisers, Activity Management System. AusAID, 2001.

3.3 AMS Budget

Total AusAID expenditure on the activity to March 2004 was A\$0.23 million.

3.4 Chronology of Design, Monitoring and Evaluation

Both Phases 1 and 2 of THLAP did not have a PDD, but operated through individual Contracts and Terms of Reference for the High Level Adviser(s). Activities commenced in 1997 and are due to conclude in mid-2004.

Mobilisation of inputs was achieved through Services Orders that were agreed between GOS and the Adviser; and advised to AusAID. Advisers report directly to GOS and AusAID.

The roles of the two advisers are to provide high-level advice to MOF on:

- its role in the overall public sector reform program of Government, consistent with the focus on economic strategy; and
- framing and preparing Government's Budget revenues and revitalising the National Revenue Board.

Monitoring of THLAP has primarily been achieved through MOF assessments of the value added provided by the Advisers; and the provision of individual assignment and Mid-Term Review Reports to GOS and AusAID. Given the low value of the activity and the on-on-one role being performed, there was little economic justification for direct external monitoring or evaluation.

3.5 Appropriateness of Objectives and Activity Design

The Evaluation has consulted with the primary counterparts of the High-Level and Revenue Advisers and finds that the objectives of these activities and the activity design were appropriate.

3.6 Professionalism of Management

Phase 1 was well managed; one-week assignments were planned around a task list and mission schedule that was directly agreed between the Financial Secretary and the Policy High Level Adviser.

Phase 2 has been well managed in terms of the Revenue High Level Adviser's inputs; however, the Policy High-Level Adviser inputs have been awkward to coordinate because of the limited amount of time the CEO-MOF has available.

MOF and AusAID have reconfirmed the value placed on having the Policy High-Level Adviser available as a resource.

3.7 Achievement of Goals and Objectives

3.7.1 POLICY HIGH LEVEL ADVISER

This resource was extensively used by MOF (then Treasury) in Phase 1 (1997 to 2000). Significant achievements were made during these inputs, including strategies to reinforce procedures in Prime Minister's Department and Cabinet; and the privatisation of SamoaTel.

A draft Cabinet Procedures document was prepared in 2000 to support economic reforms that had failed because of weak government mechanisms. This work was not implemented in Phase 1; however, the Secretary to Prime Minister's Department has implemented this during Phase 2.

The Evaluation concludes that the activity met all the goals and objectives required of it by MOF and was successful as a result.

The Policy High-Level Adviser has not been utilised to any great extent since commencement of Phase 2 in 2002.

3.7.2 REVENUE HIGH LEVEL ADVISER

This resource has been consistently accessed by MOF during 2001 to 2004, with significant inputs around budget formulation processes for each of those fiscal years.

The Revenue High Level Adviser's long-time counterpart resigned from MOF in 2002, reducing the impact of skills transfers undertaken during the assignment. The current counterparts need more mentoring to build up to the same skill level, which is now being done through email support from the Revenue High Level Adviser.

Central Bank of Samoa notes variances in GOS liquidity forecasts against its own estimates and considers that strengthening of GOS revenue estimates would reduce this difference in future.

The Evaluation concludes that this activity has also met its goal and objectives, except in the area of sustainability through trained counterparts.

3.8 Sustainability of Benefits

The Policy High-Level Adviser activity was not designed with a sustainability objective. The role consisted of one-on-one mentoring with the Financial Secretary, a purely advisory function that is entirely dependent on the nature of the relationship between the two individuals and the specific issues being considered.

Notwithstanding this limitation, the Cabinet Procedures developed by the Policy High-Level Adviser have now been implemented by Prime Minister's Department, ensuring the sustainability of this work.

The Revenue High Level Adviser's work had clear sustainability goals, which have been limited by a lack of available counterparts. As noted above, the original counterpart, who was well trained and competent, resigned from MOF in 2002. Two recently appointed and junior counterparts will require further training before these skills can be sustained within Budgets Division. Consequently, the revenue-forecasting role in MOF will require ongoing external advice.

The Evaluation concludes that the Revenue High Level Adviser's work was not sustainable.

3.9 Impacts

The former Financial Secretary described the Policy High Level Adviser role as the "best thing that was had". The Revenue High Level Adviser's work has been essential to ensuring the continued flow of GOS revenue forecasting for budget formulations since TISP concluded.

The Evaluation considers that both high-level adviser activities have had a high and positive impact in MOF, but with reduced sustainability in the case of the Revenue HLA.

3.10 Capacity Building

3.10.1 ORGANISATIONAL CAPACITY BUILDING STRATEGIES AND PROCESSES

The Policy HLA offers advice, primarily to the head of the MOF, on a wide range of organisational issues that impact on both the MOF and other agencies whose work is associated with the MOF (eg. the Public Service Commission and Ministry of the Prime Minister). The HLA has provided these advisory services to two departmental heads. The initial counterpart required independent advice in relation to all aspects of MOF with a focus on management of the change process then underway (eg. how to manage the overlap between the ADB and AusAID project teams).

The Revenue HLA has worked closely with MOF staff during the budget formulation process. While his primary role is the building of capacity, particularly in the area of revenue forecasting, because of lack of counterparts and complexity of the task he is often personally involved in the doing of work.

3.10.2 INDIVIDUAL CAPACITY BUILDING STRATEGIES AND PROCESSES

At the individual level, the Policy HLA has worked closely with the head of MOF in a coaching and mentoring role. Topics for discussion are agreed in advance of meetings and discussion is wide ranging. The success of this role has been shaped by the nature of the relationship between the adviser and the CEO-MOF, which has been characterised by mutual respect and frank discussion.

In-country on-the-job training is the primary process used to develop skills in revenue staff by the Revenue HLA. This is supported by ongoing coaching provided via email and telephone contact. Efforts to develop capacity in individuals have been frustrated by the lack of personnel in counterpart positions. A cautionary note needs to be sounded about using email as a modality for delivering coaching or on-the-job support from remote sites. There is considerable evidence that this does not work well in all cases. In the specific case of revenue budgeting for Samoa it appears to be effective; however, other country examples would not support use of email support to build individual capacities.

3.10.3 CONCLUSIONS

HLAs have a role to play in capacity building. The experience gained from the Samoan context suggests that flexible, personally targeted coaching can make a significant difference to the quality of change management and leadership provided by executives. To be effective, there needs to be a structured process in place that ensures the correct adviser is found and that time spent together focuses on priority issues.

4 VANUATU – MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT INSTITUTIONAL STRENGTHENING PROJECT (MFEM-ISP)

The Evaluation Team visited Vanuatu from 28 March to 2 April 2004. Government of Vanuatu (GOV) assigned a counterpart to the Evaluation, Mr. Ben Shing, Fiscal Policy Manager, Budget Section. Mr. Shing accompanied the Team to all consultations and participated in the debriefing of AusAID and GOV prior to the Team's departure from Port Vila.

4.1 Project Goal and Purpose

Goal: To promote the economic well-being of the people of Vanuatu through improved economic and financial management of the nation.

Purpose: To assist MFEM improve fiscal management policies and practices, improve accounting and financial operations, and coordinate with other technical assistance projects to develop the capacity of line agencies to work with these systems.

4.2 Environment

In 1996, after a series of damaging fiscal crises that contributed to political instability in Vanuatu, GOV determined that a series of major reforms were needed to improve the levels of service delivery in government and to strengthen financial governance in the public sector.

In June 1997, a Comprehensive Reform Program (CRP) was approved by GOV. Reforms emanating from the CRP related to financial and economic management included the formation of a Ministry of Finance and Economic Management in March 1998, and the enactment of the Public Finance and Economic Management Act 1998 (PFEM Act). The CRP also gave MFEM considerable responsibilities, especially in the areas of Budget and Accounting; both centrally and to Line Agencies.

At around the same time, GOV and AusAID agreed to implement organisational development projects in the Ministries of Health, PSC and Finance and Economic Management. AusAID developed a mechanism to assist it to direct and coordinate these activities, known as Project Information Exchange (PIX). This approach was both an opportunity and a tool for AusAID to ensure close and effective liaison between these three organisational capacity building initiatives.

PIX meetings were initially formal, with minutes being taken, but this was found to inhibit frank exchanges and AusAID removed the requirement to minute these meetings. Meetings did continue, however the strategic liaison and information sharing opportunities have not always resulted in the higher level of collaboration and support between the projects that was intended. The PIX mechanism was not able to prevent tensions between the projects or their host agencies at various times. The Evaluation considers that there needs to be a strong and effective sense of direction over multiple organisational development projects in the same government, which places a significant overseeing burden on AusAID as a key stakeholder. This coordination role is important and needs the resources and support to be performed effectively.

MFEM-ISP was designed to strengthen the new Ministry's capacity to deliver this enlarged mandate. In Phase 1, the Director of Finance, MFEM emerged as an early "champion" for the project. However, the Director was reassigned to another agency by GOV and the project has not benefited from a "champion" for most of Phase 2. More recently, a permanent Director General has been appointed to MFEM and he has again taken a strong leadership role in directing the work of the project.

Successive Annual Plans for MFEM-ISP have taken into consideration subsequent National Summits and any reorientation within the CRP. The most recent of these was the sharpening of the CRP's focus into a briefer Priority Action Agenda in November 2002.

The Evaluation found that GOV support for the CRP/ PAA was suffering from reform fatigue. The immediacy of this ADB-led process had faded over the eight years, primarily because of the limited gains that have been made in service delivery.

MFEM has had other donor support to its functions over the past six years; including assistance from ADB, ASAS, Australian Volunteers Abroad, European Union, New Zealand Aid (NZAID) and United Nations Conference on Trade and Development (UNCTAD).

MFEM faces considerable difficulty in retaining sufficient numbers of qualified financial managers on a consistent basis. This leads to varying levels of organisational capacity being exhibited by MFEM, depending on how many key positions are filled, or vacant, at a particular time. The result of this variable organisational capacity has been:

- periods when MFEM had high confidence in project initiatives being sustainable;
- periods of limited counterpart availability for MFEM-ISP and MFEM had lower confidence in project sustainability; and

- periods when Advisers have performed line functions while these were vacant for extended periods, and MFEM had very little confidence in project sustainability.

This difficulty is caused by the small number of qualified financial managers in Vanuatu; salary competition from the domestic financial services sector; and weak HR management practices in MFEM and PSC.

Another important matter affecting stability and morale of staff has been the absence of a permanently appointed Director General (DG) for MFEM over the past three years. During the period of acting DGs, there were delays while reorganisations were negotiated with PSC and appointments and promotions were consequently deferred while staff held acting positions. These delays were the responsibility of both MFEM and PSC.

An important question emerges concerning the “reasonable” level of organisational capacity that MFEM can normally expect to demonstrate; and the implications that this will have for MFEM-ISP sustainability into the medium term.

4.3 AMS Budget

Total AusAID expenditure on the activity, to March 2004, was A\$12.1 million.

4.4 Chronology of Design, Monitoring and Evaluation

MFEM-ISP has been delivered in two Phases. Phase 1 began in February 1999 and concluded in February 2001. Phase 2 began in March 2001 and was intended to conclude in February 2004, but was extended by a further 12 months in July 2003, resulting in project completion being deferred from February 2004 to February 2005.

The Phase 2 extension was based on slow progress being made with line agencies and the Financial Management Information System (FMIS); and a period of low confidence in MFEM concerning project sustainability. It was decided that consolidating project gains in MFEM and extending these to line agencies would require a further year of inputs from the project team.

There have been six monitoring visits by the Program Monitoring Group (PMG) between May 1999 and November 2003. The PMG reports preceded Project Coordinating Committee (PCC) meetings; and were submitted to the PCC by AusAID.

The Evaluation was unable to locate a previous AusAID evaluation of MFEM-ISP.

4.5 Appropriateness of Objectives and Activity Design

The purpose of Phase 2 is “*to assist MFEM to improve fiscal management policies and practices, improve accounting and financial operations, and develop the capacity of line agencies to work with these systems.*”⁹

The Evaluation considers that this is appropriate, as it reflects the roles established for MFEM in the original CRP and the more current PAA.

FMIS was originally estimated to cost A\$360,000 and be in place by July 2000¹⁰. FMIS will now be handed over to GOV in September 2004 at an estimated direct cost to Government of Australia (GOA) of A\$1,490,000¹¹. These costs do not include three years of FMIS Adviser costs (approx \$750,000), nor approximately Vt30 million (A430,000) of GOV costs. With these included, the total cost is approximately A\$2.67m. or nearly 7.5 times the original estimate.

The Evaluation is in no doubt that the resulting system is a major improvement for GOV financial governance, but highlights a longstanding AusAID Lesson that “*projects that seek to make fundamental changes in entrenched public service culture and processes are inherently risky*”¹².

The final Phase 2 project design of April 2001¹³ did not include dedicated outputs for support to line agency budgeting and financial management. These Outputs (1.8 and 1.9) were introduced in February 2003 in the form of 12 months of Performance Improvement and Financial Management Adviser inputs, following a January 2002 study to address options for building line agency financial management capacities. One year of support to nine Ministries with varying financial management capacities was always unlikely to meet the needs of the project design to “*develop the capacity of line agencies to work with these systems*”.

The Evaluation considers that the level of work involved in building capacity in line agencies was significantly underestimated by all stakeholders. This impacted on Project Design and insufficient resources were allocated to this task. When an appropriate volume of resources was mobilised in a project redesign, it came too late in the project life to have a major impact.

9 Page 18, MFEM Institutional Strengthening Project: PDD for Phase 2. AusAID, March 2001

10 Page 8, Exit Report on Monitoring of Institutional Strengthening Project, Vanuatu Ministry of Finance and Economic Management. AusAID, 11 May 2000

11 Page 8, Handover of SmartStream Financial and Human Resource Management Information System to Government of Vanuatu. FMIS Unit, Vanuatu Ministry of Finance and Economic Management, October 2003.

12 Summary Report, Quality of Projects in Implementation, Tonga Health Sector Management Project (978K01). AusAID, December 1999.

13 The PMG reported on this issue in its December 2000 monitoring report, but was not invited to comment on the Final PDD presented in early 2001.

The Evaluation is advised that an extension of these inputs beyond the end of project for MFEM-ISP is now being actively considered by GOV and AusAID.

The Evaluation concludes that Activity design was appropriate; however the resources needed, and the time required, to achieve the FMIS and line agency capacity building outputs was significantly underestimated.

4.6 Professionalism of Management

All stakeholders have managed the project in a professional manner. GOV financial inputs have been made available on a regular and timely basis, particularly in the FMIS component.

The availability of MFEM counterparts for Advisers has been more difficult, but all parties have consulted and reached practical accommodations for any shortcomings during project implementation. The main impact of non-availability of counterparts has been on project sustainability, this is particularly so in FMIS.

PCC meetings have been minuted and reflect a good level of communications between AusAID Desk, AusAID Post, the AMC and MFEM itself.

4.7 Achievement of Goals and Objectives

4.7.1 COMPONENT 1 – BUDGET PREPARATION AND MANAGEMENT

The confidence of Senior Budgets Officers to carry out Budget tasks after project completion is high, however the Evaluation notes the small number of senior staff (3) in this area and its on-going vulnerability to staff movements.

A Budget Manual has been prepared, is used by staff, and will be updated prior to project completion.

Training to Budgets and Department of Economic and Social Planning (DESP) staff has taken place, however the high turnover of officers in DESP and absence on overseas study tours has resulted in few skills being retained at the time of this Evaluation.

Two Advisers were deployed in February 2003 to support Budget preparation and accounting management practices in line agencies. The term of these advisers was extended to February 2005 as their roles were expanded to take on organisational capacity building aspects of line agencies.

In 2004, Budget processes were amended by the Council of Ministers to allocate resources on a Ministry-wide not departmental basis, leading to major reforms in Line Ministry budget formulation. This supports public expenditure controls

by placing all Ministry resources under the management of the Directors General and their centralised Corporate Services Units.

The Line Ministry Advisers have been able to support all nine DGs with corporate planning, budget formulation, and accounts analysis for Annual Reporting. The value of these Advisory roles is demonstrated by the positive impact on revenues and financial mismanagement that a more in-depth analysis has had in Lands and Education. Extending this type of support to all line agencies will be beneficial, but will require considerably greater resources than are currently directed to this task.

4.7.2 COMPONENT 2 – ACCOUNTING PROCEDURES AND SERVICE-WIDE TRAINING

Accounting staff appears confident in their ability to manage the accounting functions following project completion. However, a delay in the return of one senior officer from overseas training and delays in confirming officers in acting positions creates on-going vulnerability in this capacity.

The FMIS Manager was designated as acting Chief Accountant while this position was unfilled for 18 months, effectively holding two important positions. The Chief Accountant has been acting as the Finance Director over this same period. The Accounting Adviser has had limited access to a key MFEM-ISP counterpart¹⁴ over the past two years.

Confidence in project sustainability will be further strengthened when all accounting processes are properly documented. The Accounting manual will need to be updated for routines such as bank and suspense account reconciliation and treatment of unmatched purchase orders at year-end.

Line Ministry Advisers have provided additional accounting training that was needed in Ministries.

Debt Management is now automated on the Commonwealth Secretariat Debt Recording and Management System (CSDRMS); however, only one officer is currently able to support this database with one other officer being trained in this role. MFEM intends to recruit a third officer in this role, pending PSC approval. This additional support is needed to ensure that this facility will be sustainable into the future.

Project Output 2.3.5 relating to the establishment of a functioning Internal Audit Unit have not been achieved. There is one active Internal Audit Officer and the Senior Auditor is away on scholarship study for the second time during the project term. Two audit positions are vacant.

14 Page 10, MFEM Institutional Strengthening Project: PDD for Phase 2. AusAID, April 2001.

Accrual based financial statements have been prepared in 2003 for all Ministries and for Government by Accounts Section. Assets Registers are available for each line Ministry.

4.7.3 COMPONENT 3 – INFORMATION TECHNOLOGY IMPROVEMENT

The FMIS became fully functional in January 2003 and is now well accepted by MFEM and Line Agency users. The last of the Line Agency customised reports will be completed by August 2004; and hand-over of the system to GOV is scheduled for September 2004. This will be a major accomplishment for GOV and the project.

Day to day management of FMIS by GOV officers commenced in January 2004. Procedures Manuals are in place and up to date.

The FMIS Risk Management Analysis will need to be updated prior to hand-over, so that GOV officers are aware of all future systems operating requirements; outsourced support options and have documented disaster recovery procedures.

The FMIS Unit has four staff with experience in supporting the new system; however, there needs to be greater capacity in performing critical year-end routines eg. Budget uploading on 1 January each year. The Evaluation notes that this could be done by establishing a wider group of secondary counterparts for these critical tasks from suitably trained staff in other MFEM Units and Divisions. This may be essential to this Component achieving its objectives.

Despite several attempts to activate it, Government's IT Interdepartmental Committee has yet to become functional, leaving a void as far as future GOV decision making in the IT area is concerned. A network improvement paper has been prepared by the project to support the work of the Committee.

A suitable GOV network architecture and roll out timetable to 2006 has been developed with MFEM-ISP assistance. This plan has not yet been resourced by linking it with forward GOV Budget estimates. Improved network access will enhance the use and value of FMIS and provide communications and Internet access to line agencies. Achieving the network plan will require a coordinated effort within MFEM in 2004 if this Component is to fully achieve its objectives.

There are three IT support groups in MFEM; Revenue IT staff, FMIS Unit and the IT Section. The total number of personnel (15) is considered adequate to support the GOV network and GOV/ MFEM applications, but they are too widely dispersed. Consolidating these staff and broadening their skills would allow greater flexibility in IT support services and the Evaluation feels this needs to be actively progressed by MFEM if this Component is to achieve its objectives.

4.7.4 COMPONENT 4 – CORPORATE DEVELOPMENT AND PROJECT COORDINATION

The ATL has worked closely with the DG to help build corporate governance and management capacity within the Ministry. Outcomes include improved communication processes (as evidenced through regular Executive Meetings and the cascading down of information through Department meetings); improved HR management (for example, through the development and implementation of the HRD Plan and the implementation of the staff appraisal scheme); and a greater understanding of the leadership role the MFEM should play.

It is noted that the lack of permanently appointed, capable staff in key roles remains a major problem for the Ministry.

As end of project approaches there is a case for taking the Budget, Accounting and FMIS (after handover) Advisers and attaching them to supporting the work of the two Line Agency Advisers, or in other MFEM tasks such as National Statistics or DESP sector analysis. This would involve moving these Advisers from their current locations to give their counterparts an increased independence and to test their capacity to operate independently.

This step has been requested by several counterparts and would free up these advisers to extend the work in line agencies.

4.8 Sustainability of Benefits

The Evaluation considers that the majority of the projects initiatives will be sustainable, but possibly at a less comprehensive level than is currently the case (while the team of experienced and qualified Advisers are on hand to boost their counterparts efforts).

The Evaluation notes that five key counterparts will be returning from overseas study in 2004 and 2005; two to Budget Section; one to Accounts, one to Audit and one to DESP. Provided these staff can be retained in GOV, there is the likelihood that project sustainability will be high at end of project.

4.9 Impacts

There is no doubt that the project has had high impact in both MFEM and across all line agencies through the implementation of FMIS.

The Evaluation considers that MFEM-ISP has supported GOV to:

- contain Government debt,
- formulate a series of balanced fiscal budgets, and
- manage public expenditures efficiently.

In so doing, MFEM-ISP has enhanced macroeconomic stability in Vanuatu.

4.10 Capacity Building

4.10.1 ORGANISATIONAL CAPACITY BUILDING STRATEGIES AND PROCESS

The project is working with MFEM to improve the capacity in the Ministry and in line agencies to ensure that all Government expenditures are reviewed, prioritised and subsequently controlled by Government through a systematic annual Budget cycle and routine monitoring. The level of success is high although the small number of trained staff within MFEM and the high level of staff turnover in general present a risk.

The capacity building focus of the recently appointed Line Agency Advisers has produced dividends. The advisers have supported all nine line agencies with corporate planning, budget formulation, and accounts analysis for annual reporting. The value of these advisory roles is demonstrated by the positive impact that a more in-depth analysis has had in Lands and Education. To gain support and entry into Line Agencies, a formal process was adopted that involved a letter from the DG, MFEM to the relevant DG and the conduct of a review by the LA Advisers (a diagnostic process) with recommendations for improvements. Implementation was then negotiated between all players.

The project has successfully implemented a financial management information system that supports the efficient delivery of financial services to Government. Several staff have been trained in the management and maintenance of the system and there is a high level of confidence within staff that they will be able to manage when the project concludes. The small number (four) of trained staff and their attractiveness in the external labour market is cause for concern.

The Australian Team Leader has worked closely with the Director-General, the Executive and department heads to build governance and management capacity within MFEM. Outcomes include improved communication processes improved HR management; and a greater understanding of the leadership role the MFEM should play. The ATL has primarily used a coaching model to support the DG and other managers.

4.10.2 INDIVIDUAL CAPACITY BUILDING STRATEGIES AND PROCESSES

On-the-job training is one of the primary means adopted to build individual capacity. Advisers have worked closely with counterparts and other work team members to develop skills and streamlined processes. Learning was enhanced as advisers learnt to speak the local language. Advisers were also able to gain a better understanding of the real issues by being able to understand the 'background noise' in the workplace. All advisers have been collocated with their counterparts.

Manuals have been developed for several areas; some are due for completion as the project draws to a close. The importance of maintenance is understood by those tasked with the responsibility of ongoing ownership. It was expected that line agencies would be more interested in using the FMIS/Accounts manual once agencies began to be penalised for non compliance with MFEM systems and processes.

Training courses/workshops have been used with mixed success. It is not unusual for junior officers to be sent in place of those that should attend. Experience suggests workshops work better if they are designed for a specific agency rather than for a broad range of agencies. General experience in Vanuatu and in other countries is that workshops and seminars that are well organised and offer refreshments are more likely to be attended.

In-office tutorials have been delivered to build capacity (eg. in Budgets section). This has involved taking the small team off-line to talk through a task or issue. Staff are then asked to implement what they have learned and then to come back to the adviser for feedback.

4.10.3 CONCLUSIONS

Notwithstanding the smaller size of government in Vanuatu, the bureaucratic doctrine that “information is power” remains valid here also; and learning to share information freely between and within agencies can require considerable changes in how things are done. This has long term impacts on the sustainability of any capacity building efforts as those efforts need to be self-generating and the counterparts who have been trained must be willing and able to pass on knowledge to the next generation of employees.

Smaller GOV departments are still expected to cover a large range of specialist roles and multi-tasking of individuals is one possible strategy to overcome unplanned staff movements.

Vanuatu is a vocal democracy with an active media. Development projects often work in areas of national policy debate and can attract scrutiny, criticism and controversy in these roles. As a result, Advisers can face some difficult challenges in Vanuatu. Vigorous verbal exchanges may occur and strong views, even abuse, may be expressed in extreme cases. It is important for advisers to understand the options that exist in NiVanuatu culture for furthering dialogue in such situations; and to have “thick skins” and a certain “mental toughness” to manage such circumstances effectively.

Staff instability and high turnover are also a major problem in Vanuatu, as it is in Samoa and Tonga. It is difficult to judge how sustainable any capacity building can be in such small Public Services with a highly mobile work force, relatively poor management and few retention policies.

5 TONGA – STRENGTHENING OF BUDGET SYSTEMS PROJECT (SBSP)

The Evaluation Team conducted its visit to the Kingdom of Tonga from 15 to 23 March 2004. The Evaluation Team did not include a counterpart from the Government of the Kingdom of Tonga (GOT), however there were extensive consultations with senior and middle-level Treasury officials concerning both SBSP and organisational capacity building issues. The initial findings of the Evaluation were presented to GOT before the Team's departure.

5.1 Project Goal and Purpose

Goal: To strengthen the budget systems through the development of core processes, policies and procedures whilst enhancing the financial management capacity and capability.

Purpose: To strengthen the resources and management tools for effective Performance Budgeting and ensuring that the core, financial recording and reporting systems are working effectively.

5.2 Environment

SBSP is located in the GOT Ministry of Finance (MOF) and the two project components are mainly targeted at the Treasury and Budget Divisions, with a smaller role in the Economic Division. The project design does not engage with the other two divisions making up the Ministry, being the Public Enterprise and Corporate Services Divisions. However, SBSP implementation has resulted in interaction with the Corporate Services Division, Information Technology (IT) Section.

The primary and most available counterpart for the project is the Deputy Secretary for Treasury Operations. It should be noted that a new Minister of Finance was appointed just as SBSP commenced and his familiarity with the project and operational role has also led to the project interacting directly with the Ministry on a regular basis in weekly Accounts Committee meetings.

MOF has received significant levels of assistance from donors over the past decade. This has included:

- two-year placements for Australian Staffing Assistance Scheme (ASAS) officers in the Treasury and Budgets Divisions in the early 1990s;
- an AusAID/Asian Development Bank (ADB) project in the mid-to-late 1990s that developed and implemented the public accounting tool used by GOT known as the Financial Management Information System (FMIS);

- interim assistance from ADB and AusAID in the areas of continuing budget reforms in 1999 and 2000; and
- SBSP from August 2001 to June 2004, following a 10-month extension of the original project (originally due to end on August 2003).

The Evaluation was made aware of the difficulties faced by MOF in recruiting and retaining qualified staff. For example, the Treasury Division has 15 Senior Officers and 58 Staff for a total establishment of 73. Seven of the 15 senior positions (47%) are currently vacant, and have been for some time, as are 10 of the 58 staff positions (17%), all being Accountant and Senior Clerk positions. This has a detrimental effect on the Treasury Division's ability to meet its operational goals, let alone support and sustain any donor projects.

GOT officers with finance qualifications are in high demand in the Tongan private sector; and are able to meet immigration requirements for overseas employment, particularly in New Zealand and Australia. Salary differentials between GOT and the private sector and overseas are large; and GOT finds it difficult to compete in attracting and retaining qualified staff in Tonga's small professional workforce.

Another factor affecting MOF staff turnover is that of poor staff management, both within the MOF and by the Public Service Commission (PSC). MOF is not seen by its staff to be an attractive employer or workplace, with hard work and minimal recognition being the norm. This perception discourages potential employees.

The mobility of senior MOF officials has had an adverse impact on the counterpart relationships that SBSP can develop; limits capacity building of individuals and the organisation; and reduces the sustainability of project initiatives.

The Evaluation is clear that effective management of senior finance officers is a major challenge that GOT needs to meet if it is to implement the financial elements of the Economic and Public Sector Reform Program (EPSRP). This implies that any future organisational capacity building in MOF will need to be closely related to Public Service reforms, in particular to the development of effective retention strategies for qualified professionals.

The Acting Secretary for Finance¹⁵ advised the Evaluation of her personal view that a "breathing space" might be needed before any further donor assistance is accepted by the Ministry.

¹⁵ Appointed as Acting Secretary in October 2003 following her return from the Asian Development Bank in May; consequently, she has mainly participated in the latter part of Phase 2 and the current extension of SBSP. Previously she was Deputy Secretary for Finance – Economic.

This perception was based on the large volume of donor inputs previously absorbed; as well as SBSP-related issues that have emerged around difficulties with the MOF Network, disagreement over the GOT Chart of Accounts redesign and tensions between SBSP Advisers and MOF officers concerning availability of counterparts and project timetable issues.

The Evaluation considers that this view also reflects the difficulty that MOF faces in identifying and effectively pursuing a 'vision' of its overall role within GOT. A well-resourced effort to identify and define MOF's 'vision' would greatly assist in resolving these difficulties.

The Evaluation agrees with AusAID and SBSP assessments that further donor support is needed for Budget, Accounting and Reporting activities to consolidate project gains made; and AusAID is currently in discussion with GOT on a broader program of assistance in financial and economic management¹⁶.

The Evaluation considers that extensive consultation will be required to achieve a common view or 'vision' on how to strengthen financial governance in Tonga. However, it is essential that this be done, given the difficult medium-term fiscal outlook for Tonga, which faces the challenges of cash deficits due to problematic revenue collection, growing inflationary pressure due to a high propensity to import and depreciation in the exchange rate.

5.3 AMS Budget

SBSP began implementation in September 2001. Phase 2 is expected to conclude in June 2004. As at March 2004, total AusAID expenditure on the activity was \$2.6 million.

5.4 Chronology of Design, Monitoring and Evaluation

SBSP was designed as a two-year technical activity in a central agency; and built on work previously done by MOF in the area of Budget Management and Financial Management Information Systems. The design focussed on development of technical capacity in Year 1 (September 2001 – August 2002) and consolidation of gains in Year 2 (September 2002 – August 2003). At GOT's request, SBSP did not provide for assistance with organisational capacity building; and the project's two-year time-frame is unlikely to have supported this role.

16 In late May the Acting Secretary expressed interest, to AusAID posted staff, in Australia providing the Ministry with advisors to help, guide and train Treasury staff in their normal day-to-day work.

The Project team identified a need for organisational capacity building in MOF to preserve technical gains made by SBSP; and proposed a straight forward 12-month extension of SBSP to facilitate this, called Phase 2. A compromise was reached between GOT and AusAID at the end of Year 2, whereby the Budget Management outputs was restricted and the Financial Management Component reinforced to include FMIS training to line agencies. This resulted in a Procedures and Training Specialist being mobilised in place of the Budget Specialist. The period of Phase 2 was September 2003 to June 2004, which would allow AusAID and GOT to identify opportunities for further support to financial and economic reforms.

Monitoring of SBSP was undertaken through a Technical Advisory Group (TAG) that made two visits, the first in April 2002 and the second in May 2003.

The April 2002 monitoring visit raised a number of major concerns, primarily in areas of the SBSP design, post-design developments such as the Public Finance Management Act (PFMA) and the EPSRP; and the proposed Phase 2 extension, which the TAG rejected in favour of a larger and more holistic program of financial reforms. The final 10-month extension of Phase 2 was designed partly as an extension program to bring budget and financial management training to the line agencies; and partly as a bridging activity to the suggested larger program.

The May 2003 monitoring echoed some of these concerns and noted that the revised 2002 – 2003 Annual Plan had not been reviewed by the TAG prior to acceptance. An opportunity was lost for ensuring accepted TAG recommendations were effectively incorporated in project activities. The 2003-2004 Annual Plan was reviewed by the TAG.

5.5 Appropriateness of Objectives and Activity Design

The Evaluation finds that the technical objectives of the project were well targeted at better management of scarce GOT resources through improved budget management and reporting. However, the Project Design Document (PDD) significantly over-estimates the baseline capacity of MOF to support and then sustain the project's outputs. The early decision to seek a project extension, combined with recent assessments that work remains to be done to consolidate budget and accounting skills in MOF and line agencies, reinforces this conclusion.

The Evaluation also considers that MOF have over-estimated the level of organisational capacity building that had taken place during the previous decade of donor assistance to the Ministry. This was reflected in MOF's requirement that the SBSP design not include any organisational capacity building activities, but simply focus on the delivery of discreet technical outputs because this was all that was needed to effectively deliver future financial reforms.

The adverse impact of staff turnover and vacancies on the availability of counterparts was not factored into the original SBSP design. This may reflect the limited time the design team had in Tonga, but it must be noted that MOF did not correct this overly optimistic assessment of capacity. As a result, the activities and outputs of the original design appear to be too ambitious, both in terms of the short time frame of the project and the limitations on MOF capacity to support and sustain them

The decision to reduce Phase 2 outputs properly recognises the limitations that MOF placed on implementing the Budget Management component. The Phase 2 training of line agencies in the use of the FMIS and budgeting is, at best, a brief introduction to these tasks.

Decentralised training in financial governance will need to continue for a number of years if Line Ministries are to develop the necessary capacities to fully take up these functions. MOF does not have the training resources to deliver this training, leaving the Evaluation to conclude that Line Ministry training may need to be supported by donors in the short to medium term.

Other factors affecting the design of SBSP include the unforeseen development of the EPSRP and PFMA under the ADB program. Co-ordinating SBSP outputs with the ADB's early work in these area has used up a significant amount of Long Term Adviser (LTA) time, which was not envisaged in the original design. SBSP has designed in some unallocated Technical Assistance (TA) to support a short-term specialist's inputs, and this could not be used for this unforeseen coordination role.

The Evaluation considers that project designs and Adviser Terms of Reference (TOR) need to allow for a proportion of unallocated time to respond to unforeseen events over the course of a project. This flexibility would allow AusAID and the AMC to jointly share the risk that unforeseen events can have for a project, while not releasing Advisers from their obligation to deliver discrete outputs in accordance with a Commonwealth contract.

5.6 Professionalism of Management

The Financial Management Adviser became the Team Leader and a Training Adviser was appointed to make up the team to implement Phase 2 after the Phase 1 Team leader and Budget Adviser departed; and an investment in rebuilding relationships with MOF was required. In a few cases, this remained a work-in-progress, for example when the Team was collaborating on the rollout of the MOF Network with the Corporate Services Division; and in communicating project progress within MOF as a whole.

The second point is a significant one for this Evaluation. It refers to the wider communication strategies that a project adopts while targeting activities amongst a few Partner Agency staff. Officers of MOF not directly associated with SBSP reported that they were unclear about the work of SBSP and felt “left out” of project interaction. Despite regular SBSP briefings of senior MOF officers, this sense of exclusion resulted from poor internal communications between senior and junior officers within MOF itself; and because of the limited direct communications between junior MOF staff and the project. This was further exacerbated by the decision to locate the Phase 2 project offices in a small building separate from the main working area. Phase 1 advisers had been located in the main working area.

Improved internal communications and information exchanges within MOF was a clear organisational development need that SBSP was not able to address within the confines of its scope and design.

In Phase 2, Project Advisers drafted, and then formally circulated, sections of the Financial Policy and Procedures Manual and Treasury Instructions to relevant officers for comments and contributions. In Pacific societies with a strong oral tradition, there is greater merit in regular oral briefings. These briefings are best conducted in an informal atmosphere: this process is highly valued by participants and transmits information effectively. SBSP employed a more formal participation approach, based around a working committee of senior MOF officers. Weak internal communications within MOF meant that junior officers were not always made aware of the on-going process of manual development.

The SBSP Australian Managing Contractor (AMC) has labelled Project offices with their corporate name, not recognising the Australian Government identity of this activity. The same applies to project business cards. Proper recognition of the project’s GoA identity is an AusAID contractual requirement.

The Evaluation finds that Project Management has otherwise been competent.

5.7 Achievement of Goals and Objectives

This section of the report briefly summarises the achievements of the project by component.

5.7.1 COMPONENT 1 – BUDGET MANAGEMENT

Assistance was given to the MOF Budget Division in Phase 1 to reinforce its ability to assist line agencies in the preparation of Corporate Plans and Annual Estimates. However, high staff turnover and vacancies have limited the extent to which the Budget Division can now meet these roles.

Improved coordination between budgets and macroeconomic planning was also supported in Phase 1. Staff turnover and vacancies have also reduced the impact of the early work done in this area.

The project developed a revised and simplified GOT Budget Framework in Phase 1, which included performance indicators. This was used in 2003 and 2004 GOT Budgets. It was also used as the basis for a Budget Policy and Procedures Manual and Annual Budget Circulars, including training materials. The revised Budget framework calls for a revised (longer) chart of accounts structure, and the project has provided the necessary data protocol for migrating existing budget information into the new structure in the GOT FMIS.

The revised Chart of Accounts was initially accepted by GOT, but this decision was subsequently reversed because the MOF Information Technology Section questioned FMIS's ability to accommodate the data protocol. This delay has resulted in training and implementation of revised Budget procedures being deferred to beyond end of project, being 2005 at the earliest. This decision has also limited the technical benefits that the Budget Management component of SBSP can deliver to MOF. The draft Budget Manual refers to the "new" Chart of Accounts, whereas FMIS continues to use the current Chart of Accounts. Consequently, the Manual has not been finalised, has not been used in training of Line Ministries in Phase 2 and will remain in suspension until a decision on the final GOT Chart of Accounts is made.

In order for AusAID and GOT to make best use of the work done on the Budget Policy and Procedures Manual in Phase 2, there needs to be a final decision on the GOT Chart of Accounts format. Immediately following this, the Project Team should amend the draft Manual to reflect this decision; and submit the document to GOT for endorsement before end-of- project in June 2004.

The SBSP training done with Line Ministries to improve the quality of budget submissions has yielded good results in Phase 2. The Evaluation directly observed the success of this work in the Ministry of Health. This training program needs to be extended to all Line Ministries into the medium term if MOF is to implement revised budget and financial management procedures on a government-wide basis.

Dependencies that have affected Line Ministry training programs in Phase 2 include support for accounting and budgeting software applications on the MOF server and the rollout and support of the MOF Wide Area Network. Both these responsibilities, along with the Chart of Account issue, rest with the Corporate Services Division, Information Technology Section.

Further dependencies impacting on Phase 2 training are at the Line Ministry end of the Network. Most Ministries have their own internal IT section, or external contractor, that administers their Local Area Network (LAN), which connects with the MOF Wide Area Network (WAN). Inconsistent management of Line Ministry LAN's has given rise to conflicts with the MOF Network, resulting in FMIS not being accessible for transaction processing, or SBSP training purposes in that Line Ministry. This is often mistaken for FMIS being "down" and causes conflicts when MOF Information Technology Division is pressured to correct another party's error.

A further Network related issue is that of dial-up Internet access from 'trusted' computers on a line Ministry LAN. This has resulted in viruses being imported onto the LAN and possibly even the MOF server via the WAN, causing significant service disruptions while these problems are resolved. Introducing network management protocols and coordinating the work of multiple line Ministry IT Units needs more support than the 4-person (1 suspended, 1 qualified, 2 trainees) MOF Information Technology Division can provide.

Outputs 1.5 and 1.6¹⁷ in this component are now being implemented by other development agencies to remove any overlap between SBSP activities with EPSRP.

5.7.2 COMPONENT 2 – FINANCIAL MANAGEMENT INFORMATION AND SYSTEMS

The Phase 1 focus of this component was to improve financial operations and accounting systems within MOF, while strengthening Treasury Division's technical capacities. Part of this task was to establish an operating Internal Audit Unit. Another objective was to develop a model for improving the overall financial management capacity of Line Ministries.

17 1.5 Strengthen the integration of National strategic planning, Ministry Corporate Planning and the production of budgets.

Production of annual financial statements was a priority of the Treasury. SBSP has supported this by reducing the backlog of monthly bank reconciliations. The June 2002 Annual Financial Statements are currently being prepared, with the June 2003 statements outstanding. In Phases 1 and 2, this involved considerable mentoring of senior Treasury Officers by Project Advisers.

Three AESOP volunteers were mobilised to support the bank reconciliation activity during SBSP. Comments from accounting officers noted that these inputs were too short, at two months duration each, and confusing, as each of the three volunteers developed a different method for performing the GOT bank reconciliations. The suggestion was made that Short Term Advisers (STA) were useful where the same Adviser returned to make inputs. If not, too much time was spent in familiarisation and orientation of each new STA; and the work suffered.

SBSP set out to reinforce MOF and Line Ministry financial management by documenting procedural improvements in a draft Financial Policy and Procedures Manual and associated Treasury Instructions. Completing these documents was a major focus of adviser inputs in Phase 2. The draft Manual and Instructions were finalised in December 2003; and endorsed by the Treasury in June 2004. The Evaluation notes that these documents have not been available for use by MOF generally, or in mainstream Line Ministry training programs, during the life of the project.

Another focus of Phase 2 has been training of Line Ministries to strengthen their ability to use the FMIS Purchasing Module to record financial commitments. The draft Purchase Order Section of the Financial Policy and Procedures Manual was complete and available in time for use during this training and the feedback on this training was very positive.

As Line Ministries have become more informed users, they are now actively seeking solutions to networking problems that are limiting their access to FMIS. This has been a major project gain; and highlights the need for a GOT-wide network management policy alongside a proven technical capacity to reinforce this vital piece of management infrastructure. Efficient management of government-wide electronic data transmission is a vital tool for good financial governance.

The project has provided the Internal Auditor with material on the proper procedures to conduct internal audits. Due to operational pressures within the Treasury the Internal Auditor has been reassigned to perform bank reconciliations and has conducted very few audits. The Audit Unit consists of one person only and cannot function effectively.

5.8 Sustainability of Benefits

The large number of vacancies in management and key technical positions in MOF has made finding suitable counterparts virtually impossible throughout the duration of the project and meant that counterparts have been very busy people. This has significantly limited the project's opportunities to transfer skills and efficiently implement technical activities in MOF.

The same constraint will affect Line Ministry finance staff into the future and emphasises the need for the Public Service Commission (PSC) and its reform agenda to address the issue of recruitment and retention policies for specialist qualified staff.

Because of the limited number of counterparts it can make available, Treasury Division see the project as drawing resources away from regular operations. Managing these circumstances has placed considerable time pressures on both Treasury Division officers and Project Advisers; and resulted in interpersonal tensions.

It is difficult to see how the end of project outcomes could have been any different, with deferred implementation of new procedures, delayed completion of accompanying manuals, and minimal sustainability for project initiatives unless there is some form of follow-up activity.

The Evaluation was advised that a similar lack of sustainability had been exhibited by a number of previous donor initiatives in MOF. The critical constraint in each case was the lack of a suitable counterpart during activity implementation; or the departure of a trained counterpart during the project, or shortly after its completion.

The assumption in the original SBSP design that much of the organisational capacity had already been built under previous donor initiatives was incorrect, a situation that neither the design team nor MOF itself appears to have recognised at the time.

Sustainability of any project's initiatives is dependent on how well the operational capacity of the Partner Agency was assessed during design and a pragmatic assessment of the organisation's capacity to reinforce and sustain project activities into the future. The Project Design for SBSP erred on the side of optimism when making these assessments. The AMC recognised early on that building of MOF's organisational capacity was needed to sustain project technical gains; and a project extension would be needed to achieve this objective. This view was not shared by senior management of MOF, leading to some early friction between MOF and project advisors.

5.9 Impacts

The Evaluation considers that the overall impact of SBSP initiatives has been blunted by the unavailability of properly qualified counterparts, and unresolved issues in the IT area that have adversely affected project outputs in the areas of Budget management, decentralised processing of commitments and line ministry training programs generally. It is difficult for the Evaluation to see how project initiatives can have sustained impact without follow-up Activity into the medium-term future.

The Evaluation notes that the development and use of good quality manuals can deepen a project's impact where they are available to reinforce training. However, the Budget Policy and Procedures Manual, and the Financial Policy and Procedures Manual were not available to be used in Line Ministry training in 2003 – 2004. The Budget Policy and Procedures Manual is yet to be endorsed by MOF after project-end. The Evaluation considers that further MOF initiatives will be needed to promote the use of these manuals, the two-year term of SBSP being too short to effectively develop and then utilise manuals in training.

As there has already been 10 years of donor assistance to financial governance in Tonga, the Evaluation is unclear how GOT will develop the organisational capacities and the stable human resources needed for effective financial administration. This concern does not question the existence of qualified financial managers in the Tongan workforce, but does query the ability of GOT to recruit and retain these skills into the medium term.

Part of the solution may lie in EPSRP, providing this gives solutions for recruiting and retaining qualified financial managers to build organisational capacities. The Evaluation considers that a combination of approaches will be needed if MOF is to have a steady supply of financial management skills into the medium term. The use of project-type activities does not seem to have strong support in MOF.

An interesting feature of the SBSP design¹⁸ was the intention that Line Ministry financial management systems would continue to be developed and piloted in the Tonga Health Management Project, with SBSP support as needed. This apparent example of collaboration and co-ordination between donor activities in the area of financial management did not succeed. The reason for this was the considerable technical difficulties encountered in the Health project when designing and implementing a Line Ministry financial management package that would effectively communicate with FMIS. As a result, Line Agencies had to wait for the rollout of FMIS in June 2003 before being able to work with an automated budgeting, reporting and purchasing system.

¹⁸ Pages 10, 14, 18, 19, 22, 23, 30, 45 and 47 regarding Activity 2.4.1 in the Government of Tonga, Final Project Design: Strengthening of Budget Systems Project. AusAID, 5 January 2004.

This highlights the differences that exist between the role of central agencies and line agencies. Investing in line agency development of government-wide facilities is always fraught with risk. The Tongan experience, combined with similar outcomes noted in Samoa and the Evaluation team's experience in other countries suggest that line agencies are not the best organisation to develop public financial management tools, albeit that these will be used primarily at the line agency level.

The explanation for this outcome lies in the comparative advantage that central agencies have in designing and setting procedures and standards for systems such as the public financial management system. This arises from their whole-of-government legal mandate, knowledge of government-wide reporting needs and bigger skill bases in these technical areas. It is also true that while central agencies may be slower to advance these initiatives, progress made tends to be surer and less prone to being overtaken by events.

5.10 Capacity Building

This section of the report identifies the key capacity building strategies and processes adopted by the project at both the organisational and individual levels. The collective lessons drawn are detailed in Section B of this report.

5.10.1 ORGANISATIONAL CAPACITY BUILDING STRATEGIES AND PROCESSES

The project worked with MOF to redevelop the budget framework and to ensure the processes and systems to support the budget framework were operating effectively. Most of the outputs for this aspect of the project have been delivered. However, the lack of staff to fill key MOF vacancies has meant that counterparts have not been available for much of the project. Consequently, there has been limited opportunity to transfer skills and knowledge, and ownership of the outputs appears to be limited.

Support has successfully been provided to the Line Ministries in the preparation of corporate plans and annual estimates. During this process, the advisers adopted a coaching model to develop relevant skills.

The project provided direct assistance to MOF by assisting with the backlog of monthly bank reconciliations and the preparation of annual financial statements. It is noted that Tonga's MOF has a history of placements under Australia's volunteer and ASAS schemes, in which expatriate personnel work in operational and management positions. Due to this experience, and the lack of local staff to meet work related deadlines, there is an expectation that advisers will assist with hands-on tasks.

The project developed two important technical manuals for MOF and Line Ministries to apply to Budget and Financial management in GOT. Due to delays in sign off, these manuals were not finalised in time for use by SBSP in either the MOF or the line ministry training programs. The impact of this important work is lessened as a result.

5.10.2 INDIVIDUAL CAPACITY BUILDING STRATEGIES AND PROCESSES

The project has provided on-the-job training when counterparts have been available. One person has become the primary (and only) counterpart for the project, limiting the project's ability to build capacity across the organisation by the skilling of a critical mass of individuals.

Formal, computer based, training courses that provide instruction in the use of the finance system have been conducted for MOF and line agency staff. This training has been delivered in the project's training room which is set up for 'hands-on' computer training. Feedback has been very positive, suggesting that the training is well structured and well delivered. The success of this work was directly observed in the MOH.

The Team Leader and Advisers have provided ad hoc coaching and advice to the Minister and senior managers. The Minister's feedback on the quality and timeliness of this advice was very positive.

5.10.3 CONCLUSIONS

Primarily due to organisational issues within the MOF, the SBSP has had limited success in capacity building at both the organisational and individual levels. While it has been able to facilitate the development of the budget framework, policies and procedures, the out-of-sequence delivery and apparent lack of ownership of this work suggests that the long-term impacts will be minimal.

The primary reason for this is the narrow focus of the project design on technical issues. The experience with SBSP suggests that long term, sustainable technical changes are unlikely to be achieved if they are not supported by the necessary broader organisational changes (for example, in management capacity, governance, internal communications and human resource management, particularly staff recruitment and retention and performance management).

A second reason why this project has struggled has been the lack of trained staff to work with the project. It is essential that a project work closely with local staff to ensure relevance, ownership and transfer of skills. MOF struggles because of its inability to recruit and retain qualified officers. There are many reasons for this:

- the limited numbers of qualified accountant that GOT can attract and hold in service;
- competition from the private sector and overseas employment that is able to offer better salaries; and
- problematic management practices (poor organisational design, lack of effective performance management, poor communication, lack of staff participation in decision making, delegation of excessive workloads to effective staff and lack of reward and recognition for good performance).

The result is that MOF is not considered an 'employer of choice' within the small Tongan community and therefore does not attract staff. Due to this under-resourcing, officers who work in key positions face considerable challenges to meet their day-to-day responsibilities – and any additional role as counterpart to a project becomes onerous.

6 TONGA – HEALTH SECTOR MANAGEMENT PROJECT (HSMP)

The Evaluation Team conducted its visit to the Kingdom of Tonga from 15 to 23 March 2004. The Evaluation Team did not include a counterpart from the Government of the Kingdom of Tonga, however there were extensive consultations with senior and middle-level Ministry of Health officials concerning both HSMP and organisational capacity building issues. The initial findings of the Evaluation were presented to GOT before the team's departure.

6.1 Project Goal and Purpose

Goal: To develop a management approach for line ministries which would be used as a model for the Government of Tonga in reforming governance and economic management.

Purpose: To ensure sustainability and integration of the functions of general, financial and human resource management.¹⁹

6.2 Environment

The Ministry of Health (MOH) is one of the largest Line Ministries in GOT. Successive analyses of the Tongan health sector by the World Bank (1994), ADB (1996) and AusAID (1997) confirmed that the burden of disease was shifting to non-communicable diseases, and that planning, organisation and management constraints were the greatest issue for MOH in meeting this challenge.

A new Minister for Health was appointed in April 1999, about the same time as project commencement in February of that year. The Minister's goal was for the referral hospital to be improved and upgraded to meet Tonga's tertiary health needs for the next 20 years. With this ambition to be achieved, the Minister had the political will to seek organisational change that could challenge social conventions and established MOH practices.

At project commencement, MOH was based on an autocratic model of management with relatively rigid hierarchies. Individual Divisions existed in "silos" within the Ministry and experienced little downward communication within the "silo"; while there was negligible cross communication between "silos". In this setting, high-level willingness to support change greatly assisted the project to realise its capacity building goal and purpose.

19 Page 6, Draft Annual Plan, Tonga Health Management Project – Phase III. AusAID, April 2003.

Recognising HSMP as a potential vehicle to satisfy part of this goal, the Minister became an obvious “champion” for the project. This direct link between the MOH organisational mandate and project’s objectives makes the project relevant, albeit that early project design changes were needed to sharpen the degree of relevance. Senior MOH officials noted that this degree of Ministerial support for a development activity was “relatively unique” in Tonga and that this was not the norm in other ministries.

Notwithstanding this high level support, the Evaluation was advised that the project had difficulty securing appropriate counterparts; and reluctance in attending project working groups and training sessions affected delivery of project outputs in the early years. The demands on available counterparts were also high, the Senior Health Planning Officer noted he “crawled out” after providing four years of project support.

HSMP was intended to develop a ‘model’ Sun System tool for decentralised financial management in the Line Ministries; and used MOF’s technical advice to guide this task. This system development activity did not succeed within its given timeframe and was eventually superseded by MOF’s own Line Ministry financial management tool. This proved to be of significant advantage to HSMP in the area of budgeting and financial management when its own system did not eventuate.

In the area of Human Resources (HR) management, HSMP coordinated more closely with PSC on systems development, but progress is slow and PSC clearance is yet to be given on Micro Pay elements that MOH and HSMP are ready to use.

As with all skilled professionals in GOT, medical practitioners and senior nurses are difficult to attract and retain in MOH. This human resource management issue will need to be resolved if MOH clinical service delivery is to meet the standard articulated in the ‘Daring Goal’²⁰ of the national health plan, entitled “Tonga’s Health 2000”.

Unlike many countries, Tonga does not have the problem of parallel public and private health systems affecting the utilisation of the public health service. The population of Tonga almost universally uses public health facilities. However, senior staff of MOH reported a growing level of private practice being performed in public facilities, leading to inappropriate resource allocations as elective procedures are undertaken at a cost to the hospital that is not currently recouped by MOH. MOH will need to develop policies to govern the private use of public health resources if conflicts over this practice are to be avoided in future.

20 Page 2, “To be the healthiest nation in the Pacific as judged by international standards and determinants.”
Tonga’s Health 2000, Ministry of Health – Government of Tonga, December 2000.

6.3 AMS Budget

HSMP began implementation in February 1999 and is expected to conclude in September 2004. As at March 2004, total AusAID expenditure on the activity was \$4.2 million.

6.4 Chronology of Design, Monitoring and Evaluation

Soon after mobilisation, in May 1999, the original PDD was substantially redesigned to ensure that project activities were consistent with MOH objectives and took into account the appointment of a new Minister for Health. This reflects the need for flexibility in capacity building projects so that they can support changing organisational approaches.

The project was designed in three Phases:

- Phase 1, from February 1999 to February 2001, during which time an intensive diagnostic of MOH capacity issues was made along with an assessment of Phase 2's viability in terms of MOH's ability to absorb the levels of change being proposed;
- Phase 2, from June 2001 to June 2003, during which the achievements of Phase 1 were consolidated and extended the MOH division and section levels;
- Phase 3, from September 2003 to August 2004 (AusAID may consider the possibility of extending to June 2005), during which the sustainability of earlier gains will be consolidated.

There have been four independent monitoring visits to HSMP. A Technical Monitoring Mission in February 2000; a Technical Advisory Mission in August 2000; and TAG visits in November 2002 and again in April 2004.

The monitoring visits have broadly concurred with the significant changes of direction that have taken place in project design; and have noted that project progress remains behind expectations in many areas. These findings have been tempered by a clear understanding that estimating the time needed for organisational change is an inexact science.

HSMP was also subject to AusAID Quality Assurance Group (QAG) evaluation in December 1999 concerning Quality of Projects In Implementation. This identified risks in changing organisational culture and excessive contract milestones as lessons learnt from HSMP. An overall Quality in Implementation Rating of 3, satisfactory overall, was made.

6.5 Appropriateness of Objectives and Activity Design

Throughout the three phases of HSMP, the project goal has remained relevant and been preserved in each Annual Plan. This consistency recognises that the project design in mid-1997 correctly identified the broad needs of the Tongan health sector; and that these needs have matched AusAID's priorities over the same period.

Whilst clearly a health sector activity, it needs to be recognised that many of the initiatives undertaken by HSMP have direct links to governance reforms in the area of improved financial and Public Service management. However, the 1997 PDD also included a series of clinical support activities that were questioned by MOH and the Project Team during HSMP inception. This enquiry led to the removal of these clinical activities in favour of more organisational development, a decision that was endorsed by MOH's corporate vision for itself.

Following on from project inception, a feature of HSMP has been the thorough and consultative approach taken. This approach has been used to identify the priority issues to be addressed, in developing the mission for the organisation, and in tackling organisational issues. The investment in this process has been considerable, however the pay-off has been a high level of buy-in to many of the management changes required.

The 'visioning' process drove the early redesign of Phases 1 & 2 in May 1999. A subsequent extensive review of MOH organisational needs led to further design changes for Phase 3. Consequently, MOH officials are directly involved in making sure that HSMP is relevant and manageable. The Evaluation was advised by MOH officers that this project process was a case of "leading by example", because the project was promoting sharing and transparency of information, one of the project's organisational capacity building goals.

It is too early to know whether the strategy of focusing on organisational capacity building, in favour of clinical services delivery, will lead to better health outcomes for Tonga. The balanced scorecard method of monitoring key performance indicators has only been recently introduced MOH. This tool will need several years of consistent application at Section level before statistical information is able to link better organisational capacity with improved public health. Further, the Health Information System (HIS) will be enhanced under the upcoming World Bank project; and any dependencies between the MOH balanced scorecard and an enhanced HIS are not clear at this time.

The Evaluation concludes that HSMP's design objectives have been consistently relevant throughout the now five-year project period; and that the processes employed for varying the design have been appropriate. The original four-year duration of the project seemed realistic, however the decision to extend by a further year reflects the difficulty that even well supported, and relevant project designs face in achieving organisational capacity building objectives.

6.6 Professionalism of Management

All MOH officials consulted by the Evaluation appreciated the way in which the project had been managed and implemented.

Overall, advisers are technically qualified and experienced and are committed to the achievement of MOH objectives. The Evaluation was advised that a small number of "poor consultants" had been recruited by the project, but resolving this issue had led to greater MOH participation in selection of advisers, which was a good outcome.

The consultative processes used to identify design changes in Phases 1, 2 and 3 are 'good practice' examples of a project employing the same techniques that it is trying to impart. Reinforcing the project's capacity building objectives through internal management examples has a strong demonstration effect; and is an example of good project management practice.

HSMP also created a series of task forces to look into areas of MOH organisational capacity building need, with these groups providing the framework for project activities to respond. MOH Management Committees were rationalised, reactivated, and used to oversight project activity management. The clear links that were forged between internal MOH management practices and project activity once again assisted transparency in the flow of information through MOH, especially as concerned the project. This approach reinforced inter-divisional communications, engendered sustainability and is another example of good management practice.

Mixed success was experienced in the management of automated systems in MOH. The finance system was not delivered; the Human Resource Management Information System (HRMIS) has many interdependencies and is not yet performing as expected. In contrast, the m-supply system used to manage pharmaceutical inventories and procurement was successfully implemented in MOH via a well-qualified sub-contractor.

The Evaluation concludes that project management was particularly effective in the area of capacity building, but less so in the technical areas of the project.

6.7 Achievement of Goals and Objectives

6.7.1 COMPONENT 1 – MANAGEMENT DEVELOPMENT

Feedback from all levels of staff is that the quality of executive management has improved significantly during the course of the project. Specific examples of changed behaviour include: Executive meetings that are focused, well chaired and encourage participative decision making; regular reporting of financial and other information that has led to improved decisions; and increased transparency in decision making.

In particular, the communication processes within the organization have been greatly enhanced: staff at all levels report improvement in information flows both down and up.

There is now a demonstrated capacity to respond effectively to health crises that draws on the collective expertise of the organization (eg. when the SARS epidemic was a threat the Ministry established an inter-departmental committee to respond).

Training currently being conducted for the Executive and middle managers is very well received with positive outcomes, but it was noted by a number of members of the Executive that this training would have been better timed if it had been delivered earlier in the project. Training manuals are being developed.

6.7.2 COMPONENT 2 – HUMAN RESOURCE MANAGEMENT

The HR Committee, through a range of task forces/working groups, has explored HR issues and, where appropriate, developed policies, procedures and/or guidelines, e.g. sick leave. The value of this has been as much in the process as in the content, i.e. it has helped develop a participative culture for problem solving in the organization. HR policies have been reviewed and documented in a new HR Policy Manual. There are still HR issues to be addressed that will benefit from the skills developed by this process.

The Training Development Committee now ensures that training is well targeted and based on organisational needs rather than being allocated on an ad hoc, on request basis.

The implementation of the human resource information system (MicroPay) is progressing slowly. Delays are due to: MicroPay (e.g. Leave and Training) modules are not yet cleared by PSC for implementation; and network instability. This limits the capacity of MOH to implement their human resource policies concerning sick leave and annual leave.

6.7.3 COMPONENT 3 – FINANCIAL MANAGEMENT

The project has served as a catalyst to reinforce a clear understanding amongst managers that timely and accurate financial information is important for decision-making.

This need for financial information is currently being met (down to MOH Section level) through the monthly reports more regularly provided by the MOF FMIS since January 2004.

The project's initiative to establish a MOH financial system to report expenditure (which would later link to FMIS) was not successful; and lacked a consistent counterpart until January 2003. The required Finance Policy and Procedures Manual and Systems User Manual could not be located in MOH; and the Evaluation was informed that MOH Accounts Section could not use or maintain the system, with the majority of this work being done by an expatriate Volunteer.

Further, data input controls were not fully developed; and the quality of reporting from the MOH SUN system between January and June 2003 was unreliable. This led to reduced confidence in the system and it was discontinued in June 2003. This coincided with the implementation of the FMIS in line agencies, including MOH. The Evaluation considers that without this development it is unlikely that reliable MOH financial management reporting would have been achieved.

The 'm-supply' system, implemented in the Central Store, has been successful. This, combined with the rationalised Essential Drugs List, has improved the management of drugs and medical supplies. There should be economic benefits as a result, but these are yet to be quantified. The sustainability of this activity is likely given a computer literate Central store staff who are able to use the system; and ready access to technical support.

Implementation of, and technical support for, the 'm-supply' system was entirely subcontracted by HSMP to a competent third-party provider. This provider takes regular back-ups of the systems data and provides on-line support from Nepal.

Support to MOH budgeting process has been implemented by several inputs, with a complete MOH Budget Policy and Procedures Manual to be prepared during Phase 3. The Manual has not been available for use in budget training. A consultative approach to Budget formulation was applied in March 2003 and again March 2004; however, the Acting Senior Accountant is uncertain about repeating the process without project support in 2005.

MOH will need to rely on improved management process and the Manual to replicate this year's experience in 2005; however, the proposed extension of the project may provide another opportunity to repeat the MOH budget cycle with project support.

6.8 Sustainability of Benefits

The project has introduced significant improvements to the way MOH internally communicates and makes decisions. MOH's ability to sustain better internal communications and decision making processes will depend on the conviction of senior managers that this process is better for the organisation as a whole.

Senior MOH officers advised the Evaluation that there would now be genuine reluctance on the part of many Executive and Committee members to revert to the former autocratic style of management. This view, if sufficiently widely held in MOH, suggests that the management capacity building component of HSMP will be sustainable.

Similarly, senior MOH managers value budget and expenditure reporting down to division and section level; and want this to continue into the future. That fact that this reporting comes out of the FMIS and not the MOH SUN system is irrelevant to these users. However, the MOF FMIS accounting and reporting tool is sustainable, although network management needs strengthening across GOT as a whole to improve reliability of access.

The sustainability of HR initiatives will be dependant on the level of support and willingness by managers to implement new policies and procedures. The HR system still requires considerable work before it is useful to the organisation.

6.9 Impacts

HSMP has had a high impact in terms of organisational capacity building within MOH, which was its primary goal.

The extent to which this will impact favourably on clinical health services delivery is unclear at present. However sustained use of the balanced scorecard tool, alongside the HIS into the medium term would give an indication of this outcome.

6.10 Capacity Building

6.10.1 ORGANISATIONAL DEVELOPMENT STRATEGIES AND PROCESSES

At the commencement of the project, the team conducted a participative diagnostic process to identify the key problems facing the organisation and to seek agreement on the project's priorities. This involved the conduct of fifty interviews and a workshop with seventy senior and middle managers. This process ensured agreement on the issues to be addressed and helped build buy-in to the project.

The project worked with the Executive to develop a shared vision for the Ministry. This was done through extensive consultation and the conduct of a visioning workshop. This process aimed to ensure that managers and staff shared a common understanding of the purpose of the Ministry and of the contribution the project would make in achieving this purpose.

The project focused on three key building blocks that were identified through the processes detailed above – management development, financial management, and human resource management. It was agreed that these three areas would provide the 'building blocks' for a successful Ministry of Health.

The clarification of roles and responsibilities was undertaken through one-on-one discussions and the development of role and responsibility statements. This was done to address issues such as lack of clarity in relation to management responsibilities and accountability. This lack of clarity had resulted in lack of ownership of problems, 'blaming', duplication of effort, 'turf wars' and some responsibilities not being addressed.

Strategies were put in place to improve communications within the organisation. Formal, vertical communication channels were put in place, meeting processes were reviewed and improved, reporting processes were standardised and the committee structure was reviewed. Meetings procedure training was provided and participative decision making processes encouraged.

Strategies were put in place to encourage cultural change. These included the recognition and rewarding of innovation and good performance. For example, the 'Good Idea of the Month' award encourages innovative problem solving and rewards those who have implemented a good idea that *did not* require funding from the project.

The project worked with a newly created multidisciplinary Human Resource Development Committee to develop and implement streamlined HR policies and procedures (eg. disciplinary procedures, overtime management and leave management – all developed in the context of the whole of government Estacode²¹). This was carried out to address issues such as lack of internal HR policies and procedures, poor staff performance, poor morale and inefficient systems and processes. Working groups, with widespread representation, were established under the auspices of the HRD Committee to explore problems and develop suitable solutions (i.e. policies, practices, systems etc).

The project focused on improving budgeting processes to build transparency, encourage the development of more realistic budgets, and improve the monitoring of expenditure. Lack of accounting staff to work in the Ministry finance section hampered progress.

A multidisciplinary Training Development Committee was established to develop standardised training policies and procedures and to appraise training requests and opportunities. This process was put in place to ensure staff training was appropriately targeted to meet organisational needs.

The project implemented a HR information system that aimed to provide managers with management information on staff resources – staff assigned to positions, duration of service, leave details etc. Technical problems have limited the system's use, particularly problems with the network to the central server in the MOF. Problems have also arisen over responsibility and accountability for addressing systems issues.

6.10.2 INDIVIDUAL CAPACITY BUILDING STRATEGIES AND PROCESSES

Counterparts were identified for key roles. High staff turnover, slow recruitment processes and lack of availability of qualified staff undermined the projects capacity to transfer skills and knowledge to counterparts. To overcome this problem the project identified a range of counterparts at various levels to work with each adviser. This worked with varying degrees of success depending on the availability of staff.

On-the-job training was provided to senior and middle managers and counterparts. Others were drawn into on-the-job learning opportunities when possible. Managers considered on-the-job training the most suitable way to train – it was considered immediate, relevant and timely and ensured that staff resources were not constantly away from the workplace. Staff proved less enthusiastic, preferring formal training (courses, scholarships etc). Advisers considered on-the-job training most effective.

21 A Compendium of Laws, Rules and Instructions for Civil Servants.

Formal short training courses were accessed by managers and staff. Some were conducted in-house by the project. Others were conducted by consultants working in Tonga under various sponsors. Feedback was generally very positive. The project provided one-on-one follow-up/coaching with its course participants to ensure that skills were implemented. Timing of delivery was questioned in several cases (eg. meeting procedures courses were being held in-house at the end of the project rather than earlier on when meeting processes were being reviewed.) Certificates of Completion are highly valued.

Several manuals have been developed for ongoing use by the Ministry. The HR Policy Manual was developed through the Human Resource Development Committee and provides a record of all HR policies and procedures. The Budget Manual is being developed as the project ends. Its use is yet to be assessed. The Finance Policy and Procedures Manual was not developed.

The Team Leader encouraged managers to review management articles sourced from Harvard Business Review and other relevant publications. Articles were identified that related to key issues facing the organizations. Managers were required to précis and analyse the content for presentation to their colleagues and to lead discussion with that group on the lessons learnt from the article.

6.10.3 CONCLUSIONS

The Evaluation concludes that the organisational capacity building approach adopted by the project has been successful. The management skills of the MOH have improved; there is a developing organisational culture that is more open, transparent and participative; finances are being managed more effectively; and HR systems are in place to support more effective use of human resources.

While not all individual interventions could be considered a success the focus on the development of organisational capacity and the use of a structured process to do so ensured the projects efforts were appropriately targeted. The project focused on agreed priority areas, worked closely with the Minister and Executive to drive cultural change, and ensured individual capacity building was targeted at organisational needs.

PART B – CAPACITY BUILDING ACROSS THE PACIFIC

7 DEFINITIONS

Recent AusAID documentation defines *capacity building* as:

*the process of developing competencies and capabilities in individuals, groups, organizations, sectors or countries which will lead to sustained and self-generating performance improvement*²².

It is important to note that:

- in the context of capacity building, performance improvement is for the purpose of ensuring better results and that, in the public sector context, this means improved use of public resources and more effective delivery of services.
- capacity building is not only about skills development – it is also about the development of frameworks, work cultures, policies, systems and processes – all aspects of an organisation that facilitate good performance.
- organisational capacity building strategies may have a technical focus (eg. the implementation of new finance systems and processes) or a governance and management focus (eg. the development of communication and participation processes, the implementation of sound human resource practices, the shaping of a new organisational culture etc.)
- training, in its many forms, is only one strategy to build capacity

For the purposes of this evaluation, *institutional strengthening* is defined as:

capacity building at the organisational level i.e. the building of frameworks, work cultures, policies, processes, systems and skills within an organisation to improve performance to achieve successful outcomes.

This definition is consistent with a recent AusAID paper²³ that suggests that the term ‘organisational capacity building’ be used in the context of AusAID activities rather than institutional strengthening. This is because the term ‘institution’ often has a wider meaning within AusAID, relating to broader societal contexts e.g. democracy, rule of law.

22 DRAFT Enhanced Cooperation Package: Capacity Building Framework. AusAID. 16 February 2004.

23 Jan Morgan. 2004. Organisational Capacity Building. Draft

This broader definition of institution is also used by organizations such as the OECD-Development Assistance Committee²⁴ and the World Bank²⁵.

The use of the term 'organisational' also has the advantage of being more consistent with Commonwealth Agency²⁶ management terminology and is more likely to be relevant to future Australian Whole of Government partners under the enhanced cooperation approach.

7.1 Data Gathering

During the conduct of the evaluation, the team specifically gathered information on how each project:

- built capacity at the individual level; and
- developed organisational capacity.

From an evaluation perspective, Kirkpatrick's model²⁷ of training evaluation has been adapted for use. While this model was specifically designed to evaluate training, it provides a framework for rigorous assessment that equally applies to capacity building:

- What was the participant's *reaction* to the capacity building process?
- Were the *objectives* of the intervention met?
- Has *job performance* improved as a result of the intervention?
- What have been the *outcomes/results*?

The matrix at Annex 5 summarises the findings of the Evaluation on individual capacity building using this model.

More broadly, the Team was interested in the practical aspects of capacity building:

- What specifically was done to build both individual and organisational capacity (i.e. what interventions and learning processes were used)?
- What worked; what didn't work; and why?
- What lessons can be learned – for future project design and delivery; and for AusAID's draft Capacity Building Framework and the Enhanced Cooperation Program (ECP)?

24 Page 4, Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance. OECD-DAC, Paris 1997.

25 Revisiting Institutional Strengthening and Rethinking Governance. Daniel Kaufmann, World Bank Institute, June 12th 2003

26 Australian Public Service Commission publications, www.apsc.gov.au/publications98/goodpractice.htm Last modified on 3 August 1998

27 Kirkpatrick, D.L (1959). Techniques for evaluating training programs. Journal of the American Society for Training Directors, 13, 3-26.

8 CAPACITY BUILDING

8.1 Organisational Capacity Building Approaches

An outline of the organisational capacity building strategies adopted by the five projects under review is provided in Part A of this report. In summary:

The Tonga Strengthening of Budget Systems Project (SBSP) focused on technical solutions within the Tonga Ministry of Finance. Strategies focused on budgeting improvements, accounting improvements and improving the functionality of the Financial Management Information System (FMIS). There were no strategies directly targeted at governance or management. The Project Team provided informal advice to the Minister and senior managers.

The Tonga Health Management Project (HSMP), after its redesign, focused primarily on improvements in governance and management. Strategies were implemented to address broad management issues (vision, organisational culture, communication, participative decision making, performance management), financial management (introduction of a finance system, improved budget monitoring processes) and human resource management (improved targeting of training, improved HR policies and processes). This project was actively supported by a strong leader (the Minister of Health) who worked closely with the Project team to shape the project design and implementation.

The Samoa Treasury Institutional Strengthening Project (TISP) targeted both technical and management improvements. Technical capacity building strategies addressed budgeting, accounting, the implementation of an FMIS, devolution of financial functions to line agencies and improvements in auditing. Governance and management capacity building strategies included the introduction of corporate planning, the development of a corporate identity, and the development of a culture of performance improvement. The Finance Secretary and Minister provided strong leadership for the project.

The Samoa High Level Advisers was a small, responsive activity developed to meet specific needs for advice identified by the Finance Secretary. The Policy HLA provided a mentoring and coaching role to the Secretary in relation to strategic aspects of management. The Accounting HLA primarily worked on, and aimed to build capacity in, revenue forecasting.

Vanuatu's Ministry of Finance and Economic Management Institutional Strengthening Project (MFEM-ISP) is similar in design to that of Samoa's TISP – it also has aimed to improve capacity in the technical, governance and management areas. Strategies adopted to do so are also similar. The technical focus has been on budgeting, accounting, audit and the implementation of an FMIS. Governance and management strategies have focused on developing a culture of performance, improving communication processes, improving human resource management processes etc.

8.2 Technical and Management Capacity Building

As detailed in Part A of this report, the four projects that addressed governance and management issues have clearly been more successful than the one project with a purely technical focus. While there are many factors that have influenced the success of the projects, feedback from the partner agencies, counterparts, project teams, managers and staff indicate that technical solutions, delivered in isolation from organisational capacity building, are unlikely to be successful.

Because of the importance of governance and management capacity to the success of the projects, project teams have tended to work on a range of management issues not defined within the Project Design or annual plans. For example, in all cases the Australian Team Leaders (ATLs) provide guidance and advice to their counterpart management (in some cases, Ministers) on a wide range of issues outside of the defined project scope.

From a sustainability perspective, technical solutions need to be implemented within an organisation that is effectively managed. Where good management does not exist, or is developing, the project needs to help build that capacity along with technical capacity.

8.3 Responsiveness and Flexibility in Project Design

Two of the successful Projects (Tonga HSMP and Samoa TISP) were redesigned early after project implementation, as the original design did not meet Partner expectations or needs. In both cases, strong leadership from the Partner was needed to say 'stop – this project is not working'. Flexibility from AusAID and the project team in responding positively to this message from the Partner was a major success factor. A participative approach was used to develop the designs so that the Partner shaped the design of the project, particularly the areas of priority and the nature of the deliverables, and ensured alignment with their organisation's vision. The participative approach ensured that the Partner understood exactly what was to be involved with the project and that they were fully committed to its implementation.

In the case of the Tonga SBSP, the design was problematic from the beginning as it did not acknowledge the need for the development of governance and management capacity as well as technical capacity.

Some of the reasons (not all will apply to each project) why the designs were initially unsuitable include:

- the Partner Agency had unrealistic expectations of what the project could achieve. Conversely, the design team had unrealistic expectations about what could be achieved by a project within the Pacific context;
- the Partner Agency had a limited understanding of its own strengths and weaknesses. Conversely, the design team did not have the required expertise, or alternative viewpoints from the Partner Agency, to accurately assess the management, as well as technical, capacity building required (several people commented that senior managers in the Pacific are often very articulate and able to speak 'development language' to the extent that design teams develop a perception that more capacity exists than is in fact the case); and
- the time lag between the design of projects and their implementation inevitably leads to the need for some changes – and often this need is not apparent to the project team for a considerable time after implementation commences.

The primary lessons to be learned from the Evaluation in terms of project design are:

- project design should be based on a thorough and realistic analysis of both technical and organisational capacity (project design teams should include people with the necessary technical and organisational development skills);
- often a full understanding of the issues will not become clear until some time after the project commences implementation. Projects should have the flexibility to redesign as new information emerges;
- redesigns take time and should involve all key stakeholders (including senior and middle management);
- counterparts must be fully involved in the project design and the selection of key project staff;
- the project design must take into account the rate at which counterparts have the capacity to change (there must be a *realistic* assessment);
- the project design should also recognise that a project cannot address every issue at the organisational level so interventions must be targeted for maximum impact;
- project designs will often need to be reshaped (either because the diagnostic process was flawed or because Partner needs have changed); and
- time and costs spent on a comprehensive design process will save the time and cost penalties that a subsequent redesign will impose during project implementation.

8.4 Leadership

The success of the Tonga HSMP and Samoa TISP can be partly attributed to strong Partner leadership. While the Samoa TISP had little support from senior or middle management when it commenced, initial change was driven by the Finance Secretary and Minister who were both determined the Treasury would change. Buy-in to the project came over time, particularly through the redesign process. The redesign process conducted early in the project with the MOH in Tonga ensured considerable buy-in from a cross section of managers and staff early in the project's implementation. This process, combined with a strong leader in the Minister, contributed significantly to the project's successes.

It is evident from those projects where leadership was less committed (as a result of turnover or other competing priorities) that the project had to work a great deal harder to implement change. These projects were faced with problems in recruiting and retaining good quality counterparts and getting sign off to policy and systems changes.

8.5 Integration with Whole-of-Government HR Reforms

In all three countries, change projects have been underway within the central agency responsibility for public sector HR, the Public Service Commission. The projects reviewed as part of this Evaluation aimed to integrate their HR strategies with the whole of government agenda. However, this has meant that important capacity building strategies (eg. performance appraisal, job evaluation and streamlined recruitment processes) have not been implemented in a timely manner, from the project's perspective. While delays have impacted on capacity building efforts it is recognised that, in the longer term, sustainable results are more likely to occur from a whole of government approach.

8.6 Staff Turnover

High staff turnover is a problem common to the three countries and has limited the impact and sustainability of all five projects. Recruitment of good staff is problematic. There is a high level of emigration, particularly by professionally qualified staff. Recruitment processes are bureaucratic and slow and some agencies do not attract applicants as they have poor reputations as employers. This is primarily a result of poor management that leads to frustration and dissatisfaction, particularly in competent staff.

Staff are transferred across departments and agencies with little or no notice and, because of slow recruitment processes, their positions are often left vacant for long periods. Rarely is there an opportunity to pass on newly acquired skills and knowledge.

Remuneration in all three public services is relatively low which also contributes to the steady loss of capable staff to the private sector. Other recognition and reward strategies are not generally applied as a means of supporting staff and encouraging retention.

8.7 Counterparts

All projects identified counterparts to work with advisers. Ideally, advisers work with their counterpart to develop relevant skills, knowledge and attitudes as well as personal systems and processes to enhance work performance. In return, the counterpart has a responsibility to teach the adviser about local conditions and environment and assist with project implementation by provision of advice and support. Ideally, advisers and counterparts work in *partnership* to achieve organisational outcomes.

The attributes that make an effective counterpart include:

- a commitment to the project;
- education to the level required for their position (for example, some positions in MOFs require accounting qualifications at tertiary level. Other positions only require a good level of numeracy and literacy indicated by a senior certificate.);
- the capacity to learn, and an openness to new ideas and new ways of doing things;
- good communication and interpersonal skills;
- a willingness to teach the adviser about their agency and culture;
- a good understanding of their own work environment, particularly the politics of the organisation;
- a willingness to share what they have learnt from the project with work colleagues; and
- an ability to juggle the demands of their 'real job' and their role as a counterpart.

Counterpart commitment to, and interest in, the project can be a major factor in ensuring successful skills transfer. To help build this commitment, counterparts need to participate in the design process. There also needs to be congruence between the counterpart's personal and professional goals and that of the project. The quality of HR management also plays a role in ensuring counterpart success.

The problems associated with poor recruitment and high turnover have impacted on the counterpart arrangements for every project. The Tonga MOF project, in particular, suffered from the lack of suitable counterparts and skills transfer has been very limited. High turnover in the budget section at the Ministry of Finance in Samoa has meant that most counterparts trained by the project have left the organisation. However, systems developed continue to be used in training and on-the-job in some areas, while there is little evidence of residual skills in other fields.

Several strategies have been adopted in an effort to address this problem:

- Pressure has been put on Partners to meet their obligation to provide counterparts.
- ‘Secondary’ counterparts have been identified to be trained in the absence of primary counterparts.
- The Tonga HSMP focused on working with teams rather than any one individual counterpart with the aim of developing a critical mass of skills. This approach has also been used in Vanuatu where whole teams (eg the budget section) have been trained.
- In Samoa, TISP identified and targeted younger, motivated officers for development with the expectation that they would gain more from the learning process and were more likely to stay.
- HR systems in the organisation have been strengthened to support good people management.

When only a small number of staff are trained there is a risk that individuals will use their specific knowledge as a means of building personal power. While multi-skilling has not yet been adopted as a process, Vanuatu MFEM is exploring ways in which it can share skills across several teams to reduce the risk of vesting key organisational knowledge in only one or two people (eg. how to use a specific computer program). Multi-skilling may be an option, but care must be taken to ensure counterparts are not overwhelmed by the breadth of learning required.

8.8 Building a ‘Critical Mass’ of Expertise

All projects have struggled with the challenge to build a critical mass of expertise within their agency to ensure sustainability. If counterparts move from central to line agencies associated with the project (as has happened in Vanuatu and Samoa) then ongoing benefits accrue as they continue to apply their expertise within the sector. If counterparts move to the private sector then, some argue, the benefits continue to accrue, albeit for the country overall. However, when trained counterparts emigrate the residual benefit for the country only lies with remittances.

The challenge for a project is to shape more effective organisational systems and frameworks and to build a critical mass of skills, to underpin those changes, that will endure in spite of the continuous movement of staff.

Strategies include:

- building capacity in teams rather than individuals;
- planning for staff turnover and developing junior staff as successors;
- building governance and management capacity (and morale) within the organisation to encourage staff retention; and
- multi-skilling across teams (noting, however, that multi skilling can place additional pressures on staff already stretched to learn their current duties).

8.9 Advisers

Partner Agencies spoke highly of the professionalism and skills of most advisers associated with the projects. An adviser's ability to engage with their counterpart, to understand the environment and to share their skills and knowledge, all play a key role in the success of the projects.

Most projects have suffered to a minor degree from poor advisers. The attributes of poor advisers include:

- poor interpersonal skills that prevent them from building good working relationships with counterparts;
- an unwillingness to collocate with their counterparts;
- poor communication skills that limit the transfer of knowledge;
- lack of cultural sensitivity that leads to behaviour (both in and outside of the workplace) that is unacceptable;
- lack of respect for counterparts;
- lack of direct experience in the role they are advising on. These advisers “learn” on the project and their counterparts consider their contribution less useful as a result;
- indiscretion (eg. sharing inappropriate knowledge about events in the workplace with others); and
- lack of understanding of their role, leading to involvement in inappropriate tasks.

There has been minimal adverse impact when a poor adviser has been appointed for a short term. When a long-term adviser has been unsuitable, the impact has been far greater and the process of replacement has often been difficult.

8.9.1 QUALITIES REQUIRED OF AN ADVISER

Conversely, the attributes of a successful adviser, as defined by counterparts, managers and project team members, is consistent across the three countries visited. In summary, the 'perfect adviser' will have all of the following attributes:

Technical Qualities

- technical expertise and direct practical experience of the highest order (*an essential quality*);
- the capacity to work at both the strategic and operational levels;
- able to demonstrate their operational capacity by performing line tasks within the Partner Agency²⁸;
- conceptual and analytical skills;
- problem solving skills;
- organisational development skills and knowledge; and
- knowledge of, and adherence to, the boundaries of his/her role, or consulting extensively prior to any departures so that these are understood and endorsed.

Interpersonal Qualities

- well developed interpersonal skills (*an essential quality*);
- people management skills;
- communication skills;
- presentation and on-the-job training skills;
- cultural awareness/sensitivity;
- flexibility and responsiveness;
- patience;
- non aggressive manner; and
- discretion.

Other Abilities

- ability to learn the local language (more an issue in Vanuatu); and
- capacity to 'celebrate project achievements'.

28 The Evaluation found that 'demonstration of capacity' by Advisors (eg. by doing some hands on work) is not identified in Activity Logframes or in Terms of Reference. This important step in building Partner Agency confidence in an Adviser's abilities, and its associated demand on advisory time, needs to be recognised in both Logframe and TORs. This will identify the process and cost of establishing the capacity building credentials of an advisory team. In Tonga's Ministry of Health this was described as providing "little tangible outcomes" to properly engage agency staff who may only have "vague interpretations of (project) conceptual outcomes".

Experience

- experience working in government or directly in the technical field; and
- experience working with different cultures.

At the very least, an adviser must be technically competent and have the interpersonal skills needed to ensure they are able to work well with, and transfer skills to, local staff. A common view was that, in the main, the experience and background (particularly previous development aid experience) of an adviser was relatively unimportant – that the key to success lies with their personal attributes and commitment to the task.

8.9.2 AGE

In Samoa and Tonga the age of the adviser was not considered important. However, the adviser must be mature enough to be *perceived* to have considerable experience and a high level of technical expertise. In Vanuatu, preference was for more mature advisers as, culturally, it is often not acceptable for a young person to give advice or direction to an older person.

Several people indicated that young advisers brought a high level of energy and risk taking to a project that added value, as long as these attributes were tempered by maturity and political astuteness. In larger teams this points to the desirability of fielding a mix of personnel, including both seasoned advisers and young professionals, wherever possible. AusGUIDELines specifically encourage consideration of such mixed team compositions²⁹ when AusAID and AMCs are formulating advisers' Terms of Reference for studies and activities.

8.9.3 GENDER

In Samoa and Tonga there was no preference for male or female advisers. In Vanuatu, problems can arise for female advisers. While this was most likely to occur in those remote communities where women have a low status, it could also occasionally occur in government agencies in Port Vila when female advisers worked with males from those communities. From a project management perspective, this requires a good understanding of the culture and sensitivity when assigning individual advisers to tasks.

Overall, preference was expressed for a team with both male and female advisers.

8.10 Selection and Management of Advisers

The selection process for Long Term Advisers and other key positions should be very rigorous, as a poor selection can have a very large impact on the success of the project.

Strategies to ensure that advisers are suitable include:

- Local counterparts should be involved in the selection. Joint selection also helps build ownership of the project. (It is recognised that this adds a cost to the selection process, but this is offset by the reduction in risk associated with a poor selection that is unacceptable to the counterpart agency).
- The selection process should be designed to test interpersonal as well as technical skills, and advisers must meet both sets of criteria – technical expertise is considered of little value if the adviser does not have the ability to share their expertise and work well with their counterparts.

Various opinions were offered on the selection of professional consultants as advisers, as opposed to the use of advisers directly recruited from the public sector. Conflicting comments include:

- ‘some of my best advisers have come straight out of government departments in Australia with little or no international experience’; and
- a good adviser must have experience in working in developing countries, or at least another culture.

Effective day-to-day supervision of advisers is an important element of success. Supervision falls into several categories:

- technical supervision that ensures that the adviser meets the technical requirements of their position;
- behavioural supervision to see that the adviser works well with the project team and counterparts, actively seeks to build capacity and demonstrates appropriate cultural sensitivity; and
- personnel supervision that ensures that advisers are safe, housed, paid, healthy etc.

Team Leaders have a responsibility to ensure advisers perform appropriately and achieve their Terms of Reference. Counterpart agencies should also be able to seek the performance management of an adviser (by the Team Leader). They may also seek a change of adviser if the person concerned continues to fail to meet requirements. These matters must be dealt with through full and open consultation between the counterpart and the Team Leader. In several projects, the appointment of unsuitable advisers was terminated at the request of the Partner Agency.

The reasons for unsuitability varied, but primarily related to interpersonal skills and the failure of an adviser to work effectively with the agency. In no case was lack of technical skills given as a reason for terminating the appointment of an adviser.

No matter how experienced an adviser is, all appointments need structured supervision and support to ensure maximum outcomes are achieved for the project.

8.11 Physical Location of Advisers

The actual physical location of advisers was a major point of discussion. The Tonga HSMP was originally physically located within the offices of the MOH. In recent times, a new office has been built in the grounds of the Ministry. As relationships and trust were built prior to the physical separation of the Project Team from their counterparts, there appears to have been little negative impact resulting from the separation. Advisers still spend much of their time with counterparts – in either the Ministry or the project office – and both parties appear to move freely between the two offices. At the Tonga SBSP in MOF, the Project Team is located in a separate office ‘out the back’. While the Project Team did not see that this created problems, this view was not shared by the counterparts who preferred that the team be collocated.

Under Samoa TISP, advisers were initially located in their own, discrete offices. It was a deliberate strategy by the GOS to move all advisers out of offices and into shared office space. This was based on the belief that better capacity building would occur (and better relationships established) if the two groups worked together. The results supported this view. In Vanuatu, the advisers have been successfully collocated with their counterparts throughout the project.

It is clear from feedback from all projects that, where possible, advisers should be collocated with their counterparts (preferably with a team rather than one individual) to support the development of relationships, to build the advisers’ understanding of the working environment and its problems, and to support effective capacity building through informal processes.

8.12 Use of Advisers in Line Positions

In Tonga, the Evaluation noted with interest the comments made by a number of senior MOF officers regarding the success of ASAS appointments in MOF. These in-line appointments were for periods of up to four years, of necessity working in close day-to-day consultation with their fellow MOF staff, and did not appear to be driven by milestones to the same extent as contracted projects. This form of intervention was seen to be more directly supportive of MOF work needs and therefore less distracting than the project modality.

This favourable assessment of ASAS appointments needs to be balanced against the reality that ASAS, by design, did very little for localisation of these positions³⁰. The effective localisation of ASAS-type positions is dependent on an integrated national training, recruitment, and retention program. Without this, ASAS-type appointments could be extended indefinitely in some cases; and the TA becomes a substitute for an effective national skills development process. An additional risk of longer-term ASAS-type placements is that National officers may come to see themselves as “displaced” by a donor-funded expatriate, which is not a desirable outcome for any international development activity.

Notwithstanding the above, almost all those interviewed in the three countries felt that there was a place for the appointment of Australian advisers into line positions. The reasons given included:

- the lack of ability to recruit skilled people locally to do the job;
- the potential for skills transfer;
- the need to ensure critical functions (such as those performed by MOFs) are carried out effectively; and
- the need to have expatriates in unpopular decision-making, or ‘NO’, positions. These are positions that have to make important, but often unpopular, decisions that are often avoided by locals for cultural reasons.

8.13 Incentives

Financial incentives are generally not funded from any of the five projects evaluated. Non-monetary incentives (eg. drinks on a Friday afternoon, the provision of cakes to celebrate success, the opportunity to access training programs, membership of a strong team, good supervision, recognition of good performance) have been successfully utilised to build motivation and reward good performance.

The Tonga HSMP’s ‘Good Idea of the Month’ award encourages innovative problem solving and rewards those who have implemented a good idea that *did not* require funding from the project. This involved MOH rewarding the originator of a “good idea” with T\$50 providing that there are operational advantages, but no budget cost, arising from the idea.

30 Page (iii), South Pacific Australian Staffing Assistance Scheme (ASAS) Regional Overview. Policy Branch – AIDAB, October 1992.

8.14 Alignment of Individual Capacity Building

Advisers and counterparts emphasised the importance of ensuring that the building of capacity in individuals must be clearly aligned to organisational outcomes and priorities. For example, officers selected to study overseas should be selected to study courses relevant to the organisation, and the timing of their access to study should be aligned to organisational need. Attendance at any courses, and participation in overseas programs, should be on a needs basis, not because of 'who you know'.

8.15 On-The-Job/ One-On-One Instruction

All managers and advisers considered on-the-job instruction the best way for staff to learn how to do their job, particularly to develop their technical skills.. The process is considered most effective as it is cost effective, timely, directly relevant to the job and ensures work continues to be carried out while the person is learning.

While most staff agreed that on-the-job training was useful, they often expressed the view that off-the-job training allowed people to learn in an environment where they were not being interrupted. Staff also appreciated the opportunity to earn a 'certificate'. In general, staff saw on-the-job training as having less value than training delivered off-the-job.

The quality of delivery of on-the-job instruction has been mixed and often dependent on the personal qualities of individual advisers. Some advisers were aware of the importance of explaining steps in a process in a sensible and logical manner, ensuring understanding with each stage. However, for others, there was a much less structured approach based on their own understanding of how to share knowledge. A number of counterparts commented on the inability of some advisers to impart knowledge logically.

Recognising the importance of delivering on-the-job training in a structured way, the Vanuatu MFEM team conducted an in-service program on coaching to ensure all advisers had a good understanding of the process.

Ideally, all advisers should receive some advice on how to deliver structured on-the-job training. There are a number of simple models available: for example "First I do it normal, then I do it slow, then we do it together, now off you go." or "See one, do one, teach one". (The latter encourages the counterpart to teach someone else the task just learnt from the adviser.)

8.16 Learning Agreements

To overcome the mindset that on-the-job learning was of low value, and to ensure it was conducted in a targeted manner, the Vanuatu MFEM-ISP introduced Learning Agreements. These agreements, based on the joint work plan of the adviser and counterpart, identified the learning that was to occur and the means by which the learning would be achieved. This validated on-the-job learning as a 'proper' learning process.

Learning agreements were also used in Samoa at the suggestion of the TAG.

8.17 In-House Short Training Courses

Virtually all advisers conducted in-house training courses for staff involved with the projects. For example, in all three Treasury/Finance projects short sessions were delivered on a range of technical topics covering aspects of budgeting and accounting. Feedback on in-house programs was generally very positive. This was particularly so when the sessions were well structured with opportunities for application and interaction i.e. when basic adult learning principles were applied³¹.

Timing of in-house courses was important. The most successful coincided with the need to implement or use the skill or information gained, and were followed-up i.e. advisers discussed individually with participants how they implemented the lessons.

8.18 Seminars

The conduct of seminars that require attendance by a broad range of people has met with mixed success. For example, in Vanuatu, senior people who have been invited may send junior (often inappropriate) people in their place. In Tonga and Samoa attendance levels were often poor. It was generally agreed that seminars do have a small role to play in sharing information with a wide cross section of people, but their use should be restricted.

In Tonga, ADB project staff suggested that the best way to get a reasonable turnout of people was to:

- ensure you had a good venue and good food;
- send out formal invitations several weeks in advance;

³¹ Adult learning principles take account of factors such as: Adults must have a reason to learn the skill or the information being presented; they will learn only what they feel a need to learn; they learn best by doing; learning is affected by their life experiences; and they learn best in an informal environment using a variety of methods. Malcolm S Knowles, who coined the term 'andragogy' for the art and science of helping adults learn, was a pioneer in the field.

- follow up with advance seminar papers that are well presented; and
- telephone to confirm attendance just prior to the seminar.

8.19 External Short Courses

The projects offered access to courses delivered through external service providers, in-country. For example, in Tonga, Ministry of Health and Finance staff attended programs conducted for private sector companies and through the Australian government funded short course program. These types of programs were considered effective if they were appropriately targeted at organisational needs and the training was reinforced with follow-up from advisers or managers to ensure lessons were being implemented. Ad hoc, self-selection for courses by Partner Agency staff was not supported.

8.20 Manuals

All projects (excluding the Samoa HLAs) produced manuals. Finance procedures manuals, Budget procedures manuals, and there are audit manuals, procurement manuals and HR policy manuals.

Manuals are designed as a record of newly designed policies and processes; as a reference source of information for new staff; and as a source of information for the development of individual capacity.

Many of the manuals prepared by the projects were not in use. Reasons for this included: “the person who prepared it has left”; “its not up to date”; “we don’t like it”; “it’s too hard to follow”; “I prefer to ask my colleagues”; “I prefer to just have a go”; and “what manual”?

It was apparent that some manuals were developed because they were a project milestone and ownership by local counterparts was a secondary consideration. Manuals completed towards the end of projects were sometimes rushed and prepared with limited local input, thus reducing the potential for their ongoing use.

A manual is most likely to be of value when it is:

- specifically developed for the local environment (not adapted from another country);
- developed with counterparts;
- prepared early in the project and then actively used as a tool over a period of time (eg. several budgets); and
- owned by the counterparts and regularly updated to reflect the changing environment.

8.21 Coaching and Mentoring

Most advisers fulfil a coaching role, particularly with section and division heads. Samoa's Policy HLA worked closely with the Finance Secretary in such a role, offering guidance and support on strategic issues. The two developed a structured process to ensure issues for discussion were identified in advance of the HLA's assignment in-country, and formal and informal meetings were used to work through issues.

The ATLs work closely with the Heads of their Ministries (and/or the Minister), providing coaching on management matters. Feedback was very positive for all projects. This reflects the high regard held for ATLs as coaching is only successful when there is mutual trust and respect.

Advisers have assisted managers and staff to develop their own personal strengths and to pursue their own goals. Through mentoring, they have provided guidance on how to work within the political environment of an organisation as well as personal support in the pursuit of professional excellence. For example, the Finance Secretary of the Samoan Treasury, drew on the guidance and expertise of the Policy HLA. He described the adviser as his 'coach, mentor, guide and friend'.

8.22 Overseas Study Tours

Feedback was mixed on the value of overseas study tours. Some considered study tours a 'junket' that were often used as a reward rather than to target capacity building. Others felt that study tours were a useful way to expose managers to new ideas and new ways of doing things in a relatively short period. Principles to ensure successful study tours include:

- The study tour must be well designed with clearly articulated learning objectives.
- Considerable input is required by the agencies visited to ensure content and process are relevant.
- The right people are selected to participate – and their selection is aligned to the capacity building needs of the organisation.
- Participants must have the personal capacity to learn from the experience and the willingness to share the learning with their fellow officers on their return either through presentations or reports.
- Work related projects that require participants to apply the things they have learnt from a study tour should be built in to the learning contract with participants to support the transfer of learning.

8.23 Overseas Attachments

Attachments or work experience involve locating an officer in a workplace in another country for a reasonable period. This process was used extensively by Samoa TISP. Feedback suggests that this is a very useful process for developing skills and exposing staff to new work attitudes (eg. customer service). Attachments offer a more in depth understanding of the way things are done than study tours. A feature of the Samoa overseas attachment experience was the requirement for all 'attached' officers to give presentations on their return regarding the lessons they had learned and their applicability to GOS operations.

8.24 Overseas Scholarships

Most of the projects offered direct access to scholarships to Australian or regional (eg Fiji) tertiary institutions, or strongly supported their counterparts when making applications to AusAID or other donor scholarship schemes. Professional skills, conceptual ability and self-learning skills developed through study were considered critical to the long-term sustainability of the projects. However, the risk in all three countries was very high that professionally educated staff would leave to work with the private sector or emigrate. While bonding agreements were in place their application by Partner Agencies was erratic, so the projects did not benefit from all of those educated through this process.

Unless the timing and award of scholarships are directly controlled through project resources, there can be difficulties in coordinating AusAID or other donor scholarship awards with an organisation's staffing needs. This can become a critical human resource planning issue.

In Vanuatu, there are examples of senior finance officers whose applications for scholarships were either deferred, or advanced, or awarded unexpectedly, and so interrupted the smooth provision of key services to GOV. The Evaluation is clear that responsibility for scheduling and facilitating overseas scholarships rests entirely with the Partner Agency; where this is not effectively done there can be adverse impacts on the sustainability of capacity building initiatives.

The adverse impact of unscheduled or poorly timed overseas scholarships is of particular significance in the Pacific region. In many cases, due to the small size of their public service and private sector, it is not possible to recruit a replacement while an officer is on scholarship. The unforeseen departure of as few as two officers in Treasury Budget Sections would significantly weaken some governments' ability to prepare an annual Budget on time. This is true of Samoa, Tonga and Vanuatu.

8.25 Working Groups

The Tonga HSMP used working groups and task forces to build individual capacity in problem solving and participative decision-making. Individuals also developed a better understanding of policies and processes. Other projects also used working groups as a means of building capacity.

8.26 Meetings

Regular work place meetings offered a forum for capacity building throughout the life of the projects. Executive meetings, branch meetings and team meetings were used as forums to communicate on progress of the projects and to gather ideas and suggestions to develop solutions to issues as they arose. This process also provides 'role models' of good communication and management practices.

Several advisers suggested that informal meetings (for example in the tea room) could be more value and a better environment for open communication than formal meetings, where traditional values potentially limit the capacity for open discussion.

8.27 Monitoring and Evaluation

AusGUIDE requires that PDDs include both Output (project performance) and Outcome (Partner Agency performance) indicators in the 'Performance Indicator' column of each AusAID project logframe³². The purpose is clear; AusAID projects need to monitor their own performance in terms of delivering outputs contracted by the Commonwealth; as well as enhancing operational performance of the Partner Agency. In some designs, AusAID calls for a separate Monitoring and Evaluation Framework, but this was not the case in the four designs evaluated.

8.27.1 PROJECT PERFORMANCE

All four PDD logframes reviewed by the Evaluation incorporated appropriate project performance indicators and, in some cases, these were also linked to contract milestones.

A key feature of monitoring and evaluation of project performance in the Samoa TISP, and the Vanuatu MFEM-ISP, was the role of an independent TAG and PMG. The Evaluation concludes that the role of these groups was important because they bring fresh perspective to the self-monitoring undertaken by project personnel – a factor that these two projects formally recognised in Project Completion Reports and Annual Plans.

³² AusGUIDEline 1: The logical framework approach, AusAID, June 2004.

8.27.2 PARTNER AGENCY PERFORMANCE

All four PDDs also included some Partner Agency performance indicators. However, these often reflected new processes introduced by the project, didn't link to recurrent agency performance management reporting systems, and post-project monitoring was uncertain. Accordingly, it was difficult for the Evaluation to identify how either AusAID or the Partner Agency would measure the impact and sustainability of project initiatives on agency performance for any of these projects, especially into the future.

Issues affecting the ability of each project to measure Partner Agency performance included:

- Partner Agencies do not have a developed performance measurement system, neither through budget setting procedures nor in the form of Annual Reporting to the National Executive, so there are no established agency performance indicators to monitor during and after project implementation.
- Baseline data is not collated in the project inception period, or is not available, and it is not possible to objectively measure the movement of selected performance indicators towards a target benchmark.
- PDDs do not pay sufficient attention to the performance issue and logframes use only a single column to articulate both project and Partner Agency performance indicators.
- Partner Agency performance indicators selected in logframes were not linked to performance, they reflect inputs or internal process.

It is unrealistic to expect that a sector-based development activity could introduce performance management systems more generally. This is a whole of government role best supported by central agency processes, usually through PSC corporate planning or national Budget setting processes.

The Tonga HSMP, towards the end of the project, has developed a performance based 'Balanced Scorecard' that links organisational capacity in financial and HR management to health services delivery. This agency-specific approach is to be commended, but comes too late in the project cycle for the Evaluation to be assured that this will be an integral feature of public health management in Tonga.

The Samoa, Tonga and Vanuatu central finance agency projects all incorporated support for whole-of-government performance monitoring into their designs, but the outcome of these activities were not specifically monitored in project reporting. This is because it is impractical for the limited resources and scope of an AusAID project to oversight the outcomes of newly introduced performance measurement tools and processes. This would normally be done by a national planning body, or PSC reporting programs.

What the three projects ended up doing was monitoring their direct input to developing these national management performance tools; and then very broadly assessing the take-up of these new systems as reflected by subsequent Budgets or Annual Reports.

Tonga SBSP introduced a quantitative and qualitative performance measurement section into the Budget format for 2004. The subsequent take-up of performance measures in Budget documents is noted in project reports, but due to practical limitations mentioned above, the project could not assess the service delivery impact.

Samoa TISP provided inputs to whole-of-government Guidelines for Annual Performance Reports. These reports reflect agency performance standards as agreed between PSC and each GOS department. However, monitoring and evaluation systems were not in place to measure progress against the agreed agency standards; and the project could not report on the impact of this work on service delivery.

Vanuatu MFEM-ISP provided training to senior staff across whole-of-government to introduce performance measurement concepts into budgeting. This linked with whole-of-government corporate planning programs that were being introduced through PSC. This training was later followed up by two Line Agency Advisers, who reinforced this work by assisting three out of nine agencies (to date) to develop specific performance indicators that can be reported in their Annual Reports. These Advisers also report on the early results that this use of service delivery indicators is having on Line Agency service delivery.

The Evaluation concludes that project performance is well documented, monitored and evaluated through established AusAID processes, but needs to be supported through independent TAG or PMG processes that bring objectivity and fresh perspective to the views being presented to both the Partner and AusAID.

The Evaluation does not underestimate the complexity of measuring Partner Agency performance. Two main limitations emerge: the time it takes to impact on agency performance indicators, even in small governments; and the availability of performance data.

With central agency projects, there is a third dimension. Projects are often called on to introduce national performance measurement systems and the impact of these on whole-of-government performance can only be monitored where there are close linkages with PSC monitoring and evaluation programs. Projects cannot, and should not, attempt to monitor on this scale, as it would displace national monitoring and evaluation programs.

Where the national performance measurement systems are very new, as was the case in Samoa, Tonga and Vanuatu, there is little available data to analyse during the life of the project. The Evaluation also notes that there were few performance monitoring links established between these finance agency projects and PSC reporting processes. The best opportunities for developing such links were in Samoa and Vanuatu, where there were parallel capacity building projects in both agencies, but efforts to integrate PSC monitoring of Line Agency performance into reporting by these finance projects suffered from a lack of data.

The Evaluation makes the following observations about monitoring and evaluation in AusAID projects:

- Project log frames should be amended to provide two performance indicator columns, one for project performance indicators, and one for Partner Agency performance indicators. This would serve to focus all stakeholders' attention on the latter, more contentious, set of performance indicators.
- Capacity building projects in line agencies would benefit from having any new Partner Agency performance indicators developed early in the project cycle. These indicators need to be monitored and reported on by the project and PSC during the project life. Introduction of Partner Agency performance measures later in the project term is unlikely to be effective.
- Capacity building projects in Finance (or central) agencies that support whole of government performance measurement need to be designed with clear linkages to PSC performance monitoring and reporting systems. This will allow both Partner Agency and whole-of-government performance indicators to be reported on by the project, to the extent that data is available.

8.28 Partner Agency Public Financial Management Lessons

Many of the lessons that emerge from this Evaluation could apply to any project. However, some do apply more directly to financial management projects in the South Pacific. This is because of the critical nature of central agency functions and the larger scope and scale of these initiatives:

National financial management processes are both skills dependent and time bound. It is not possible to interchange a trained senior finance officer with another well-educated public servant and still produce budgets, public investment programs, or public accounts that are meaningful.

The timing for delivery of national financial management documents is driven by legislation and fiscal supply – they cannot be deferred while replacement staff are being trained. Failure to enact fiscal supply can be grounds for the dissolution of government.

Given the high level of reliance on Development Partners for investment funding in the South Pacific, failure to produce financial governance documents could also be grounds for International Financial Institutions and other Development Partners to reconsider their willingness to invest in that government, with serious consequences for the community.

Macroeconomic stability and predictability of revenues for government are dependent on effective management of the wider economy. The extent to which government can predict and finance its deficit internally will determine the level of domestic credit available for private sector growth and future taxes. Ensuring an effective interplay between fiscal and macroeconomic factors is another key stabilising role to be conducted by public financial managers.

There are only small numbers of trained financial specialists in the South Pacific to undertake these tasks. This human resource constraint makes the capacity building efforts of these governments and their development partners especially vulnerable to the following factors:

- unplanned staff turnover, especially when this is driven by donor funded scholarship programs;
- non-availability of counterparts to participate in capacity building programs that are set up to provide specialist training;
- capacity building programs that do not share a common vision with government regarding the technical and capacity building needs in financial management; and so divert attention and limited counterpart resources to lesser priority areas;
- capacity building programs that don't transfers skills effectively;
- specialist training that is directed to inappropriate candidates;
- weak whole-of-government and Partner Agency human resource management processes; and
- unstructured and under-resourced whole-of-government and Partner Agency financial management training programs.

The Evaluation finds that all of these issues have hampered, to some degree, the four financial management projects reviewed. During discussions with Partner Agencies, project advisers and AusAID officers, the following were recommended for future financial management project design and implementation:

- spend more time on the Situational Analysis component of the design of financial management projects in the South Pacific. The expense incurred early will be less than the opportunity cost that a major redesign partway through implementation will impose on all stakeholders. One possible approach may be to place experienced finance officers³³ in a hands-on role in the Partner Agency for a period, say up to two years, and use their direct *in-situ* experience to better inform the project design team about issues and factors affecting the Partner Agency;
- ensure that both the design team and the Partner Agency articulate a common understanding of the finance agency's role. More time may need to be spent during project inception to properly define this role and to set out an agreed capacity building approach. This need for flexibility in implementation suggests that a program approach, with broad objectives only, would be a better contracting model for South Pacific finance projects;
- make only the most pragmatic assessment of counterpart availability and ability in South Pacific finance agencies. Overstating these resources will detract from the later implementation effort; leading to reduced outputs, increased inputs and extended project terms and costs;
- because the numbers of finance staff are small, it is helpful to train junior officers alongside senior officers in a multi-counterpart model. This can be done through in-house seminars, or group training sessions. Unexpected senior vacancies can then be temporarily filled by staff with some exposure to the demands of the role. This approach may run counter to the 'knowledge is power' ethos that applies in some South Pacific public services; and will require effective communication strategies to break down the 'silo' effect that pervades in some agencies;
- multi-skilling of staff is a capacity building approach that can develop a 'back-up' source of inputs for key tasks if there is an unexpected vacancy at a critical time. For example, budgets processes can be taught to sector analyst staff in macroeconomic planning sections; finance officers can be trained in debt management practices. Whilst not an optimum solution, because trained successors will certainly need to be appointed, it will give some depth to the Partner Agency's capacity to manage an emergency period. It will also help to break down intra-agency 'silos' by exchanging

33 The Evaluation considers that the longer-term, sustained-engagement philosophy of ECP may provide a Whole-of-Government resource in Australia from which to identify such individuals.

information about roles and responsibilities within the agency. This approach is more likely to be useful in governments where the HR function is weak, or very slow to respond. The Evaluation notes that this approach would not work well in the more structured and human resource rich environments of an industrialised country, or in very small public services. However, the alternative may be to allow financial management functions to be deferred or to stall, which could become destabilising at a national level.

Another factor that sets finance agency capacity building projects apart from other aid activities is that, in addition to effective counterparts, they also rely on efficient data communications and whole-of-government information management systems to compile and report on government financial statistics.

Some outsourcing of telecommunications has been possible in the Pacific, but the services sector is small and outsourcing of financial management functions does not appear possible in any of the three countries visited. That is not to say that the marketplace would not respond if the government did seek this solution to financial management needs.

The impact of this combined reliance on both counterparts and operating systems has the following consequences for project design:

- South Pacific finance programs will need to focus on both operating systems efficiency and counterpart development, usually simultaneously;
- it may be counter-productive to perform both tasks on a piece-meal basis, it can be more effective to address financial management staffing and systems issues on a whole-of-government basis;
- data communications needs and national financial management training programmes will need to be linked in with financial management initiatives;
- the size and scope of these programs will tend to be bigger than line agency activities; and
- pre-program engagement and the post-program disengagement processes will need to be structured, longer in duration and call on a mix of inputs from a variety of sources.

The Evaluation concluded that there might need to be three distinct phases in South Pacific financial management programs if they are to meet their objectives.

Scoping Mission: during which the counterpart and systems capacities and availabilities are substantively appraised and reported on. This may take the form of an “ASAS-type” appointment over two-years with the additional role of preparing a docket of issues that will better inform a program design process. Technical Advisers could be placed for longer periods, say six months or more, in an advisory capacity to observe, assist and mentor locally appointed officers

to get a situational fix on what needs to be factored into a project design. Stakeholder surveys could also be conducted during this pre-project period to independently gauge local ideas prior to embarking on project design. Given the difficulty in contracting small-scale inputs, the sustained engagement approach being proposed under Australia's Enhanced Cooperation Program (ECP) may be a source of Technical Advisers for these assignments³⁴. These Advisers will also need regular support from, and monitoring by, AusAID TAG/ PMG groups to ensure program design and capacity building issues are adequately considered by the mission; and to bring in any short-term specialist skills needed to appraise technical issues such as IT, Network and communications needs.

Development Program: being a structured but flexible development program, contracted by AusAID and administered by Australian Managing Contractors to achieve a set of specific financial management improvement objectives agreed during the design process. Reporting would be to AusAID Post and Desk under AusGUIDE; and a TAG/ PMG performing independent monitoring. Wherever possible, Technical Advisers from the Scoping Mission need to be represented on the TAG/ PMG. This would bring continuity to GOA development activity; and support the sustained engagement approach of ECP.

Exit Strategy: this would be a continuation of the joint GOA TAG/ PMG role after end-of-program to 'prompt' sustainability of the development program's initiatives; and to assist the Partner Agency to modify these initiatives as a result of any internal changes. Further, GOA agencies could enter into a 'twinning' or technical support agreement with the Partner Agency during this period to provide "resources of last resort" that could be called on during fiscal crises or a period of key vacancies. This would further underpin gains made.

The challenges posed by this three-phase proposal are:

- a bigger package of resources from AusAID and other GOA participants would need to be mobilised and coordinated to support a South Pacific financial management program;
- this joint commitment needs to be sustained over a longer time frame than has usually been the case in past AusAID Country Programs; and
- Partner Agency support would need to be secured for this medium to long-term approach.

34 The Evaluation considers that officers from the Commonwealth Treasury, Department of Finance and Administration and Public Service Commission could be sources of technical advisory inputs.

The advantages that this proposal offers are:

- other GOA agencies would be able to immerse themselves in international development activities in a structured and more sustained way, allowing for HR planning and development;
- the constraints to sustainability of current financial management programs identified by this Evaluation are being addressed; and
- Partner Agencies will build strong relationships with key GOA agencies under this longer-term approach. This would be most meaningful in a future crisis where the Partner Agency were able to call on these GOA agencies to offer direct support under an “assistance of last resort” agreement. Such a support agreement would have the potential to underwrite Partner Government financial agencies into the long term.

8.29 Elements of a Successful Exit Strategy

The following principles for an exit strategy emerged from the evaluation:

A project’s Exit Strategy should be planned well in advance and agreed with the Partner Agency.

A risk assessment should be conducted to identify problems that could arise after the project concludes and to develop appropriate responses that could apply.

Where long-term advisers have been in place (and there is a high level of dependence), it may be useful to have them physically move out of the workplace some months before they finalise their assignments. This process allows the counterparts to test their capacity in a safe environment – while the adviser is not ‘on tap’ they are still available to provide support if needed. This is particularly important if the advisers’ withdrawal is timed to coincide with key events in the public financial management calendar, such as year-end rollovers, or budget preparation steps.

A communication strategy should be implemented to inform all those who have been involved in the project of the end of the project – the communication strategy should include a celebration of the project successes.

Certificates of Achievement should be produced for those who contributed to the project’s success.

There may need to be a post-project ‘run-out’ period during which some form of on-going engagement with the Partner Agency is sustained to prompt good sustainability practices and behaviours amongst key staff and during key processes.

8.30 Measuring Success

At the individual level, advisers are able to assess the success of capacity building by:

- observation of the ability of Counterparts to carry out tasks;
- judgements about the level of confidence of individuals to take responsibility;
- the number, and nature, of questions;
- the number of mistakes made, and the manner in which mistakes are handled; and
- the Counterparts own assessment of their ability to do the job.

At the organisation level, the assessment of the success of capacity is more difficult. Most of those interviewed commented that capacity building takes time and that even five years is a short period in which to significantly change an organisation. The Evaluations detailed in Part A of this report provide examples of one method for assessment of success or otherwise. Other tools include:

- An assessment against the project's key performance indicators (capacity is one of the primary tools that ensures a project's success) using baseline studies and other formalised data gathering processes.
- An assessment of the level of confidence of the organisation's leaders to go it alone (this can be assessed through surveys and/or interviews).
- An assessment of improvements in service delivery (surveys, focus groups, interviews, corporate KPIs etc).
- Organisational climate surveys to judge staff perceptions of the organisation's capability (preferably at the commencement of a project, possibly mid-way and then at completion).

9 AUSAID'S CAPACITY BUILDING FRAMEWORK

AusAID's draft Capacity Building Framework³⁵ aims to assist in the comprehensive analysis and review of capacity building activities. It is designed so that it 'can be applied to organisational, institutional or sectoral capacity building and can be tailored to apply to individual capacity building'³⁶.

The framework has three stages:

- Analysis – assessment of current capacity, identification of improvements required and identification of critical issues.
- Promoting change – role and possibility for external intervention to promote change, consideration of change dynamics and articulation of a vision and plan for change.
- Ongoing monitoring and assessment.

The findings detailed in this report fully support the approach proposed by AusAID's draft Capacity Building Framework. The framework's guide to the analysis of the current situation is thorough, offering the user a useful guide through the assessment process. From the experience of the projects reviewed in this report, it is clear that the success of a project is very much dependant on rigorous initial analysis. It is also dependent on *agreement* of what the problems are and where the priorities lie for action. Where the problem has not been well defined, and/or where the agency concerned is not in agreement with the problem definition and/or the approach to addressing the problem, the project has required redesign.

The guide to the development of a change plan encourages the user to consider external issues as well as change dynamics. The checklist for developing a change plan addresses many of the issues identified in this report – the need to be clear about what is to be achieved, the need to focus on priority areas (rather than try to do everything), and the need to focus on sustainability.

Monitoring and assessment require continuous review of the environment and the contributions by the intervenor with a view to changing project plans as the environment evolves. This process supports the findings of the Evaluation that projects need to be flexible and responsive to the changing needs of the counterpart agency.

Annex 4 to this report is an annotated version of the AusAID Capacity Building Framework. It incorporates the main lessons learnt from this study and places them into the Framework.

35 AusAID (2004) Capacity Building Framework for Analysis, Draft for Pilot Study.

36 As above. P.1.

10 LESSONS FOR THE ENHANCED COOPERATION PROGRAM

To date, the overall modality for ECP and its capacity building objective has only been articulated for the Papua New Guinea (PNG) activity, and it is to:

*build capacity by working within existing government policies, planning and implementation processes to improve the ability of PNG staff to create a sustained and self-generating performance improvement.*³⁷

The key lessons that underlie this approach are:

- capacity building takes time;
- work-based learning is an effective means of skill transfer, especially when appropriately supported by local training courses;
- technical fixes do not provide long term solutions;
- it is important to understand the operating environment; and
- capacity building will be ineffective unless it is delivered through PNG Government systems.

ECP proposes to place staff from GOA agencies into line positions in PNG Partner Agencies. The current proposal is that these postings may be made into the long term, being five years or more. Capacity building strategies, how ECP will integrate with AusAID and other donor development activities and any Exit Strategies are not currently defined.

During the course of this Evaluation, interviewees were asked their views on 'in-line' positions. There was strong support for the introduction of skilled Australian people into line positions to help 'do the doing'.

The qualification to this support were:

- there must still be a strong capacity building focus;
- there must be a clearly defined timeframe for the handover of the position to a local counterpart;
- the personal attributes and technical skills required of in line officers are the same as those required for advisers; and
- the supervision processes must be clearly defined so that all parties are clear about where their accountabilities and responsibilities lie.

37 AusAID. Enhanced Cooperation Package. Capacity Building Framework for PNG (draft) 16 February 2004. p.4.

The Evaluation notes that ECP may emerge with a comparative advantage in smaller-scale, sustained inputs over the long-term and in intensive, short-term emergency support roles to these governments. This contrasts with the more highly resourced, but less flexible, contract based environment that frames an AusAID development activity. However, enhancing counterparts capacity and improving financial systems in South Pacific countries will require the more intensive blocks of resources that the development program is able to deliver.

The Evaluation considers that the sustained engagement approach taken by ECP will also be able to identify development program opportunities to be managed by AusAID. An effective interplay between these two modalities of delivering GOA development assistance to South Pacific public finance programs will provide the best opportunities for building the organisational, counterpart and systems capacities needed by these governments.

ANNEX 1 – TERMS OF REFERENCE

Cluster Evaluation of Capacity Building in Public Finance in the South Pacific

INTRODUCTION

Due to Australia's commitment to continuous improvement and effective review and evaluation of its official aid program, AusAID proposes to evaluate methods and approaches to capacity building in the public finance area of countries in the South Pacific.

The review will take account of the recent shift in aid policy in the Pacific, under which there is an increased willingness to place skilled Australians in 'line' positions in core governance agencies in countries perceived to be failing. To inform decisions about the most appropriate form of assistance, the evaluation will assess the performance of current and completed capacity building activities in the public finance sector in Samoa, Tonga and Vanuatu. Where possible, previous staffing assistance schemes eg. ASAS, will be reviewed and their performance and impact compared to more recent forms of assistance.

One of the aims of the evaluation will be to generate sector and region specific lessons on capacity building that will be of use in designing and implementing new approaches to the provision of development assistance in this sector, and in particular where the line should be drawn between 'doing' and 'capacity building'. As far as possible, this will be done within an evaluation framework.

DEFINITION

The definition of capacity building used in AusAID is:

- 'The process of developing competencies and capabilities in individuals, groups, organisations, sectors or countries which will lead to sustained and self-generating performance improvement.'
- A draft 'Framework for Analysis of Capacity Building' has been developed in AusAID (Attachment 1) and this will be used alongside the standard evaluation framework as a guide to issues to be addressed in the evaluation.

OBJECTIVES OF THE EVALUATION

The objective of the evaluation is:

- To assess the relevance, efficiency, effectiveness, impact and sustainability of capacity building activities in the public finance sector in the South Pacific countries of Samoa, Tonga and Vanuatu.

SCOPE OF THE EVALUATION

One of the purposes of this evaluation is to contribute lessons about effective methods to build capacity in the public finance sector in countries in the South Pacific. The evaluation report will consider and discuss such issues as:

- What is capacity building, and how does it differ from and/or incorporate institutional strengthening and training?
- What are the essential preconditions and processes for efficient and effective CB in Pacific island countries eg. how do you promote a receptive environment, and what are its important features?
- What are the attributes of the 'right' people to implement CB projects eg. what are their attitudes, technical skills, stature and status, interpersonal skills, capacity to mentor and train, personality and even, in some circumstances, age and gender? How do we find and select/test these people?
- How is capacity building undertaken in each of the projects examined? What appears to have been good practice, and what are common shortcomings? How have efficacy, efficiency and accrual of benefits varied?
- What is the role of incentives in CB? Are they required, what types are there, what is their impact?
- What are good work practises for advisers? What works in terms of transferring responsibility, as well as skills, and encouraging local ownership? Do good work practises in the South Pacific differ from good work practises elsewhere in the world?
- What are the necessary elements of an exit strategy?
- How is training of counterparts best achieved? What adult learning techniques are suitable?
- How do you measure the success of capacity building exercises i.e. the increase in 'capacity'?
- What are the examples, from the evaluation, of what has (hasn't) worked and why (why not).
- How can AusAID improve its approach to capacity building in the public finance area?

While considering these specific questions about capacity building, the evaluation will take due account of AusAID's Activity Quality Standards (See <http://www.ausaid.gov.au/ausguide/ausguidelines/12.cfm>).

The evaluation will consider the following factors in its assessment:

- (Briefly) The appropriateness of the objectives and the activity design in the projects, ie.:
 - Appropriateness of the objectives.
 - Partner country participation in the design process.
 - Adequacy of the design process.
 - Standard of the final design.
- (Briefly) The professionalism of management of the project, i.e.:
 - Timeliness of preparation and implementation.
 - Standards of the contract and project implementation by the contractor.
 - Strengths of partner government support and the value of dialogue in country.
 - AusAID management and use of resources.
 - Project monitoring and communication.
- (Substantively) The extent to which the project has achieved its goal and objectives, eg:
 - Extent of achievement of objectives.
 - Standard of outputs.
 - Extent of benefit to the target population.
 - If possible, a cost-benefit analysis should be undertaken.
- (Substantively) The sustainability of project outcomes, eg:
 - Sustainability of benefits.
 - Sustainability of improved capacity.
 - Maintenance of future recurrent budget.
- (Substantively) Positive and negative, primary and secondary (long-term) effects produced by the activities, directly or indirectly, intended or unintended.

Specific questions to be answered for each activity will be developed during the Evaluation Team's Desk Study of project documents and discussions with stakeholders.

The activities to be evaluated are likely to include:

Samoa

948J18 Treasury Institutional Strengthening

This activity formed the core of Australia's support for Samoa Treasury.

Expenditure was just over A\$6 million between 1996 and September 2001.

018A01 Treasury High Level Advisers

This activity is \$0.47 million over three years, commenced in September 2001 and is due to be completed in 2005. As the name suggests, it provides high level advisory support.

Tonga

988K1F Strengthening of Budget Systems Project

This activity provides TA to assist the GoT Public Sector and Economic Management Reform agenda and GoT Program Budgeting implementation. Total expenditure to date is in the order of \$2.6 million. (It followed 968K05.) Expenditure started in 2000/01 and peaked in 2002/03. Initially intended to finish in 2003 there is (unapproved) expenditure planned until 2004/05.

978K0I Health Sector Management Project

This activity began in February 1999 and is likely to finish in early 2004-05 at a total cost of A\$6.6million. It is focusing on aspects of governance, particularly budget and financial management, strategic planning, personnel management and HRD. It has acted as a model for devolution of these responsibilities from the Finance Ministry to line ministries. It should have strong links with the above project and reforms within MoF.

Vanuatu

978K13 MFEMISP and Statistics Office

This activity forms part of an overall assistance package in support of the Comprehensive Reform Program. The Ministry of Finance and Economic Management is the primary beneficiary. The activity commenced in July 1997 and is expected to be completed in the 2004/05 financial year. Total estimated expenditure is \$13.4 million

DURATION AND PHASING

Evaluation elements

Indicative Timing

Finalisation of ToR	February 2004
Identification of potential members of the Evaluation Team	Completed
Selection and contracting of the Evaluation Team	Completed
Desk Review in AusAID Canberra, and discussions with AMCs.	1 – 5 March 2004
Field Review	14 March – 3 April 2004 As required

Aide memoires

Draft Report submitted to AusAID (PRG) and other stakeholders	26 April 2004
PRG's comments passed to Evaluation Team	14 May 2004
AusAID Seminar	29 April 2004
Draft Final Report submitted to AusAID, and distributed to stakeholders.	7 June 2004
Final Report	TBC
Report published and distributed	TBC

EVALUATION METHOD

An Evaluation Team of two consultants and the AusAID Task Manager will implement the evaluation. The evaluation will include:

Desk Review – Briefing in Canberra.

The Evaluation Team will spend up to 5 days in Canberra to examine key project, and related, documents. Relevant documents will be drawn from:

- Project Design Documents and amendments;
- Baseline Surveys;
- Mid-Term Review reports;
- Annual Plans and Quarterly Progress Reports;
- Monitoring & Evaluation Plans and Reports;
- AMBs;
- Project Completion Reports;
- South Pacific Rapid Impact Assessment (2003): Main Report and Annexes;
- Program Reviews;
- Minister for Foreign Affairs Statements to Parliament on Australia's Development Cooperation Program;
- Other background papers and reviews of institutional strengthening and capacity building;
- Relevant files; and
- Relevant sections of AusGUIDE.

The Evaluation Team will be briefed by:

- Members of PAC II, PAC III & PAC IV Sections who have been involved in the activities;
- Sectors' staff with an interest in the activities;
- The Evaluation Task Manager; and
- Other interested parties.

The Evaluation Team may contact the Australian Managing Contractors for the completed projects by telephone.

The Evaluation Team members may also contact and discuss CB with key informants, either by telephone or while overseas:

Pacific Islanders who have had a long association with, **and benefited from**, Australian, and other donor, CB activities (training, mentoring etc.) to discuss what they found to be effective CB techniques;

Australian consultants who have had long-term association with CB in the South Pacific and can discuss what is required for long-term impact and sustainability in CB.

Prior to the commencement of the Field Review, the Evaluation Team will submit to the Evaluation Task Manager, for consideration by the AusAID Peer Review Group³⁸ (PRG), a Method and Work Plan for the implementation of the Field Review component of the evaluation. This will include:

- A summary of relevant information collected to date, and of information/data to be collected during the Field Review;
- A work plan/timetable for implementation of the Field Review, including field visits;
- An allocation of tasks among Evaluation Team members;
- A draft list of informants and data sources in Samoa, Tonga and Vanuatu who/which will provide additional information or validate existing information;
- Questions to be asked of informants;
- Methods to be used to collect additional information required (eg. surveys); and
- An annotated outline of the Evaluation Report.

The Method will highlight the key questions/issues to be examined in the evaluation. These papers will be finalised by the Evaluation Team Leader following consideration and comment by the PRG, and will be distributed to Team Members. Questions may be forwarded to informants prior to meetings.

Field Review – Apia, Nuku'alofa & Port Vila.

A Field Review will be implemented as set out in the Method produced by the Evaluation Team and approved by the PRG. It is likely to include:

Consultations with:

- Posted officers and Program Support Unit staff at the Australian High Commissions who now manage the activities;
- AMC staff, where still present;
- Representatives of other donors interested in Public Sector Reform.

³⁸ Membership will be drawn from the Office of Review and Evaluation, Pacific Branch, Advisers and AHC Samoa, Tonga & Vanuatu. An 'external' member with expertise in the sector may also be appointed.

- Government officials with responsibility for oversight/funding/continuation of the activities after Australian withdrawal; and
- Staff of counterpart agencies who have participated (are participating) in the activities;

Examination of:

- Documents relevant to the activities, provided by the AHC or counterpart staff.

If required, at the completion of each leg of the Field Review the Evaluation Team will produce an *aide memoire* for discussion with representatives of the relevant government and staff of the AHC. This document will outline the main findings of the Evaluation Team in the country concerned.

Draft Report

The Evaluation Team will produce a Draft Report within three weeks of the return of the A-based members of the Team to Australia. This draft will be submitted to the PRG for comment.

Evaluation Seminar

The Evaluation Team Leader will present the findings of the evaluation at a seminar in AusAID, Canberra, at a suitable time.

Draft Final Report

The Evaluation Team will take account of comments from the PRG and views expressed at the seminar and produce a Draft Final Report, which will be resubmitted to the PRG and to other stakeholders, including the Governments of Samoa, Tonga and Vanuatu, for comment.

Final Report

The Final Report will take account of comments from stakeholders, and will be published, both in paper form and on the Internet, and distributed to the counterpart government agencies, AusAID staff and other interested parties.

EVALUATION TEAM

The members of the Evaluation Team are:

Mr Peter Heijkoop – Financial management and organisational performance specialist

Ms Robyn Renneberg – Institutional strengthening and organisational development specialist.

The AusAID Evaluation Task Manager is **Dr Philip Fradd**, from AusAID's Office of Review and Evaluation.

REPORTING

As noted above the Evaluation Team will produce the following documents:

- Method and Work Plan for the implementation of the Field Review.
- An '*aide memoire*' reporting on findings in each country, if required.
- Draft Report.
- Draft Final Report.
- Final Report.

ANNEX 2 – PERSONS CONSULTED

Date	Time and location	Name and position
1 March 2004	9:00am 4th Floor, AusAID Canberra	Dr. Philip Fradd, Task Manager, Office of Review and Evaluation, AusAID.
	2:00pm 4th Floor, AusAID Canberra	Peter Ellis, Director, Office of Review and Evaluation, AusAID.
	3:30pm 4th Floor, AusAID Canberra	Gabriel Pillay, PAC III Polynesia and Regional Section, AusAID.
2 March 2004	9:15am 4th Floor, AusAID Canberra	Tony Mellen, former ATL, Tonga Institutional Strengthening Project for Tonga Revenue Departments.
	12:00pm 4th Floor, AusAID Canberra	Patricia Lyons, Organisation Development Adviser, AusAID.
	3:30pm 4th Floor, AusAID Canberra	Christine Pahlman, Country Program Manager, Samoa, Cook Islands, Niue and Tokelau, AusAID. Harry Bowman, Polynesia and Regional Section.
3 March 2004	2:00pm 1st Floor, AusAID Canberra	Lynleigh Evans, Project Director, Tonga Health Sector Planning and Management Project.
4 March 2004	10:00am 4th Floor, AusAID Canberra	Brian Ruddle, Project Manager, UniQuest Pty Ltd, Tonga Strengthening Budget Systems Project. Bill Godfrey, Project Director, Tonga Strengthening Budget Systems Project.
	2:00pm 4th Floor, AusAID Canberra	Penny Gregory, Project Director, PDP Pty Ltd, Vanuatu Ministry of Finance and Economic Management.
	3:30pm 4th Floor, AusAID Canberra	Tony Higgins, former ATL, Samoa Treasury Institutional Strengthening Project.
5 March 2004	11:00am 1st Floor, AusAID Canberra	James Gilling, Senior Adviser, Policies and Programs (Economic), AusAID
	3:00pm 1st Floor, AusAID, Canberra	Jan Morgan, Adviser, Organisational Development, AusAID
Tonga		
15 March 2004	11:00am AusAID Post, Tonga Tu'ipuloyu, Program Officer	Rick Nicholls, First Secretary, AusAID Erica Teumohenga, Program Officer Barbara
	2:00pm Ministry of Health Office	Letili 'Ofanoa, Director of Health

Date	Time and location	Name and position
	2:45pm Health Project Office, Tonga	Rachel Brownhill, ATL, Tonga HMP, Stephen Morris, Management Training Adviser, Jenny Sinclair, Management Accounting Adviser
16 March 2004	9:00am Ministry of Health Office	Sunia Soakai, Senior Health Planning Officer, MOH
	10:00 Ministry of Health Office	Tu'akoi 'Ahio, Principal Health Administrator, MOH
	11:00am Ministry of Health Office	Sesimani Taulanga, Acting Senior Accountant, MOH
	2:00pm onwards Ministry of Health Office	'Ofa Takulua, Senior Nursing Sister Losa Ali, Senior Nursing Sister Dr Silo Tomiki, Chief Dental Officer Dr Semisis Latu, Dr in Charge of Obstetrics & Gynaecology Fetongio Tukatau, Acting Snr Public Health Inspector Mafi Sikalu, Health Planning Officer Tilema Cama, Senior Tutor Sister Moli Kiola, Acting Senior Executive Officer
17 March 2004	8:45am Central Pharmacy	Melenaite Mahe, Principal Pharmacist Movete Tupou, Senior Pharmaceutical Technologist Louhangale Sauaki, Acting Accounting Officer Melesisi Finefeviaki, Procurement Officer
	10:30am Ministry of Health Office	Sesimani Taulanga , Acting Senior Accountant MOH
	11:15am Health Project Office	Rachel Brownhill, ATL Lynleigh Evans, Project Director Stephen Morris, Management Training Adviser Jenny Sinclair, Management Accounting Adviser
	2:00pm Ministry of Finance Office	Meleseini Lomu, Acting Secretary of Finance, MOF
	3:00pm Finance Project Office	Greg Barker, ATL, George Plant, Procedures and Training Adviser
18 March 2004	9:00am Ministry of Finance Offices	Makeleta Siliva, Secretary, Treasury Operations Pauli Kautoke, Acting Systems Analyst Pauli Keinga, Acting Chief Internal Auditor Sefita Tangi, Acting Senior Accountant

Date	Time and location	Name and position
18 March 2004	2:00pm Minister's Office	Hon. Siosuia 'Utoikamanu, Minister of Finance
	3:00pm Ministry of Finance Offices	Greg Barker, ATL, George Plant, Procedures and Training Adviser
19 March 2004	9:00am PSC Offices	Kelepi Makakaufaki, Acting Secretary, PSC 'Etina Kilisimasi, Deputy Secretary, PSC
	10:00am Central Planning Department Offices	Balwyn Fa'aotusia, Acting Director, Central Planning Tufui 'Aho, Senior Economist, Central Planning Sione Faeamani, Principal Economist, Central Planning
	11:00am NZ High Commission	Jonathon Curr, Deputy High Commissioner
	2:00pm Leiloa Duty Free	Ngongo Kioa, Chair, Tonga Chamber of Commerce (and ex MOF)
	3:00pm PEU Project Office	David Hutton, Team Leader, PEU Peter Rodger, Privatisation Adviser Henry Cocker, Acting Deputy Secretary, P.E.U 'Akosita Palometa, Acting Senior Financial Analyst
	4:00pm AusAID Offices	Rick Nicholls, First Secretary, AusAID
22 March 2004	9:30am Ministry of Health Offices	Sr. Lata Malu, Chief Nursing Officer
	10:00am Ministry of Health Office	Siale Akau'ola, Doctor in Charge of Laboratory
	10:30am Ministry of Health Office	Dr. Taniella Palu, Medical Superintendent
	11:00am Ministry of Finance offices	Sione Fehoko, Acting Senior Economist
	2:00pm AusAID Offices	Jan Morgan & Gillian Biscoe Health TAG Team
	3:00pm Aust High Commission Office	Colin Hill Australian High Commissioner
	23 March 2004	9:00am AusAID Offices
11:00am MOH Offices		Presentation of aide memoire (12 attendees including the Minister for Health)
2:00pm MOF Offices		Presentation of aide memoire (3 attendees including the Acting Secretary of Finance)

Date	Time and location	Name and position
Samoa		
23 March 2004	8:30am Aust High Commission	Anthony Gill, First Secretary, Development Cooperation Cam Wendt, Activity Monitoring Unit
	9:30am MOF Offices	Hinauri Petana, CEO, MOF
	10:30am MOF Offices	Iulai Lavea, Assistant CEO, Economics and Planning
	1:30pm MOF Offices	Mauve Betham, Assistant CEO, Budgets Viane Tagiilima, Principal Officer, Debt Management
	3:00pm MOF Offices	Christian Fruaen, Assistant CEO, Accounts
24 March 2004	9:00am Reserve Bank of Samoa	Philip Penn, Deputy Governor Sefa Bourne, Manager Research Department Gilbert Wong Sin, Manager Financial Institutions Prudential Supervision
	10:00am MOF Offices	Noumea Simi, CEO, Aid Cordination Unit
	11:00am AusAID Offices	Norman Wetzell, President, Chamber of Commerce John Boyle, Secretary, Chamber of Commerce Muliagatele Mark Paul, Member
	1:30pm MOF Offices	Pelenatete Ah Vui-Lam Sam, Assistant CEO Corporate Services Soane Leota, Development Officer Corporate Services
	3:00pm R. Vaai House	Sala Epa Tuioti, Consultant, KVA Consulting (formerly Finance Secretary)
25 March 2004	8:30am PSC Offices	Dr Matagi alofi Luaiufi, CEO, PSC
	10:00am MOF Offices	Ron Paice, Lead Consultant Hazel Greenhalgh, Financial Management Training Adviser, Implementation of Financial Management Improvement Act Project (ADB)
	1:30pm MOF Offices	Illuminado Aloaina, Assistant CEO Information Technology Unit
	3:00pm MOF Offices	Mapu Tanuvasa, Assistant CEO Audit and Investigations Unit Fiti Leung Wai, Assistant CEO Legal Unit

Date	Time and location	Name and position
	4:00pm MOF Office	Presentation of Aide Memoire to Hinauri Petana, CEO, MOF
Vanuatu		
29 March 2004	8:00am AusAID Office	Megan Anderson, Second Secretary, Development Cooperation Leith Veremaito, Program Officer Ben Shing, Fiscal Policy Manager, Budget Section, MFEM, GOV Member of Evaluation Team
	10:00am MFEM Offices	Simeon Athy, Director General, MFEM
	1:00pm MFEM Offices	John McWilliam, ATL, MFEM ISP
	2:30pm MFEM Offices	Dorothy Erickson, Director, Finance, MFEM
	4:00pm MFEM Offices	Nik Soni, Budget Adviser
30 March 2004	8:00am MFEM Offices	Ben Shing, Budget Section Officer Antoinette Armhambat, Budget Section Officer
	10:00am MFEM Offices	Paul Molu, Software Support, FMIS Unit Joe Livu, Software Support, FMIS Unit Leisa Tarip, Systems Accountant, FMIS Unit
	11:30am MFEM Offices	Hilary Sogari, Principal HR Officer
	1:00pm MFEM Offices	Brendon Toner, FMIS Adviser
	2:00pm MFEM Offices	Alexone Moli, Acting FMIS Manager Valentine Nguyen, Acting Senior Accountant Lucy Simon, Accounts Officer
	3:30pm MFEM Offices	Andre Tagar, IT Manager, IT Section Mathew Raisin, Network Volunteer (AVI)
31 March 2004	8:00am MFEM Offices	John Canny, Line Agency Adviser Mark Harradine, Line Agency Adviser
	9:00am Dept of Education Offices	Abel Nako, Director General, Education
	10:30am Dept of Strategic Management Offices	Mark Bebe, Director, Strategic Management
	1:00pm MFEM Offices	Rod Riccard, Accounting Adviser

Date	Time and location	Name and position
	2:00pm PSC Offices	George Pakoasongi, Secretary, PSC
	3:00pm Auditor General's Offices	Julie Anne Rovo, Auditor General
1 April 2004	8:00am Land's Dept Offices	Martin Sokomann, Manager, Corporate Services, Dept of Lands
	10:00am Aust High Commission	Steve Waters, Australian High Commissioner
	11:30am Harbourview Restaurant	Stakeholder Focus Group: Mark Conway, Manager Conway Et Co, ASAS Coordinator Dina Petrakis, TVET Adviser, Min of Education Matthew Raison, IT Adviser, MFEM Rachel Wells, Specialist Physician, Vila Central Hospital (ASAS)
	2:00pm AHC Offices	ATL Meeting: John Walsh PSC-ISP, John McWilliam MFEM-ISP, Chris Cookson VIT
2 April 2004	8:00am AusAID Office	AusAID staff debrief
	2:00pm Chantilly's Board Room	Presentation of Aide Memoire

ANNEX 3 – LIST OF DOCUMENTS REVIEWED

General References

Author	Year	Title	Source
AIDAB Policy Branch	1992	Australian Staffing Assistance Scheme (ASAS) Review: Western Samoa	AusAID
AIDAB Policy Branch	1992	Australian Staffing Assistance Scheme (ASAS) Review: Tonga	AusAID
AIDAB Policy Branch	1992	Australian Staffing Assistance Scheme (ASAS) Review: Vanuatu	AusAID
AIDAB Policy Branch	1992	Australian Staffing Assistance Scheme (ASAS) Review: Regional Overview	AusAID
AusAID	2000	AusGUIDELines – Project Quality Standards	AusAID
AusAID	–	AusAID's Capacity Building – Lessons Learned	AusAID
AusAID	2003	Review of Institutional Strengthening and Technical Assistance Activities	AusAID
AusAID (Corporate Policy Branch)	2003	Capacity Building Framework for Analysis: Draft for Pilot Study	AusAID
Brown, Stephen (Ed.)	2002	Developing capacity through technical cooperation: country experiences	UNDP
Downer, A.	2002	Australian Aid: Investing in Growth, Stability and Prosperity. Eleventh Statement to Parliament on Australia's Development cooperation Program.	AusAID
Morgan, Peter	2002	Technical Assistance: Correcting the Precedents.	Development Policy Journal: December 2002: 1 – 22.
Pilbrow, M.	2003	10-Year stocktake of achievements and AusAID outcomes of Australian bilateral aid to Vanuatu. Revised Draft – July 2003	AusAID
Sakiko Fukuda-Parr et al. (Eds)	2002	Capacity for development: new solutions to old problems.	UNDP

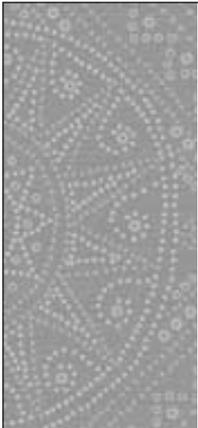
Author	Year	Title	Source
USAID	2000	Recent practices in monitoring and evaluation tips: measuring institutional capacity	http://www.dec.org/pdf_docs/pnacg612.pdf
Whitelum, B.	2003	AusAID's Capacity Building: Background Paper.	AusAID

Project Documents

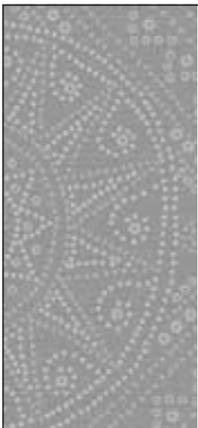
Samoa Treasury Department Institutional Strengthening Project			
Govt of Samoa	2002	Strategy for the development of Samoa 2002 – 2004	AusAID
	2003	Australian Aid to Samoa – Interim Program Strategy 2003 -2004	AusAID
	2004	High Level Discussions on Development Cooperation (Samoa, Australia, New Zealand) – record of Outcomes	AusAID
Mellors, J. et al.	2003	Review of Institutional Strengthening Projects in Samoa.	AusAID
	1995	AusAID Project Design: Volume 1: Main Report	AusAID
	1995	AusAID Project Design: Volume 2: Issues Paper	AusAID
	1995	AusAID Project Design: Volume 3: The Executive Brief AusAID	AusAID
AusAID	2000	Final Report: Program Monitoring Group	AusAID
AusAID	2001	Project Completion Report	Two copies
Samoa Ministry of Finance	2003	Samoa Ministry of Finance – Response to ISP Review Report	AusAID
Samoa Treasury High Level Advisers			
Alan Morris	2003	High Level Policy Adviser to the Samoa Treasury – Report of visit 8 – 12 September 2003 (and covering letter)	AusAID
Tonga Strengthening of Budget Systems Project			
AusAID	2003	Tonga Strengthening Budget Systems Project: TAG Review May 2003	AusAID
	2001	Annual Plan 2001-2002	AusAID

Tonga Health Sector Management Project			
Aus Health International	2002	Annual Plan 2002-2003	AusAID
	2002	Report of the Technical Advisory Group	AusAID
Evans, Soaki, Brownhill, Sutton, Tangi	2003	Improving Management in the Ministry of Health	AusAID
QAG	1999	Quality of projects in Implementation – Summary Report	AusAID
Vanuatu Ministry of Finance and Economic Management:			
Institutional Strengthening Project			
Govt of the Republic of Vanuatu	2002	Priorities and Action Agenda – Supporting and Sustaining Development	
AusAID	1998	Project Design Document Phase I	AusAID
AusAID	1998	PDD Revised Costings	AusAID
AusAID	2001	Phase I: Project Completion Report	AusAID
AusAID	2000	Phase II: (Draft) Project Design Document	AusAID
AusAID	1999	Workplans: Team Leader and IT Adviser	AusAID
AusAID	1999	Inception and Reform Implementation Report	AusAID
AusAID	1999	Final Report Project Monitoring Group	AusAID
AusAID	2000	Exit Report on Monitoring	AusAID
AusAID	1999	Annual Plan to 30 June 2000	AusAID
AusAID	2000	Draft Annual Plan 2000-2001	AusAID
AusAID	2001	Draft Annual Plan 2001-2002	AusAID
AusAID	2002	Proposed Annual Plan for 2002-2003	AusAID
AusAID	2003	Proposed annual Plan for 2003-04	AusAID
AusAID	2002	Strategy/Options Paper: Capacity Building in Financial Management in Line Agencies	AusAID
AusAID	2003	Line Ministry Risk assessment and Action Plan	AusAID
AusAID	2003	Report on Monitoring of Institutional Strengthening Project	AusAID
AusAID	2004	Vanuatu Project – Positive Outcomes	AusAID

ANNEX 4 – AUSAID'S CAPACITY BUILDING FRAMEWORK, ANNOTATED FOR EVALUATION FINDINGS



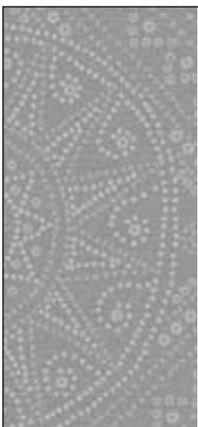
AusAID's Capacity Building – Framework for Analysis
ANNOTATED FOR CAPACITY BUILDING LESSONS LEARNT
IN PUBLIC FINANCE PROJECTS IN THE SOUTH PACIFIC



Analysis

1. ABILITIES & COMPETENCIES

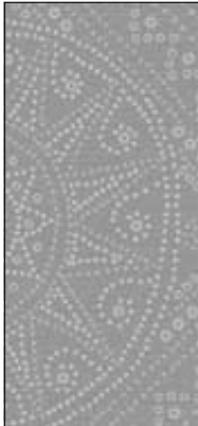
- A thorough, *realistic* diagnosis of current capacity is essential.
- Need to identify gaps between current abilities and competencies and those required to achieve organisational 'vision'.
- Don't assume a 'vision' exists – check.
- Assess the capacity of systems, processes, frameworks and policies.
- Ensure there is a realistic and validated assessment made of counterpart availability.



Analysis

2. EXTERNAL ENVIRONMENT

- A the timing of WOG changes (eg improvements in HR driven by the PSC) may not always be aligned to project need but it will usually be important to ensure WOG strategies take precedence (for sustainability)
- Line Agency capabilities affect Finance Systems implementation.
- Central Agency capabilities affect line agency based projects.
- Telecommunications links affect Finance Systems implementation.



Analysis

3. INTERNAL ENVIRONMENT

- Successful projects have strong leadership – is there a ‘champion’ and a coalition for change?
- Consultative decision making processes build capacity and commitment.
- Staff retention is a critical issue for all projects – strategies are needed for key Finance staff.
- HR practices strongly influence the capacity of organisations – consider recruitment, retention practices, performance management capability...



Analysis

4. PERFORMANCE

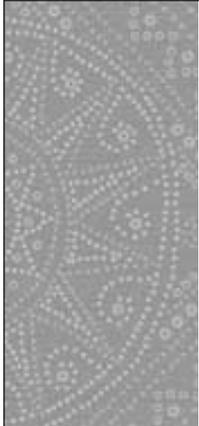
- Clarity of vision and strategy are essential for good organisational performance
- Clarity in roles and responsibilities at all levels supports performance and accountability
- Managers need to develop performance management skills (potentially at odds with cultural norms in the Pacific).



Promoting Change

1. EXTERNAL INTERVENTION

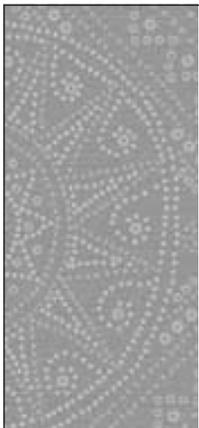
- Activities need to align with the country’s overall strategy and priorities.
- Ensure project activities integrate with external strategies such as those driven by central agencies.
- Recognise the impact the private sector and emigration is likely to have on the availability of good staff.



Promoting Change

2. CHANGE DYNAMICS

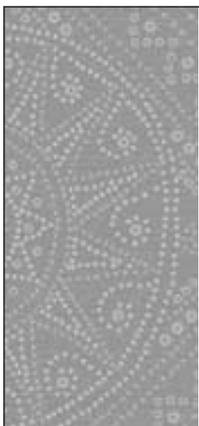
- Recognise that central agencies are different.
- Good communications are essential – up, down and out
- Diverse working groups build capacity.
- Develop a critical mass of skills.
- Target training to meet organisational need; and send the right people.



Promoting Change

3. CHANGE PLAN

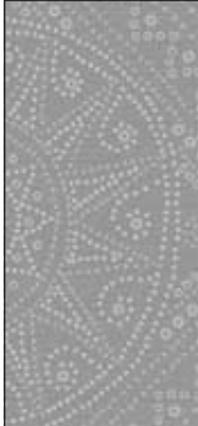
- Project cannot do everything – prioritise.
- Introduction of technology requires time & specialist inputs.
- Complex systems are unsustainable without counterparts.
- Target a cross-section of counterparts.
- Manuals need to be collaborative, up front, used, accessible and updated.
- Communicate verbally in the Pacific.
- Project has to 'lead by example'.
- Advisors need to prove ability by 'doing', build into TORs.



Monitoring & Assessment

1. ANALYSE EVOLVING CAPACITY

- Analyse the impact and any changes needed together with the Partner Agency.
- Align HR and Financial initiatives to any whole of government programs.
- Project initiatives can be overtaken by Central Agency actions.



Monitoring & Assessment

2. ASSESS CHANGE DYNAMICS AND INTERVENTIONS

- Allow advisors time to respond to unforeseen developments, build into TORs.
- Use ECP to support post-project 'prompting' of sustainability.



Monitoring & Assessment

3. UPDATE CHANGE PLAN

- Communicate changes widely and in advance, use informal verbal presentations.
- Link change to Organisational 'vision'.

ANNEX 5 – EVALUATION OF INDIVIDUAL CAPACITY BUILDING METHODOLOGIES

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
On The Job (OTJ)	<ul style="list-style-type: none"> - managers consider OTJ training to be the best training option - advisers also consider it the best option - staff are ambivalent, many not recognising the value of OTJ training, considering it second rate learning 	<ul style="list-style-type: none"> - in general, OTJ training, if delivered in a well structured way, with opportunities for continuous feedback, was considered effective - success was usually dependant on the communication and interpersonal skills of advisers and their willingness to share their skills and knowledge 	<ul style="list-style-type: none"> - in most cases, yes. - but there was recognition that work performance is dependent on motivation, environment, supervision and resources as well as skills, so OTJ training is not always fully successful (as these other elements are not necessarily in place) 	<ul style="list-style-type: none"> - primarily through OTJ training, the projects have developed small pools of individuals with good skills and knowledge who have the potential to impact on organisational outcomes - however the evaluations suggests that while training of individuals may be successful, achievement of project outcomes is as much, if not more, dependent on systemic change resulting from organisation capacity building
Learning Agreements	<ul style="list-style-type: none"> - seen as a good idea by both advisers and counterparts to ensure training is well targeted (including OTJ training) - process helps legitimise OTJ training as a sound process 	<ul style="list-style-type: none"> - mixed feedback on success of the process - require commitment by both adviser and counterparts, continuity of personnel, and rigorous supervision (these conditions are not always met) 	<ul style="list-style-type: none"> - in the few cases where the conditions were met, feedback suggests that learning agreements are a useful tool for improving individual performance through structured and targeted training 	<ul style="list-style-type: none"> - very limited outcomes were achieved as a direct result of learning agreements as there was limited consistent application; however, there was a view that the process, if applied well, does enhance the quality of OTJ training and therefore should have some impact on organisational performance

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
In House Short Courses	<ul style="list-style-type: none"> - well received as a methodology for learning by almost all - significantly enhanced when followed by OTJ training/ coaching 	<ul style="list-style-type: none"> - learning objectives met at the time of delivery if adviser delivered a well designed and practical program that was about topics of immediate relevance to participants - feedback suggests most advisers have some skills in designing and delivering training 	<ul style="list-style-type: none"> - impact on individual performance affected by relevance to daily work, timing of application (trainee needs to apply learning immediately after the course), and level of ongoing support provided by supervisor or adviser 	<ul style="list-style-type: none"> - in house training allowed for the upskilling of several people at one time - the potential benefit for the organisation and its ability to achieve its outcomes results when there is a critical mass of skills developed, but depends on the consistency of follow-up supervision - in house programs were also used to spread skill to other agencies with whom the counterpart agency has interdependencies
Seminars	<ul style="list-style-type: none"> - poor feedback across the board on generalist seminars targeting large numbers (non attendance, wrong people sent as alternates) - rigorous processes needed to ensure seminars are a success usually 	<ul style="list-style-type: none"> - used to disseminate general information to a broad audience (eg: new policy or guidelines) - does raise awareness of issue 	<ul style="list-style-type: none"> - unlikely to impact directly on individual performance but has potential to educate and raise awareness on issues that the project is dealing with so may have some indirect impact on overall performance 	<ul style="list-style-type: none"> - organisational and whole-of-government awareness can be raised through seminars, but skills transfers and real capacity building require a more focussed effort on individuals and groups of staff

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
Work Groups	<ul style="list-style-type: none"> - all those involved considered problem solving work groups an effective way to learn 	<ul style="list-style-type: none"> - most work groups did not have defined learning objectives as the process was task focussed (eg. design of a policy or the solving of an operational problem) - the project's broad objectives were usually achieved (eg development of problem solving capacity, development of a participative culture etc) 	<ul style="list-style-type: none"> - yes. examples were provided to demonstrate that the use of work groups as a tool for solving problems helped build individual skills also. 	<ul style="list-style-type: none"> - where this approach was adopted there has been significant changes in the ability of the organisation to respond to challenges
Externally Delivered Short Courses	<ul style="list-style-type: none"> - good feedback from all stakeholders - staff appreciate opportunity to gain a certificate 	<ul style="list-style-type: none"> - usually successful in achieving learning objectives as most external courses are delivered by professional trainers/educators 	<ul style="list-style-type: none"> - application of learning dependent on relevance to current work and capacity to apply learning - timing not always the best as external training course timetables are designed with many various stakeholders in mind 	<ul style="list-style-type: none"> - impacts have been positive when learning has been able to be applied - can lead to loss of trained staff, as those with qualifications are better able to move on to the private sector or emigrate

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
Manuals	<ul style="list-style-type: none"> - mixed feedback on value of manuals from all stakeholders - useful if development of manual is inclusive, iterative and participative and carried out early in project - a manual's use needs to be integrated into the work unit 	<ul style="list-style-type: none"> - yes, useful as both a learning process and a resource tool if development process meets criteria outlined in previous column - no, have not achieved learning outcomes if developed in isolation, completed at the end of a project to meet a milestone requirement, and not owned by counterparts 	<ul style="list-style-type: none"> - where manuals were successfully integrated into a work area they have had a significant, and ongoing, impact on organisational performance 	<ul style="list-style-type: none"> - successful manuals impact on organisational outcomes by providing standard processes, establishing bench marks for the quality of work to be performed, creating a mechanism for continuous improvement and as a resource tool
Coaching And Mentoring	<ul style="list-style-type: none"> - provided through both formal and informal processes - feedback, in the main, very positive (particularly from Ministers and CEOs) - they appreciated the responsiveness, the timeliness and the flexibility of the process - success was based on the quality of the relationship and coaching was less successful where the two involved did not 'hit it off' 	<ul style="list-style-type: none"> - while few coaching relationships had formally agreed learning objectives, where a good relationship existed, results were positive as coaching addressed real and immediate issues often of a strategic and complex nature 	<ul style="list-style-type: none"> - advice was usually sought when the counterpart had a pressing issue to deal with so the input of the adviser was likely to have an impact on performance by assisting with the problem solving process 	<ul style="list-style-type: none"> - organisation impacts include more informed decision making and better informed strategy

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
Overseas Study Tours	<ul style="list-style-type: none"> - well received by participants who valued the opportunity to see how things were done elsewhere - some suggested study tours did not offer enough depth - mixed feedback from advisers who had concerns about appropriateness of selection of participants and degree of applicability 	<ul style="list-style-type: none"> - successful study tours had clearly defined learning objectives and a process to support the application of the lessons (eg. a work based project) 	<ul style="list-style-type: none"> - feedback suggests some individual performance improved as a result of the exposure to new ideas. - often individuals could not apply lessons as the workplace was resistant to new ideas, or had a very different context to the study country's. 	<ul style="list-style-type: none"> - where the organisation has been open to new ideas, there has been some impact as a result of study tours, particularly in technical areas - some counterpart agencies required participants to share their experience and lessons with others in the organisation, hence spreading the potential impact
Overseas Attachments	<ul style="list-style-type: none"> - usually very good as attachments offer both exposure to new ideas and depth of learning application of the lessons 	<ul style="list-style-type: none"> - usually yes, particularly when there were clearly defined learning objectives and a process to support the success in applying the (eg. a work based project) 	<ul style="list-style-type: none"> - those who spent time learning how to implement/ do things as well as what could be done seem to have more participants learnings and improving performance 	<ul style="list-style-type: none"> - the organizations capacity to deliver was enhanced by new ideas, new ways of doing things and greater confidence on the part of participants

Capacity Building Method	What was the reaction of individuals involved?	Were learning objectives met?	Did individual performance improve as a result?	What have been the outcomes for the organisation?
Overseas Scholarships	<ul style="list-style-type: none"> - all indicated that formal qualifications were invaluable in building capacity - managers and advisers raised concerns about the timing of absences (and the impact on the project and organisation's ability to deliver) and the potential loss of graduates to the private sector or emigration 	<ul style="list-style-type: none"> - yes - the most valued skills were the capacity to 'self learn' on an ongoing basis and the conceptual ability developed through tertiary studies. 	<ul style="list-style-type: none"> - feedback suggests graduates have a major impact on workplace performance - however, the medium-term absence of some of the more talented staff on scholarships can have a short term detrimental effect on their work function 	<ul style="list-style-type: none"> - where graduates have returned to the workplace, the capacity of the organisation to improve its delivery is potentially high - however, as with all other individual capacity building approaches, longer term benefits will only accrue if the organisation itself also changes and grows.

Capacity Building in Public Finance: An evaluation of activities in the South Pacific

Evaluation and Review Series

No. 36 September 2004

This AusAID evaluation had two objectives:

- to assess the relevance, efficiency effectiveness, impact and sustainability of five financial management capacity building activities in Samoa, Tonga and Vanuatu; and
- to identify effective methods to build capacity in the public finance sector in countries of the South Pacific.

Four of the five activities were rated as Satisfactory Overall or better. The factors most affecting sustainability and impact were the effectiveness of management and the availability of suitable counterparts.

Project management was professional for all five activities evaluated. The greater the Partner Agency involvement in activity management, the more closely the project was linked to organisational objectives. All projects benefited from regular oversight visits by independent Technical Advisory Groups or Program Monitoring Groups.

The evaluation found that on-the-job training was the most effective mode of capacity building and was well regarded by senior managers and project teams in all three countries. It was done best where training needs were determined in a participatory process with the Partner Agency and adult education principles were applied to the subsequent training.

Other forms of capacity building, including classroom instruction, seminars, in-country courses, overseas attachments and scholarships, were also assessed.

Manuals were found to be useful as both reference sources and for operational learning. However, they had to be simple, developed using participatory methods and available early enough in the project's life to support training.

The role of advisers was also examined. Advisers learnt more about the environment and the challenges facing their counterparts when they shared the work area with their counterparts on a day-to-day basis. Collocation of advisers and counterparts built rapport and established an adviser's operational credibility. It also helped create an environment that encouraged advisers to provide continuous informal coaching.