

## **DEVELOPMENT EFFECTIVENESS COMMITTEE**

### **Chair's Summary of the Committee Discussion on 1 September 2009**

#### **Special Evaluation Study on ADB Support for Public Sector Reforms in the Pacific: Enhance Results through Ownership, Capacity, and Continuity**

1. The special evaluation study (SES) assessed ADB's assistance for public sector reforms in Pacific developing member countries (PDMCs) to be partly successful. In general, ADB's lending support to PDMCs has a success rate much lower than that of ADB's overall assistance.
2. ADB's partly satisfactory performance in the PDMCs stems from the unique situation in the Pacific where the islands are fragmented and isolated with limited access to world markets, and low capacity to implement necessary reforms. The situation in the Pacific is also marked with high reliance on international aid due to limited financial capacity, restricted access to private capital, and limited investments.

#### **Discussion Highlights**

3. The Independent Evaluation Department (IED) emphasized the importance of reducing the PDMCs' dependence on foreign aid, although this is beyond the scope of the SES. The SES strongly recommends that any future reform assistance by ADB to PDMCs should be preceded by stocktaking of lessons learned and assessment of the current state of reforms. Further, attention should be given to strengthening government ownership, increasing government capacity, ensuring continuity in ADB support, enhancing focus of operations, and private sector development.
4. DEC members generally endorsed the key recommendations of the SES. There were suggestions for improving the methodology used, like inclusion of a detailed political economy framework and conducting more empirical evaluation research and analysis. DEC Chair pointed out the importance of presenting fiscal deficits exclusive of grants. Both IED and Management representatives emphasized the difficulty faced in gathering such data, though proxy indicators have been made available to determine impacts and outcomes. ADB has made continuous efforts in building statistical capacity of PDMCs to gain more informed basis for policy-making and strategizing about development interventions.
5. One DEC member emphasized the importance of the SES as a tool in designing future country partnership strategies (CPSs) in the Pacific. Another DEC member suggested the need for pre and post reforms evaluation in order to arrive at a better assessment of the assistance. Some DEC members inquired on how the lessons learned fed back into the choice, design and implementation of subsequent programs. Management representatives acknowledged the limited incorporation of lessons in the past. However, attention was given to simplified program designs with government participation and ownership.
6. One DEC member noted that a new political economy or public choice approach with strong emphasis on microeconomic foundations could provide better explanation and guidance for future reform programs on private sector development and state-owned enterprises reforms. It was also acknowledged that there may be trade-offs in achieving sound fiscal and financial management, improved public service delivery, and enhancing environment for private sector

development. Management mentioned that there have been technical assistance programs designed to create enabling environment for private sector development.

7. DEC recognized the uniqueness of the situation in PDMCs and the importance of gaining a better understanding of the historical, social and cultural traditions and context of these countries. The uniqueness of the situation should be considered not only in the design and implementation of programs, but also in the measurement of the results of the programs. A one-size-fits-all approach would not be appropriate.

8. Management generally agreed to the recommendations of the SES, as the recommendations are consistent with the broad dimension of ADB's policy on weakly performing countries, which includes keeping program designs and business processes simple. Management emphasized the challenges of narrow economic base, vulnerability to external economic shocks and natural disasters, and limited and weak capacity in PDMCs.

### **Conclusions**

9. DEC welcomed the SES, which is an in-depth study of 11 reform loans between 1996 and 2002. DEC noted the challenges faced by these countries given their dependence on external grants and limited capacity.

10. DEC pointed out the urgent need to develop better system of national accounts and focusing on income balance inclusive and net of foreign grants.

11. DEC encouraged staff and IED to have a very careful look at the evaluation and rating of programs in these countries to improve ADB support to such DMCs.

12. DEC emphasized the importance of reducing the dependence of PDMCs on the public sector, improving governance in general, and education and training in particular, and property rights.

13. DEC underscored the importance of particular cultural factors deep-rooted in these countries and promoting ownership of programs.



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