

Discussion Paper

ADB Pacific Strategy 2005-09: Responding to the Priorities of the Poor

The Asian Development Bank (ADB) is currently preparing a new strategy to guide its operations in the Pacific. We are consulting widely and early in the process (from April to June 2004), in order to draw on the views of the many organizations and individuals with valuable experience and insights to the region. We expect this process to significantly strengthen the Strategy. This Discussion Paper reflects ADB's thinking early in the Strategy development process and is intended to promote discussion and feedback.

1. What is the role of a new ADB Pacific Strategy?

ADB's Pacific Strategy 2005–2009 will, like the two 5-year plans before it, provide a framework for ADB operations in its Pacific developing member countries (PDMCs)¹ and for ADB support to regional cooperation in the Pacific. It will serve as the ADB Country Strategy document for all PDMCs. It will also identify a limited set of key objectives and development approaches in which ADB, working closely with key development partners, proposes to take a leadership role across the region.

This third Pacific Strategy is being formulated in the context of generally disappointing development performance among the PDMCs over the past decade. Poverty is on the rise and ADB, in accordance with its overarching objective of reducing poverty in its member countries², has worked hard to investigate the weak performance of most PDMCs, better understand its causes, improve awareness of the extent and nature of poverty, and identify more effective approaches for the future. Studies and analysis of the priorities of the poor themselves provide a clear picture of development priorities and an organizing framework for the Strategy. This discussion paper sets out ideas for policies and approaches that will respond to the priorities of the poor.

2. What is the current situation in the PDMCs?

While significant variation exists in the PDMCs' circumstances and performance, the overall picture is not encouraging. The Pacific is falling behind other developing regions. Economic growth has not kept pace with high population growth rates (**Table 1**), so per capita incomes are declining, sometimes steeply; even where per capita growth has occurred, it is insufficient to promote real development. The private sector has been unable to lead economic growth. Job creation for young populations has been minimal.

Poverty is becoming a significant issue in many PDMCs. Previously mitigated by social safety nets in rural villages, it today manifests itself most often as hardship in

¹ Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu.

² ADB adopted poverty reduction as its overarching goal in 1999. ADB's Poverty Reduction Strategy (1999) sets out a strategic framework comprising three pillars: pro-poor sustainable economic growth, social development, and good governance.

meeting basic needs rather than in absolute or food poverty; it lurks in unplanned and un-serviced peri-urban settlements filled with migrants seeking nonexistent jobs, and among those populations left behind on outer islands. While data are not definitive, more than 25% of the populations of Fiji Islands, Kiribati, Federated States of Micronesia, Papua New Guinea, Solomon Islands, Timor Leste, and Vanuatu are believed to be living in poverty.

PDMC governments are finding it difficult to maintain fiscal discipline. Revenue collection levels are not growing, but demands for and expectations of public services financed by scarce public sector resources are. Providing infrastructure and services for education, health care, transportation, communications, energy and water, continue to be major challenges for most PDMCs. Their inability to fund maintenance programs often makes it necessary to reconstruct pre-existing infrastructure, thus diverting funds from new development projects and programs.

Table 1: Average Annual Changes in Real GDP, Population, and GDP/Capita (Local Currency Terms) 1995-2002, Selected PDMCs

<i>Country</i>	<i>GDP Growth 1995-2002(%)</i>	<i>Population Growth 1995-2002 (%)</i>	<i>GDP/capita Growth 1995-2002 (%)</i>
Cook Islands	3.0	-3.1	6.3
Fiji Islands	2.4	1.1	1.3
Kiribati	4.6	1.6	2.9
RMI	-2.5	2.4	-4.8
FSM	-0.5	0.2	-0.7
Papua New Guinea	-0.1	3.2	-3.2
Samoa	4.4	1.0	3.4
Solomon Islands	-2.2	2.9	-4.9
Timor Leste	0.9	-0.2	1.1
Tonga	2.1	0.5	1.6
Tuvalu	4.3	1.3	3.0
Vanuatu	0.8	2.6	-1.7
<i>PDMCs, weighted average</i>	<i>0.9</i>	<i>2.4</i>	<i>-1.2</i>
<i>PDMCs excl. PNG, weighted average</i>	<i>2.0</i>	<i>1.1</i>	<i>0.9</i>

Social indicators are likewise showing very mixed performance. Some PDMCs are slipping down the country rankings of the Human Development Index³ and

³ Fiji Islands, for example, slipped from a ranking of 59 of 173 countries in 1994 to 80 of 175 in 2003. Vanuatu slipped from 119 to 128 in the same period, and Papua New Guinea 129 to 132. Samoa has significantly improved its ranking, from 104 to 71, during the same period. Source: UNDP Human Development Report series.

many will fail to achieve key targets in the Millennium Development Goals⁴ by 2015. Crime and ethnic tensions are growing in many areas, and the rule of law has come under pressure in some PDMCs, most notably in Solomon Islands, but also in Papua New Guinea and Fiji Islands.

Environment and natural resource management concerns, arising from population growth, urbanization, and the need for cash income, threaten the sustainability of development. Fresh water resources, waste management, coastal deterioration, and forest degradation are identified as key concerns, as well as climate change and sea level rise, especially for low-lying PDMCs.

PDMCs have taken few practical steps to improve economies of scale and spread the costs of providing specialized public goods by deepening regional cooperation.

3. What are the constraints to PDMC economic development?

The natural constraints faced by the PDMCs are well known: small, highly dispersed land areas and populations, located a long way from world markets; narrow resource bases and primary production options in most PDMCs, and to an extreme degree in atoll PDMCs; and vulnerability to natural disasters, such as cyclones/hurricanes. In the smallest, most resource-poor PDMCs, a sustainable future of development for growing populations is clearly problematic; even reliance on remittances and trust funds will probably not be sufficient to raise living standards significantly.

These natural constraints contribute to related constraints to growth and poverty reduction, such as small markets, high cost structures, high vulnerability to shocks, and thin human capacity in small public and private sector organizations. Combined with societal norms that prioritize communal sharing of resources as a safety net strategy, these reduce incentives for individual entrepreneurship, labor, and wealth accumulation.

External conditions are also sometimes cited as a cause of weak PDMC performance, but these have essentially been supportive, with strong growth in key trading partners and generally improving commodity prices since the mid-1990s. Reductions in concessional terms given to PDMC products in many markets have had an effect, but the Pacific has also benefited from cheaper imports and lower transport and communication costs. Unfortunately, very low competitiveness has reduced the ability of the PDMCs to take advantage of supportive external conditions and the opportunities emerging from new technologies and the growth of services in world trade.

⁴ The Millennium Development Goals (MDGs), agreed at the UN General Assembly, are to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equity and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. Details of PDMC progress towards the MDGs are available at [www.adb.org/Documents/books/MDG_Pacific/default.asp].

Some PDMCs use natural constraints or external conditions as excuses for their weak performance. The natural constraints are real, but they are not the determining cause of the PDMCs' weak performance and worsening situation. The differences in performance among the PDMCs, for example, cannot all be explained by differences in resource endowments. It is clear that most PDMCs are not testing the limits imposed by their natural constraints.

ADB believes that significant constraints to growth and poverty reduction in the Pacific lie in the area of policy and institutions, especially weaknesses of economic and social institutions in many PDMCs. Here, the definition of "institutions" is broader than merely the organizations and structures that frame economic and social behavior; it also encompasses the "rules of the game" by which that behavior is carried out. One expert has defined institutions as "the formal and informal rules and enforcement mechanisms that influence the behavior of organizations and individuals in society. [In addition to organizations,] they include constitutions, laws and regulations as well as trust, informal rules and social norms."⁵

4. Why the focus on institutions and policies?

The answer is fourfold. First, from experience, much of it bitter, the development world has learned that getting prices and incentives right—the focus in the 1980s and 1990s—is necessary but not sufficient to achieve sustainable growth. Building effective institutions has now moved into the center of development thinking.

Second, ADB's own analytic work carried out to support the new Strategy supports the same conclusion. Its large investment in public sector reform in the 1990s was successful in reversing macroeconomic crises in several PDMCs but did not also result in private sector growth, as hoped. Analysis of this failure of private sector growth shows that, despite a rhetorical commitment by PDMC governments to private sector-led growth, the governments' inappropriate policies and weak institutions in fact hampered private sector development (along with other factors such as limited entrepreneurial skills and culture among those redeployed). In particular, ADB's studies show that governments fail to supply key public goods, such as secure property rights, an effective legal system, and critical infrastructure, while unproductively participating in some markets and poorly managing and preventing competition in others, like utilities. Importantly, these are constraints we can influence.

Third, comparisons among PDMCs suggest a correlation (albeit tentative, given data weaknesses) between improved policy and institutions and improved economic growth and poverty reduction. Samoa, for example, has undertaken the most consistent

⁵ Haggard, S. "Governance and Growth: Lessons from the Asian Crisis." *Asia-Pacific Economic Literature* 13(2): 30–42.

and far-reaching reforms of any PDMC and has been rewarded for its improved microeconomic efficiency with strong economic growth in recent years.

Finally, policy and institutional constraints are not binding. The scope to address natural constraints is relatively limited, but forward-looking and bold policy responses, consistently implemented, can do much to address policy and institutional constraints.

5. Why are institutions weak and policies poor in PDMCs?

Again, smallness is a real factor, since very limited financial and human resources are available in many PDMCs. And institutions are young, having been transplanted by colonial administrations and handed over at independence, relatively recently. Young institutions need, but are not necessarily getting, time and a supportive environment to develop. But beyond that, ADB conducted six PDMC governance assessments and a regional governance assessment workshop, which highlighted as key issues: poor leadership quality, limited governmental accountability and transparency, and an insufficient sense of ownership and participation in the reform process and in government decisions in general. Another central issue is the failure to build, sustain, and retain human capital, especially of women. The combination of these weaknesses plausibly explains a failure to shape institutions in Pacific island countries to meet modern challenges and demands. It also presents a significant challenge for PDMCs and their development partners.

In most PDMCs, leadership is a complex and difficult task. Traditional culture and leadership styles mix uneasily with Western values, economic systems, and government structures. Expectations of constituents usually exceed available resources. For many leaders, this leads to a conflict in which loyalties to family and clan may sometimes override concepts of the common good and public service. At a national level this can lead to a priority on the distribution rather than development of resources, undermining of key institutions, tolerance of corruption, and endemic political instability.

If political leaders were more often held accountable for their decisions, policies and results, they might have stronger incentives to find solutions with better outcomes. Unfortunately, for countries with strong consultative traditions, community ownership of, and participation in, key government decisions has often been surprisingly weak. Rising concern over governance standards within the Pacific during the 1990s has not resulted, in most cases, in sustained demand for good policies, appropriate institutions, and accountable government in the national interest. Limited political literacy, especially regarding complex “foreign” systems and processes, is likely to be a contributing factor, given the poor quality of general education and the dearth of “civic education” in most PDMCs. The lack of ownership may also result in part from the fact that most citizens pay no tax and a high proportion of the development budget is funded by aid providers.

Finally, PDMCs have not been able to retain many of their best educated, most skilled, and most motivated citizens. Significant numbers of Pacific islanders are accessing labor markets in the USA, New Zealand and Australia, despite the many barriers to emigration. Recruitment for professions like nursing now occurs on a global scale. Emigration is a distinctly mixed blessing for PDMCs. It potentially creates a downward spiral in the levels of skills and capacity in the PDMCs, in government, the private sector, and civil society. Nevertheless, for some PDMCs this “brain drain,” is actively pursued so that migrant remittances can support the domestic economy (ADB has supported this policy in the smallest PDMCs). No quick fix solutions have emerged for brain drain; there is only the long-term challenge of providing opportunities, through growing economies, for more Pacific islanders to use their skills productively and profitably at home.

6. What are the stated priorities of the PDMCs themselves?

As reflected in their various national development plans, PDMC governments emphasize both economic growth and equitable outcomes. Today’s plans show an increased emphasis on the private sector as the engine of growth and a new recognition of poverty as a problem. The Fiji Islands and Solomon Islands, in response to their recent problems, emphasize a strengthened rule of law, peace, and security. In many PDMCs, more “traditional” emphases continue, such as agriculture, maintenance of traditional cultures, and outer-island development.

The trouble is, the extent to which these broad statements and commitments are reflected in day-to-day decisions and resource allocation processes have always been problematic. While some PDMCs are getting better at turning broad objectives into more specific action plans, most public sectors have trouble passing enabling legislation and executing plans sustainably. The connections between objectives and budgets are also uncertain. And contradictions abound: ADB’s private sector assessments show that while commitment to private sector-led growth is clearly stated, many laws and day-to-day government practices are actually inimical to the objective.

Tentative steps toward regional integration indicate PDMC concerns to reduce their economic vulnerability. Environment issues are also stated regional priorities and security has emerged as a new regional concern following 11 September 2001 and the strife in Solomon Islands. Again, however, questions about PDMC ownership, leadership, and capacity make it difficult to assess whether these are genuine priorities. For example, expressed concerns about global environmental issues are not backed up by domestic action on local environment problems. PDMCs have made little effort to support Pacific regional organizations, which are funded largely by their development partners.

7. What are the priorities of the poor in the PDMCs?

Following the adoption in 1999 by ADB of poverty reduction as its overarching objective, ADB undertook to work closely with PDMC governments on country-specific

poverty reduction strategies, based on participatory poverty assessments. The resulting surveys and analysis have yielded a clear understanding of the priorities of the poor in Pacific island countries.

Two priorities emerge consistently from surveys of the poor across eight PDMCs:⁶

- they want access to cash income-generating opportunities, and
- they want access to social services, especially primary education and health care.

ADB proposes that these two priorities guide its new Pacific Strategy.

The key to generating cash income is enabling the poor to gain access to efficient markets for goods and services and to secure decent jobs. As recognized by PDMC governments, the private sector must drive market and job creation. The whole range of good governance, policy, and institutional issues is vital to the creation of a supportive environment for private sector development. Public goods such as macroeconomic stability, physical security, and adherence to the rule of law are essential prerequisites. These in turn require a degree of political stability. A number of other institutional requirements such as secure property rights, an efficient commercial legal system, and an effective basis for financial intermediation are now recognized as being very important. If these conditions can be met, investments in improved infrastructure, such as transport, will produce a higher return.

Increased cash income will in turn promote social sector objectives, by generating taxes and the ability to pay for better services, so that costs can be recovered and fiscal sustainability promoted.

The participatory surveys show clearly that PDMCs are not meeting the challenge of providing social services for the poor, both in terms of accessibility of services (physical accessibility and affordability) and quality (relevance and responsiveness). Hence, as noted, progress toward attaining the Millennium Development Goals is lagging. Appropriate policies and sound institutions, focused on accessibility and quality, assured adequate financial support for these services, and maintaining the quality of staff training underlie these challenges. All PDMCs face these issues to at least some degree.

8. How might the demands of the poor in PDMCs be met more effectively?

The challenges of providing efficient markets, employment opportunities, and essential social services are not new. In the past decade, some PDMCs have achieved modest progress in meeting them; some have regressed. The question then arises: what needs to change in order to achieve better results in meeting these demands?

⁶ Fiji Islands, Republic of Marshall Islands, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga, Tuvalu, and Vanuatu.

The preceding analysis of the constraints to development suggests that, because challenges of effective leadership and greater public participation underlie the weakness of policies and institutions in PDMCs, more effective development processes are necessary. These should be processes that broaden community ownership and participation and enhance the accountability of government, by strengthening the demand for appropriate services and reforms; processes that involve women and youth more effectively. Strengthening education, both in general and about governance in particular, seems to be important, as is capacity building for communities, civil society, and governments. Acquisition and communication of higher quality development information should have an important role to play.

Given that PDMC governments will continue to have limited resources for addressing the priorities of the poor, allocating available resources appropriately and mobilizing non-government investment will be critical to gaining the best possible outcomes. Tough decisions will have to be faced about investments for quality of life in urban environments vs. that in outer-island economies. Arguments for better managed urban development include reduced costs, greater effectiveness of services, and better locales for entrepreneurship and specialization through economies of scale in larger local markets, while arguments against include environmental concerns in some urban areas, land mobilization as a practical constraint, and potential social dislocation problems.

PDMCs should also reinvigorate their thinking on the merits of regional cooperation and on greater integration as ways to address constraints of capacity and scale. Recent Australian advocacy of “pooled regional governance” is central to this issue.

9. What has ADB learned from recent experience?

To date, ADB’s Pacific Strategies have emphasized governance, and especially economic management, as key concerns. Its inputs, in the form of analytic work and technical assistance, are seen to have provided important technical skills and to have raised awareness, but not to have resulted in the hoped-for sustained public sector restructuring and effectiveness.

In support of more effective lending for infrastructure development, ADB has also promoted more efficient and effective institutions for infrastructure management: transport, energy, and water supply and sanitation. This has usually meant more businesslike approaches for government departments and state-owned enterprises, and some successes have been achieved, e.g., reform of public works departments in Fiji Islands and Samoa, and of Fiji Power. Private sector participation was also foreseen in delivering such services as these, but few opportunities have emerged.

Lessons learned from an internal review of ADB’s Pacific Strategy 2000–04 include a need for greater (and longer-term) focus in ADB’s programs and for clearer and more

specific objectives and performance indicators. The new Pacific Strategy will need to provide clearer guidance on resource implications and implementation steps.

10. Given all of the above, what is ADB's proposed approach under the new Pacific Strategy?

In order to maximize ADB's impact as a development partner in the Pacific, its approach during the strategy period will need to

- respond to the priorities of the poor;
- support the achievement of PDMC development plans, and, where possible, directly support PDMC initiatives;
- build on ADB's strengths, as an independent development partner with a strong economic policy focus and sound operational experience in the region;
- reflect strategic lessons learned from ADB's (and others') experience to date;
- build on the participatory assessments, preparatory analytical work, and the preceding analysis of constraints to growth and poverty reduction;
- "localize" ADB's corporate policies and strategies⁷, including new approaches currently being negotiated with development partners; and
- through improved coordination and engagement with other development partners, leverage better development outcomes.

To address these requirements, ADB proposes a strategic framework consisting of:

- Two Strategic Objectives and one Supporting Objective: high-level objectives that provide the rationale for the selection of more detailed ADB objectives, strategies, and programs.
- Key Objectives: a limited number of key areas of focus across the Pacific, to be addressed proactively at the regional level and in most PDMCs; ADB would play a lead role among aid providers in taking forward some objectives, but will cooperate proactively with other aid providers in achieving others.
- Specific Objectives: a "menu of options" for country programs, these may selectively become a focus of country-level operations.

Using the rationale and three-level framework outlined above, draft Pacific Strategy objectives are summarized for discussion purposes in **Box 1**.

⁷ Examples include ADB's Poverty Reduction Strategy (currently being updated), Governance and Anti-Corruption policies and commitments to the Millennium Development Goals and to a results-based management approach.

Box 1: Draft ADB Pacific Strategy Objectives

Strategic Objective 1: *Enable the poor to gain access to efficient markets for goods and services and to secure decent jobs.*

Key objectives: **Improve the environment for private sector development, through**

- 1.1 Efficient investment and regulatory regimes
- 1.2 More efficient financial intermediation, including by enhancing the security and transferability of property rights
- 1.3 Provision of key economic infrastructure.

Possible additional specific (country level) objectives may include (e.g): appropriate role for state-owned enterprises (SOEs); effective natural resource management; macroeconomic policy development and strategic planning; competition policy; access to business services; and technical skills training.

Strategic Objective 2: *Improve social service outcomes for the poor.*

Key objectives: **Improve access to and quality of social services, by**

- 2.1 Maximizing the impact of public and private resource allocations for social services
- 2.2 Strengthening the relevance and responsiveness of service provision to national objectives and client demands.

Possible additional specific (country level) objectives may include (e.g): sector policy and strategic frameworks; strengthening government revenue collection; social protection programs to ensure affordability; strengthening of service delivery and regulatory institutions; a framework for private sector service provision; service delivery standards and benchmarks; supplies and logistic systems; facility maintenance systems; and facilities design and construction.

Supporting Objective: *Devise and support more effective development processes.*

Key objectives: **Greater, more informed participation in development programs, through**

- 3.1 Increased public demand for more effective markets and services, by building public awareness, realistic expectations and constructive relationships between government and civil society
- 3.2 Strengthened government transparency and accountability to the people
- 3.3 Strengthening the development debate in the Pacific, based on improved data availability and analysis
- 3.4 Developing a shared understanding of the roles of public and private sectors
- 3.5 Improved effectiveness of capacity building programs
- 3.6 Increasing the level and impact of regional cooperation.

Possible additional specific (country level) objectives may include (e.g): Improve the relevance and application of national development plans and strategies; support leadership skills development.

To achieve the first proposed Strategic Objective, “**Enable the poor to gain access to efficient markets for goods and services and to secure decent jobs**”, and thereby to contribute to the achievement of Millennium Development Goal 1, creating a conducive environment for the development of the private sector, including small entrepreneurs and rural producers, will be central. ADB’s recent private sector assessment, “*Swimming Against the Tide?*” provides a thorough analysis of the constraints to private sector-led growth and broad guidance on appropriate responses. It is acknowledged that special and different approaches will be necessary for the smallest and most resource-poor PDMCs.

For the second proposed Strategic Objective, “**Improve social service outcomes for the poor**”, the proposed definition of social services is basic education and health care, water supply, and environmental services (waste management and sanitation). This objective will directly support ADB’s commitment to Millennium Development Goals 2-7. Since social service delivery is an area of concern to many Pacific development partners, it is important that ADB assess and be responsive to the details of service delivery arrangements at the country level. It is proposed that ADB focus particularly on strengthening policy and financial management for the social sectors.

As a supporting objective for the Pacific Strategy, and to underpin the effectiveness of the two Strategic Objectives, ADB proposes to “**Devise and support more effective development processes.**” Encouraging greater participation by the people of the Pacific in governance and development programs will be central to achieving this objective. This will mean enhancing communication between government and the private sector, civil society, and aid providers, and improving the quality of information on which to base policy dialogue. Building on work already under way, this supporting objective should lead to a greater focus at the community level and also more attention to opportunities to address common development challenges regionally. Traditional knowledge systems deserve greater consideration as a vehicle for sustainable development. Greater participation of women and youth must be promoted.

The objective of more effective development processes will have practical implications for PDMC governments, the private sector, and civil society, but will also have significant implications for the way in which ADB works in the Pacific. It will mean greater attention to engagement and dialogue in PDMCs at all stages of ADB’s programming and project processing cycle. Greater effort will need to be paid to data gathering and effective communication. ADB’s expanding network of field offices can play a role in these areas⁸.

Advisory work and analytic work will continue to be central to the achievement of ADB’s objectives. Knowledge creation and dissemination is a key role for the ADB in the Pacific. Capacity building will continue to be a major focus at the national level, but with a renewed focus on the effectiveness of outcomes. Lending, through the Asian

⁸ ADB is opening new offices in Port Moresby, Suva, and Sydney in 2004.

Development Fund for most PDMCs, will continue to play an important but modest overall role in the Pacific: the capacity of many PDMCs to borrow is limited and not improving, and both they and ADB recognize the need to manage debt prudently.

11. What should ADB's role be with respect to other aid providers?

ADB is not the major aid provider in the Pacific. Despite a reduced involvement by some bilateral aid providers in the 1990s, bilateral (country to country) aid still dominates, mostly in grant form. Much depends on how key bilateral donors exercise this influence.

From different perspectives, more proactive engagement with PDMCs by Australia and the USA are a feature of the current Pacific environment. Having perceived an "arc of instability" to its north and east, Australia has taken a more assertive approach to development as a response to unrest, ethnic strife, and the decline of the rule of law. The USA has evolved a new focus on accountability for the expenditure of funds under the Compact agreements with the North Pacific nations (FSM, RMI, Palau) and has revitalized its attention to security-related development concerns.

Other key bilateral aid providers are New Zealand, Japan, the People's Republic of China, and Taipei, China. The European Union is a substantial multilateral aid provider. The International Monetary Fund, World Bank group and the United Nations system play important roles in the region.

Some observers have argued that in some cases aid may have contributed to the PDMCs' weak performance, by underwriting the cost of large, unproductive, and unresponsive public sectors, or by delivering unsustainable "prestige projects." While this claim should not be accepted uncritically, it does remind aid providers of the importance of thinking carefully about the broad impacts of aid projects and programs.

It will be important for ADB, as the multilateral development bank most focused on the Pacific, to engage other key aid providers. This engagement should build on ADB's strengths as an independent aid provider with a strong economic policy focus and sound operational experience in the region. The new approaches of major bilateral aid providers offer specific opportunities for ADB, to complement their contributions and to enhance the overall impact of development programs at this critical juncture for the Pacific.

12. What next?

For those we cannot reach through the consultation program, we would welcome your comments directly to ADB, at pacificstrategy@adb.org. To prompt your thinking and to guide consultation meetings, we have included in [Attachment 1](#) a list of possible questions you may wish to address. [Attachment 2](#) lists related reading from ADB sources.



Following the consultation phase we will provide on the ADB website a summary of the comments received and of how, in broad terms, we will respond to these comments in the Pacific Strategy.

ADB will draft and seek approval for the Pacific Strategy from its PDMC governments and Board of Directors, commencing in mid-2004. This document will provide more detail on the work program arising from the new approach, including on priority issues requiring further analysis. It will guide country programming, regional cooperation activities and new analytic work from the beginning of 2005.

The final paper should be made public before the end of 2004.

Attachment 1: Key questions for stakeholder consultations

1. Recognizing the diversity among Pacific Island states and data weaknesses, does the overall picture of generally weak economic growth, high population growth, mixed performance on social development and increasing poverty accord with your understanding of the current situation in the Pacific?
2. What do you see as the most critical issues and constraints to development in the Pacific? Do you agree with the argument of this paper that the key constraints relate to the quality of economic and social policies and institutions?
3. Why are policies and institutions weak in the Pacific? Do complexities of leadership, weak accountability of governments, lack of participation by communities and an inability to build human capital (including due to emigration) add up to a convincing explanation?
4. Do you agree that the private sector can and should be the engine of growth in the Pacific? Are communities and governments willing to do what it takes to facilitate private sector-led economic growth, including strengthening property rights?
5. Can rural development projects be expected to reduce migration from rural and outer island areas to towns? Would prioritizing better managed urban development produce better outcomes?
6. Do you agree that further regional cooperation and integration would benefit Pacific Island countries? What are the advantages and disadvantages? If you think more should be done, how?
7. Do you agree with ADB's draft interpretation of the responses necessary to address the priorities of the poor?
8. Is it reasonable to expect PDMCs to get to a point where they are able to fully fund their development budgets? If so, how can this be achieved?
9. What role should aid providers play in the Pacific?
10. How do you see ADB's role among Pacific aid providers? How would you assess its strengths and weaknesses?
11. Do you have any comments or suggestions on the proposed key areas of focus for the ADB?

Attachment 2: Useful Related References from ADB Sources

The following ADB reports provide more information on some of the key issues raised in this paper. They are available through the ADB website (www.adb.org):

Millennium Development Goals in the Pacific: Relevance and Progress
[www.adb.org/Documents/books/MDG_Pacific/default.asp]

Swimming against the Tide? An Assessment of the Private Sector in the Pacific
[www.adb.org/Documents/books/Swimming_Against_Tide/default.asp]

Duncan, Ron and Pollard, Steve, "A Framework for Establishing Priorities in a Country Poverty Reduction Strategy." Economics and Research Department (ERD) Working Paper Series, No. 15
[www.adb.org/Documents/ERD/Working_Papers/wp015.pdf]

Further relevant reports not currently available through the ADB website:

Poverty – Is It An issue in the Pacific? (2001, reprinted 2003), ADB Office of Pacific Operations. ISBN No: 971-561-361-6.

The 'Priorities of the Poor/People' series:

Priorities of the Poor in Papua New Guinea (September 2002)
Priorities of the People: Hardship in Samoa (November 2002)
Priorities of the People: Hardship in Vanuatu (January 2003)
Priorities of the People: Hardship in the Marshall Islands (March 2003)
Priorities of the People: Hardship in the Fiji Islands (September 2003)
Priorities of the People: Hardship in Tuvalu (December 2003).

Pacific Regional Environment Strategy 2005 –2009, Volume I: Strategy and Volume II: Case Studies (2004). ISBN No: 971-561-527-9.