

CLOSING OF SOUTH PACIFIC REGIONAL MISSION IN VANUATU

A. Introduction

1. The South Pacific Regional Office (SPRO) was established in Port Vila, Vanuatu in July 1984 to support ADB's activities in the South Pacific region. In 1995, SPRO was designated as the South Pacific Regional Mission (SPRM) providing support for ADB's operations in eight member countries - Cook Islands, Republic of the Fiji Islands, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

2. In April 2003, ADB's Board approved the establishment of two new offices—the South Pacific Subregional Office (SPSO) in Suva, Fiji Islands and the Pacific Liaison and Coordination Office (PLCO) in Sydney, Australia—with the objective of delivering comprehensive and cost effective services to the Pacific developing member countries (PDMCs).¹ This decision was in part based on the recognition of the relatively poor airline connections to PDMCs and high cost of operations in Port Vila, Vanuatu. Accordingly, in April 2004, Management approved the recommendation to scale down SPRM's operations. In that year, 4 local staff were provided with separation packages and left the service of ADB under agreed upon redundancy packages. Three regional staff from SPRM were redeployed and assumed positions in PLCO. At present, SPRM staffing consists of one professional staff (as Officer-in-Charge) and three local staff. It was agreed that the future of SPRM would be reviewed once both SPSO and PLCO were operational.

B. Operations of SPSO and PLCO

3. SPSO was formally inaugurated in June 2004. SPSO's key responsibilities and functions include country programming and country economic work for Cook Islands, Fiji Islands, Samoa, Tonga, and Tuvalu. In these countries, SPSO will process selected projects and TAs, carry out sector work, and administer projects. Three projects and four TAs have been transferred from SPRM to SPSO for administration.

4. PLCO has been operational from March 2005 and the formal inauguration is planned for August 2005. PLCO's responsibilities include programming and country economic work for Kiribati, Solomon Islands, Nauru, and Vanuatu. PLCO is also the focal point for private sector development issues and activities. It will process selected projects and TAs and carry out sector work and project administration. Four loan projects and eight TAs have already been transferred from SPRM to PLCO for direct administration.

C. Vanuatu Country Situation

5. After a decade of unstable government, law and order problems, and economic decline, Vanuatu is making progress towards social and economic stability. ADB's country strategy seeks to address underlying constraints to Vanuatu's economic development, including the lack of consistency and transparency in government decision-making, the uncertain and costly environment for doing business, and poor delivery of public services. The strategy aims to build capacity for sound economic management, create an enabling environment for private sector development, and reduce poverty through improved service delivery.

6. The Government of Vanuatu has indicated that (i) its chronic budget deficit and concern over the level of debt will constrain its ability to undertake further borrowing from ADB and other agencies in the near term, and (ii) counterpart funds for externally aided projects are limited. Accordingly, no lending to Vanuatu is proposed for the medium term. In the coming years,

¹ ADB. 2003. *Delivering Better Services in the Pacific—Establishment of Pacific Offices*. Manila. (R59-03).

ADB's operations in Vanuatu are likely to be limited to non-lending activities consisting of two TAs for a total value of about \$500,000.

D. Review of SPRM Operations

7. A review of SPRM's role and operations shows the following:

- **Work program.** SPSO and PLCO have assumed most of the earlier operational activities of SPRM. There are no active projects in Vanuatu and with a focus on non-lending; no new projects are likely to be approved in the foreseeable future. Current project administration consists of four TA advisory support activities. The remaining operations in SPRM relate primarily to country economic work and project administration for Vanuatu. Although SPRM was also meant to play a liaison and donor coordination role, it believed that this role could be more effectively played from SPSO or PLCO given their proximity to the offices of key donor partners.
- **Operating cost.** The annual operational and administrative costs of SPRM amounted to nearly \$1.7 million in 2003. This decreased to about \$0.7 million in 2005 following the downsizing in 2004; nonetheless, the cost of living in Vanuatu remains one of the highest in the Pacific. Assuming the transfer of the remaining functions of SPRM to PLCO and the closure of SPRM, total annual savings of \$0.4 million to \$0.5 million could be achieved on a full-year basis (see Appendix 1).

E. Closure of SPRM

8. Keeping in view the significant savings from closing SPRM and the absence of any developmental advantage to maintaining the office, Management decided to close SPRM on 30 September 2005. The professional staff position at SPRM is being redeployed to Headquarters and local staff at SPRM is being compensated according to the ADB provisions for separation based on redundancy. A high level mission consisting of a Director from the Pacific Department and Regional Director, PLCO visited Vanuatu from 30 May—1 June 2005 to personally inform the leadership in the country about ADB's decision to close the office. The mission assured the authorities that notwithstanding the decision to close the office, ADB remains committed to remain engaged and support the country's development needs.

SPRM Operational and Administrative Costs: 2003–2005
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Cost Item	2003 Actual	2004 Actual	2005 Full-Year Projected
Operational Cost	1,325,486	857,367	415,400
Staff Costs	1,081,260	731,330 ^{a/}	335,200
Business Travel	156,013	108,386	57,000
Consultants	75,602	11,348	15,000
Overtime	1,805	1,355	1,900
Training	6,229	4,698	4,800
Representation	4,577	250	1,500
Administrative Cost	346,756	352,503	318,100
Communication	214,603	220,122	202,900
Office Space	109,412	111,994	100,000 ^{b/}
Office Supplies	5,551	5,202	2,700
Office Equipment	10,181	9,844	2,900
Contractual Services	4,327	331	2,300
Insurance	350	2,664	6,000
Miscellaneous	2,332	2,346	1,300
Total	1,672,242	1,209,870	733,500

^{a/} Salaries exclude termination payment of \$125,766.

^{b/} Office rental is based on 2004 Revised Estimate budget.