

ADB PACIFIC OPERATIONS ACTION PLAN

1. ADB's procedures for country strategy and program (CSP) preparation, as well as its requirements for ESW and country dialogue regarding poverty reduction, governance, private sector development, and environment, have been articulated in detail in existing policy papers and guidelines for operations in individual DMCs. As currently specified, the standard requirements for each DMC include: (i) a full CSP every five years; (ii) a CSP Update every year; (iii) country economic reports (CER) and CER updates; (iv) a poverty assessment to measure the extent of poverty; (v) a High Level Forum; (vi) a Poverty Partnership Agreement; (vii) a governance assessment; (viii) an environment assessment; and (ix) a private sector assessment and strategy. Separate documents or reports are expected to be prepared for each of these cross-cutting activities.

2. However, given the size of the Pacific developing member countries (PDMCs) and the staff resources available for ADB's operations in the Pacific¹, it is neither feasible nor, we believe, necessary, for the Pacific Department (PARD) to accomplish the above tasks separately for each PDMC in the same time sequence as DMCs with larger-scale ADB operations (see Table 1 below). As a result, PARD prepared an action plan to tailor economic and sector work (ESW), country dialogue, and strategy formulation activities to the scale of our operations in the PDMCs. Management has approved this action plan, and the modified regional approach will be adopted in 2002-2004, leading up to a revised Pacific Regional Strategy in 2004.

Table 1: PARD Staffing and Scale of Operations

Number of PDMCs and Total Population	Professional Staff	Annual Processing Operations	Projects under Administration
12 PDMCs and East Timor Total Population: About 8 million	23 Professional Staff (below the position of Director).	6-10 projects/programs for about \$100-140M; 33-38 TAs/RETAs for about \$13M	25-30 loans 100 TAs

3. Specifically, PARD's assessed requirements for ESW, country dialogue, and strategy formulation are explained below and summarized in Appendix 1.

- **Country Strategy and Program Process.** A full stand-alone CSP will be prepared only for Papua New Guinea (PNG) (and possibly Fiji at a later stage), commensurate with its population and the scale of ADB's operations (i.e., a CSP planned for 2003, then normal CSP updates annually, and the next CSP in 2007). A regional strategy (along the lines of the subregional typologies² adopted in 2001) with country details will serve as the CSP covering the remaining PDMCs. The next Pacific Regional Strategy is due in 2004 and will be prepared in a way which meets the CSP requirements fully.

¹ In the Pacific, PARD processes less than one loan project per country every two to three years on average, excluding PNG. On the other hand, ADB is recognized as the lead multilateral development partner with a very broad coverage of issues and sectors needed for development impact in each economy.

² The current Pacific Regional Strategy has identified three main subgroups of countries in the Pacific: (a) high poverty, resource-rich countries, (b) resource-poor atoll economies with limited potential for private sector-led growth, and (c) countries with relatively low poverty, moderately good natural resource endowments, and good potential for private sector-led growth.

In order to support this approach, a more comprehensive annual CSP Update will be prepared for each PDMC (except PNG) beginning in 2002. The proposed outline for this is attached as Appendix 2. The proposed outline incorporates some elements of a full CSP, including the section on country strategy.

To complement the Pacific Regional Strategy and annual CSP Updates, the Pacific Island Economic Reports (PIERs) for individual PDMCs will continue to be prepared broadly on a 5-year cycle. The PIERs have already been submitted and accepted in lieu of the required CERs. With the annual submission and Board discussion of the CSP Updates, the requirement for an annual CER Update (each time the first loan for a DMC is submitted to a Board in a given year) will be waived for PDMCs, given that the CSP Updates already contain updated text and statistical tables on recent economic and social developments in the countries concerned.

- **Poverty Reduction Strategy.** PARD is working toward a single regional poverty partnership agreement between ADB and the 12 PDMCs in lieu of individual partnership agreements with each PDMC. Similarly, a simplified approach to the conduct of the High Level Forums (possibly in the form of country-specific seminars/consultation workshops) will be adopted. The regional poverty partnership agreement will provide country-specific details sufficient for planning and monitoring by ADB and the countries concerned. The exception, of course, will be for PNG where full implementation of CSP processes will be pursued (although an interim measure will involve PNG also signing the regional agreement).
- **Governance, Environment, and Private Sector Assessments.** ADB policies require preparation of country assessments covering various thematic areas. The proposed new Environmental Policy requires periodic environment assessments/country profiles to be prepared. The Governance Action Plan 2000 calls for governance assessments in each country. The Private Sector Development Strategy also requires private sector assessments and strategies for each country. These assessments then feed into the preparation of the CSP in each DMC. For the PDMCs, country-specific assessments will be carried out initially in one or two “pilot” countries, to refine the methodology and scope, followed by regional assessments with appropriate country details for each of the PDMCs covering the three thematic subject areas. The separate regional assessments with country-specific details for governance, environment and private sector development will be prepared as regional reports in 2002/2003, in time to feed into the preparation of the 2004 Pacific Regional Strategy.
- **Collaboration with Key Development Partners.** As an additional measure, PARD will actively seek collaboration with key development partners (mainly, World Bank, AusAID and NZODA) in preparing the PIERs, in carrying out the thematic assessments, and in undertaking the analytical work and country-level support on poverty reduction strategy formulation. Already, ADB and AusAID have agreed to cofinance the preparation of PIERs in Solomon Islands, Vanuatu, and Kiribati. ADB and NZODA are cofinancing the PIER for the Cook Islands. The World Bank and ADB are collaborating on poverty measurement in PNG and East Timor. Environment sector work will be conducted in concert with the South Pacific Regional Environmental Programme, Environment Australia, and NZODA. CSP Updates for the individual countries, as well as the regional strategy, will provide appropriate details on ADB collaboration with key development partners.

**Proposed Implementation of Key ADB Operational Policies in
Pacific Developing Member Countries (PDMCs)**

Strategy/Policy Area	Requirement under ADB Policy or Strategy	Proposed Application to PARD Countries
Country Strategy and Program (CSP) Preparation	<input type="checkbox"/> Every 5 years, preparation of a regional (Pacific) strategy with country details <input type="checkbox"/> Annual CSP Update prepared for each country	<input type="checkbox"/> Next regional (Pacific) strategy paper to be prepared in 2004 (based on 5-yr cycle) to be equivalent to CSP <input type="checkbox"/> Full CSP to be prepared only for Papua New Guinea (PNG) in 2003 (previous PNG country operational strategy prepared in 1999) <input type="checkbox"/> Modified, but more comprehensive, CSP Update prepared annually for each PDMC
Country Economic Reports (CERs) and CER Updates	<input type="checkbox"/> CER every four years; CER Updates before first loan in a year without a CER	<input type="checkbox"/> Pacific Island Economic Reports (PIERs) to be prepared roughly every 5 years for each PDMC (about 3 PIERs per year in PARD's work program); Waiver of CER Updates in view of CSP Updates containing similar information
Poverty Reduction Strategy	Requirements in each PDMC for: <input type="checkbox"/> High Level Forum <input type="checkbox"/> Poverty Reduction Partnership Agreements	<input type="checkbox"/> In lieu of individual partnership agreements with each PDMC, a regional partnership agreement to be signed between ADB and all PDMCs. As an interim step, PNG would sign the regional agreement, but at a later date would sign a bilateral partnership agreement
Governance Policy (Action Plan 2000)	Governance assessments to be prepared as part of the CSP process for each DMC	<input type="checkbox"/> On pilot basis, governance assessments to be prepared for Tonga and Vanuatu in 2001 <input type="checkbox"/> Regional (Pacific) governance assessment (with country-specific details) to be prepared in 2002/2003
Proposed Environment Policy	Environmental assessments to be prepared as part of the CSP process for each DMC	<input type="checkbox"/> Regional (Pacific) environmental assessment (with country-specific details) to be prepared in 2002/2003 [in possible collaboration with South Pacific Regional Environmental Programme]
Private Sector Development (PSD) Strategy	Country-specific private sector assessments and PSD strategies will be prepared as part of CSP process for each DMC	<input type="checkbox"/> On pilot basis, private sector assessment to be prepared for Fiji and Samoa in 2002 <input type="checkbox"/> Regional PSD assessment (with country-specific details) and strategy to be prepared in 2002/2003

Format for

COUNTRY STRATEGY AND PROGRAM
Annual Update¹

*Note: Please follow the template to be issued by OSEC in January 2002.
The maximum page length will be eight for the main text.*

I. CURRENT DEVELOPMENT TRENDS AND ISSUES

Report briefly on what has happened in the country since the last country strategy and program (CSP) paper or update paper. The purpose is to present the current context for the operational program.

- A. Recent Political and Social Developments**
Summarize recent political and social events.
- B. Economic Assessment and Outlook**
Briefly assess the macroeconomic situation.
- C. Implication(s) for Country Strategy and Program (if any)**
Assess the impact of A and B on the relevance and implementation of the CSP, if any. If no implication is expected, state so.

II. IMPLEMENTATION OF THE CSP

- A. Progress under the Poverty Partnership Agreement**
Summarize major progress toward achieving the long-term goals and medium-term objectives agreed to in the poverty partnership agreement (PPA).
- B. Progress in the Country Strategy and Program Focus Areas**
Summarize major progress made in the CSP's strategic focus (sector, thematic, geographic, and/or regional) and highlight any issues that may affect CSP implementation.
- C. Highlights in Coordination of External Funding and Partnership Arrangements**
Highlight major achievements (or changes) in coordination of external funding (including cofinancing) and partnership arrangements.

III. PORTFOLIO MANAGEMENT ISSUES

- A. Portfolio Performance**
Present an overview of portfolio performance and status, disbursements, counterpart funding (if it is an issue), etc.
- B. Performance Monitoring and Evaluation**

Describe the performance of the monitoring system, and results and conclusions of any evaluations completed since the last CSP/CSP update report.

IV. COUNTRY PERFORMANCE AND LENDING LEVELS

A. Lending Level Proposed

For economies borrowing from ordinary capital resources (OCR), make a general assessment of the needs and absorptive capacity, and propose lending levels.

For Asian Development Fund (ADF) borrowers, base proposals on performance against country-specific criteria.

B. Summary of Changes to Lending and Nonlending Program

Summarize any changes to the assistance program proposed in the CSP and the resource requirements.

APPENDIXES AND TABLES