

TAR: OTH 38646

# Technical Assistance for Strengthening Pro-Poor Policy in the Pacific (Financed by the Poverty Reduction Cooperation Fund and the Government of Australia)

June 2005

## ABBREVIATIONS

|        |   |                                                 |
|--------|---|-------------------------------------------------|
| ADB    | – | Asian Development Bank                          |
| AusAID | – | Australian Agency for International Development |
| DMC    | – | developing member country                       |
| GDP    | – | gross domestic product                          |
| NGO    | – | nongovernment organization                      |
| PARD   | – | Pacific Department                              |
| PIER   | – | Pacific Island Economic Report                  |
| RMI    | – | Republic of the Marshall Islands                |
| SRA    | – | strategic result area                           |
| TA     | – | technical assistance                            |

## TECHNICAL ASSISTANCE CLASSIFICATION

|                                 |   |                                                                                                    |
|---------------------------------|---|----------------------------------------------------------------------------------------------------|
| <b>Targeting Classification</b> | – | General intervention                                                                               |
| <b>Sector</b>                   | – | Law and public sector management                                                                   |
| <b>Subsector</b>                | – | National government administration, economic management, public finance and expenditure management |
| <b>Themes</b>                   | – | Sustainable economic growth, inclusive social development, governance.                             |
| <b>Subthemes</b>                | – | Promoting economic efficiency and enabling markets, public governance, human development.          |

## NOTE

In this report, "\$" refers to US dollars.

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| This report was prepared by S. Pollard, Principal Economist, Pacific Department. |
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## I. INTRODUCTION

1. For the past 10 years, the Asian Development Bank (ADB) occasionally has funded the preparation of Pacific Island Economic Reports (PIERs) for developing member countries (DMCs) in the Pacific.<sup>1</sup> Some of the initial PIERs were prepared to accompany the submission of project loans to the Board. Although this requirement subsequently was dropped, the preparation of PIERs continued at the request of the governments of Pacific DMCs. The objective was to better inform and update Pacific DMCs, ADB, and other interested parties regarding the economic and social status, trends, and key development issues of Pacific DMCs.

2. ADB has not been the only organization undertaking and reporting on such analyses. Beginning in 1997, the Australian Agency for International Development (AusAID) and ADB agreed that sharing the preparation of future economic reports would be more efficient. Since then, ADB and AusAID have jointly financed more than 10 reports. Further, New Zealand's International Aid and Development Agency cofinanced the Cook Islands PIER for 2001. ADB, AusAID, and the governments of Pacific DMCs also agreed that these reports could analyze priority sectors, themes, or other issues of importance to the Pacific DMCs— in addition to producing standard macroeconomic assessments. This technical assistance (TA)<sup>2</sup> was prepared at ADB headquarters based on a review of the history of the PIERs and other reports. It was guided by the Pacific Strategy, 2005 to 2009,<sup>3</sup> as well as the outcomes of earlier poverty reduction TA.<sup>4</sup> The concerned Pacific DMC governments concur with the goals, purpose, scope, implementation arrangements, cost, financing arrangements, and terms of reference. The TA framework is in Appendix 1.

## II. ISSUES

3. As recorded in the Pacific Strategy, 2005 to 2009, the Pacific region has been characterized by relatively stagnant economies and declining social conditions for the past 20–30 years. Consequently, hardship and poverty have increased. ADB's work over the past 5 years has been critical to achieving more widespread acceptance and understanding of these conditions.<sup>5</sup> An earlier TA established the consistent priorities of the poor, and also assessed the pro-poor nature of government development policies and strategies (footnote 3). Like the earlier PIERs, this work highlighted the importance of government-led policy and institutional reforms to raise the productivity of public service delivery and the capacity for private sector development. An earlier TA also identified the weak capacity for policy formulation that is common among Pacific DMCs, specifically in policy research, analysis, reporting, and basic administration.

4. Based on extensive thematic and sector analyses of the region, the Pacific Strategy, 2005 to 2009<sup>6</sup> established the common, consistent priorities of the poor as the strategic

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<sup>1</sup> PIERs have been prepared approximately every 4 or 5 years, though not for all Pacific DMCs.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* (Internet Edition) on 28 December 2004.

<sup>3</sup> ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank 2005–2009*. Manila.

<sup>4</sup> ADB. 2001. *Economic Policies and Strategies for Development Planning* (TA 3803-TIM). Manila. ADB. 2000. *Poverty Assessment in Pacific Developing Member Countries* (TA 5907-REG). Manila. ADB. 2001. *Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries* (TA 6002-REG). Manila. ADB. 2002. *Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries* (TA 6047-REG). Manila. ADB. 2001. *Poverty Analyses for Socioeconomic Development Strategies*. Manila.

<sup>5</sup> Abbott, D. and S. Pollard. 2004. *Hardship and Poverty in the Pacific*. Manila: ADB.

<sup>6</sup> ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank 2005–2009*. Manila.

priorities for the region. Derived from ADB's work on Pacific poverty, these priorities are to address (i) the demand for an environment conducive to the private sector, which will support improved income and market opportunities (strategic result area [SRA] 1); and (ii) improved access to, and quality of, social services, including health, education, clean water, and sanitation (SRA 2). The need for more effective development processes, including improved governance (SRA 3), reinforces these two priorities. The country strategies of individual Pacific DMCs are being updated and refined with the direction of the Pacific Strategy. Cross-sector, thematic road maps also are being prepared for each country strategy to guide future assistance programs. National development plans and strategies in the Pacific need to be strengthened similarly if they are to have any impact on reducing poverty.

5. ADB's renewed emphasis on enhanced donor coordination, harmonization, and regional cooperation justifies continuing the multidonor effort to develop and disseminate poverty reduction knowledge. The need for improved governance also justifies greater participation of civil society in the design and implementation of pro-poor policies and strategies. This should include strengthening the participation of Pacific regional organizations in the development of knowledge, including the wider dissemination of results in formats other than just hard copy publication.

6. As noted in TA completion reports, governments, societies, and interested partners in development greatly appreciated earlier PIERs as the reports were almost the only comprehensive treatment of Pacific economies.<sup>7</sup> The PIERs covered broad economic trends, while also selecting sectors or themes for more detailed analyses. This focus on specific sectors might have strengthened sector and project planning. However, this focus tended to overlook the deeper endemic and systemic constraints that commonly have curtailed improvements in public and private sector productivity, and the enhanced yield of any sector. These constraints are rooted in an inability of society to demand—and for the public service to generate—better administration, organization, and management to improve public service delivery and the business environment. The PIERs also have tended to be formatted to suit ADB's Pacific Studies Series, instead of being presented in forms that a Pacific audience can understand and the Pacific leadership can use. For example, none of the PIERs were translated into Pacific languages. With increasing urbanization in the region and growing multimedia coverage, an opportunity exists in all Pacific DMCs to present poverty reduction knowledge to a much broader audience, and to engage that audience in designing and tracking the implementation of pro-poor policies.

7. The Australian National University and the University of the South Pacific have produced economic updates for a few Pacific DMCs through an interagency arrangement. Though limited to economic assessments of a few Pacific DMCs, these updates achieve a high professional standard, and are followed by public presentations. The Bank of Hawaii previously produced economic updates for Pacific island economies of interest to the bank, though these have been discontinued. ANZ Bank also produces economic briefs on Papua New Guinea. However, no other organization has produced as extensive coverage as the ADB-AusAID cooperation. The region looks to this series of reports for an impartial and fair treatment of key development issues. Thus, an opportunity exists to strengthen attention to the deeper, binding constraints to poverty reduction in the Pacific.

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<sup>7</sup> Other PIER Technical Assistance Completion Report lessons include the need for far greater dissemination, greater participation in their preparation, and more timely production. Earlier PIERs did not focus on pro-poor policy per se.

8. Regular updates on the status and trends of economies and societies—and the means to implement proven pro-poor policies in close, traditional settings—are needed. No Pacific DMC has the capacity to regularly update and disseminate such assessments. Further, the demand for the domestic design and implementation of pro-poor policies and strategies previously was not strong. However, these capacities and demands are evolving. Civil society organizations, including business organizations, nongovernment organizations (NGO), and domestic consultants, are increasing their capacity and interest in pro-poor policy formulation throughout the region.

9. The developing world can draw on more than 40 years of development theory and experience to guide future poverty reduction efforts. This knowledge is also embodied in the development policies and strategies of development agencies, including ADB. ADB published a conceptual framework that links these policies and strategies, or building blocks, to guide poverty reduction efforts.<sup>8</sup> The Pacific Department (PARD) adopted this framework to guide its earlier work to improve understanding of poverty reduction. Since 1995, the Pacific Forum Secretariat has produced a series of communiqués for its annual meetings and the Forum Economic Ministers Meetings. These address improved governance, land mobilization, and improved debt, fiscal, and economic management. The governments of all Forum member Pacific countries<sup>9</sup> signed these communiqués, and committed to implementing improved policies. However, a report commissioned by the Pacific Forum Secretariat in 2002 revealed that few of these policies and strategies have been implemented. The policies and strategies' principles and options for implementation—i.e., what works in reducing poverty—require further summary, dissemination, promotion, and implementation in the region. The Forum is drafting a new Pacific Plan that should try to address the means to reduce poverty. Pro-poor policies are generally known. However, the region's leadership and civil society remain uncertain how to best support, schedule, negotiate, and implement the required reforms, given the limited understanding and many difficulties of making changes in small, closely knit, and traditional civil societies. In addition, international assistance has sustained the electorates comparatively well. Governments, working with relevant members of civil society, must develop reform implementation strategies to help build a constituency in support of reform. These strategies need to be presented in policy briefs to the leadership to improve decision-making.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

10. The TA is designed to advance the pro-poor policy agenda and capacity development strategy that has been formally established under Poverty Partnership Agreements in each Pacific DMC. It will focus on the endemic constraints to improving public and private sector productivity through (i) participatory local formulation of policies and institutions that work to reduce poverty, and (ii) the local formulation of strategies that can address the lack of acceptance of reform. While solutions will be different for each Pacific DMC, and approaches to these solutions also will have to be tailored to each country's circumstance, the common nature of the constraints to improved productivity and poverty reduction justifies a regional approach. The TA will help strengthen the capacity of national systems and organizations to implement pro-poor reforms. This will be aided by (i) economic and social updates, (ii) additional institutional and organizational assessments, and (iii) the participatory drafting by governments

<sup>8</sup> Ducan, R. and S. Pollard. 2002. A Framework for Establishing Priorities in a Country Poverty Reduction Strategy. *ERD Working Paper Series No. 15*. Manila: ADB.

<sup>9</sup> Developing Pacific island country members of the Pacific Forum are Pacific DMCs, excluding Timor Leste but including Niue.

and civil societies of individual Pacific DMC pro-poor policy briefs that will address the means for improving public and private sector productivity (i.e., address the priorities of the poor in the Pacific). The dissemination of findings and recommendations will be given more emphasis. The TA framework is in Appendix 1.

## **B. Methodology and Key Activities**

11. The TA will build on earlier poverty work in the region. It will involve Pacific DMC governments and societies in economic and social updates, and in the participatory drafting of pro-poor policy and strategies aimed at reducing poverty and hardship in each country. As one of the key components of the TA, ADB will prepare brief summary statements addressing the consensus on poverty reduction knowledge, including the state of the issues, the principles, and options of what works for reducing hardship and poverty. These summaries<sup>10</sup> will be distilled from earlier regional studies by ADB, the Pacific Community, the Pacific Forum, and other agencies. From 2005 to 2008, these statements—a Pacific consensus on what works to reduce poverty—will guide the drafting and dissemination of (i) economic and social updates, and (ii) participatory policy briefs to help the Pacific leadership determine the best strategies for implementing pro-poor policies. The policy briefs also will help identify key institutional reform and capacity development priorities to enable effective and sustainable pro-poor service delivery.

12. The analytical framework is guided by the Pacific Strategy, 2005 to 2009, and documents that supported the preparation of the strategy, especially the conceptual framework for poverty reduction (footnote 8). The TA will adopt a highly participatory approach, which will include the facilitation of dialogue with governments, NGOs, Civil Society Organizations, and private sector stakeholders. Domestic consultants will be hired wherever feasible to strengthen domestic policy formulation capacities. National consultation workshops will review initial report findings. To ensure national leadership and ownership, a high level official in each Pacific DMC is expected to be designated to coordinate individual country assessments and reports. The results of this work will be disseminated extensively in a number of formats within each Pacific DMC, targeting a range of audiences within and outside the country. The results of the TA also are expected to help direct and strengthen formulation of the country strategy and program update. Finally, a PIER Web site will be established in each Pacific DMC, linked to the Web sites of the Pacific Community and the Pacific Forum, to promote dialogue and the exchange of ideas among Pacific DMCs.

## **C. Cost and Financing**

13. The TA is estimated to cost \$2.294 million. The TA will be cofinanced on a grant basis by the Poverty Reduction Cooperation Fund and the Government of Australia. Each will provide a grant of \$925,000, which ADB will administer. All Pacific DMC governments except the Federated States of Micronesia and Timor-Leste will finance local counterpart staffing, office facilities, local travel, reports, communication, and domestic dissemination. The cost estimates are in Appendix 2.<sup>11</sup>

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<sup>10</sup> These summaries will likely focus on the three pillars of the 1999 Poverty Reduction Strategy—governance, pro-poor growth, and social development—and the three SRAs of ADB's Pacific Strategy, 2005 to 2009.

<sup>11</sup> The budget is guided by the cost of preparing earlier PIERS.

## D. Implementation Arrangements

14. The executing agencies will be Pacific Department for Palau and the Republic of Marshall Islands (RMI), and PARD resident missions in the other Pacific DMCs. PARD staff will liaise with relevant AusAID staff as appropriate, and AusAID staff will participate in countries where Australia has a substantial aid program. The updates and the policy briefs will be implemented in close association with high level officials of each Pacific DMC, and with relevant Pacific DMC ministries and offices of economic policy formulation, economic planning, and statistics generation. These ministries and offices will help coordinate domestic contributions from civil society and domestic consultants, depending on individual capacities to make such contributions. Concerned PARD desk officers will submit to the regional management team for approval prior to implementation the proposed schedule, detailed terms of reference (TOR), and budget for each Pacific DMC. These same desk officers will be responsible for managing the updates and the pro-poor policy briefs for each Pacific DMC. ADB will recruit macroeconomists and team leaders (18 person-months); economists, development anthropologists, sociologists, or other social scientists (12 person-months); public sector specialists (18 person-months); private sector specialists (6 person-months); other specialists (48 person-months); and a Research Economist and Local Program Coordinator (36 person-months). An editor (2 person-months), Pacific language interpreter (3 person-months), and a Pacific communications specialist (1 person-month) also will be recruited on an intermittent basis to guide report preparation, presentation, and widespread dissemination. ADB will engage all individual consultants in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*, and other arrangements satisfactory to ADB for the engagement of domestic consultants. The general TOR is provided in Appendix 3<sup>12</sup> Though the final TOR will differ for each Pacific DMC, an example for RMI is in Appendix 4. Assistance to each PDMC will not commence until such time as ADB has received a no objection letter from the PDMC government. The tentative DMC schedule and outlines of the final reports are also in Appendix 4. The TA is expected to be completed by the end of June 2008.

## IV. THE PRESIDENT'S DECISION

15. The President, acting under the authority delegated by the Board, has approved ADB administering (i) technical assistance not exceeding the equivalent of \$925,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Strengthening Pro-Poor Policy in the Pacific, and (ii) technical assistance not exceeding the equivalent of \$925,000 to be financed on a grant basis by the Government of Australia for Strengthening Pro-Poor Policy in the Pacific, and hereby reports this action to the Board.

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<sup>12</sup> The appended terms of reference provide a regional framework. Individual terms of reference will be prepared for each Pacific DMC. While pro-poor policy covers many areas of development policy, priority areas of pro-poor policy will be determined for each Pacific DMC based on current and developing social, political, and economic status and trends. Not all areas of pro-poor policy can be reviewed in detail. Some assessments may focus more on governance, some on the environment for private sector development, others on public resource allocation and essential public services. Some might justify a strong sector focus. The pro-poor development strategy assessments that were drafted for eight of the Pacific DMCs under RETAs 6002 and 6047 will help determine areas of priority.

## DESIGN AND MONITORING FRAMEWORK

| Design Summary                                                                                                 | Performance Targets/Indicators                                                                                                                                                                                                                                                                  | Data Sources/Reporting Mechanisms                                                                                                                                                                                                                                                         | Assumptions and Risks                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impact</b>                                                                                                  |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                      |
| Pacific developing member country (DMC) strategies and policies for hardship and poverty reduction implemented | By fiscal year (FY) ending 2006 through to 2008<br>1. Significant increase in public expenditure for hardship and poverty reduction programs in each DMC, compared to 2005 baseline.<br><br>2. At least one new program initiatives for hardship and poverty reduction implemented in each DMC. | <ul style="list-style-type: none"> <li>• Annual Asian Development Bank (ADB) and other donor reviews of indicators of hardship and poverty reduction, including Millennium Development Goals.</li> </ul>                                                                                  | <b>Assumption</b> <ul style="list-style-type: none"> <li>• Broad support from society and political leadership to adapt and adopt means to manage hardship and poverty reduction.</li> </ul>                                                                                         |
| <b>Outcome</b>                                                                                                 |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                      |
| Updates and pro-poor policy briefs used by Pacific DMC media, governments and civil society                    | 1. Specific references to, and discussion of, policy issues in local media of all DMCs, based on policy briefs by end FY 2006 through to 2008.<br><br>2. Specific new policies developed by 50% of DMCs by end December 2005.                                                                   | 1. Media articles<br>2. Extract of Cabinet Meeting Minutes<br>3. Annual Pacific Department (PARD) Management Team and PARD Quality Team assessment of quality of country strategy; program and country strategy; and program update papers as they address hardship and poverty reduction | <b>Assumptions</b> <ul style="list-style-type: none"> <li>• General levels of education support the required understanding.</li> <li>• Dissemination can be tailored to civil society education levels.</li> <li>• Political support for poverty reduction will not wane.</li> </ul> |
| <b>Outputs</b>                                                                                                 |                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                      |
| 1. Summary statements prepared.                                                                                | 1. Finalized statements provided to each                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• Consultant's progress reports</li> </ul>                                                                                                                                                                                                         | <b>Assumption</b> <ul style="list-style-type: none"> <li>• Professional agreement on</li> </ul>                                                                                                                                                                                      |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                        |                                                                                      |                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Pacific DMC by end of December 2005.                                                                   |                                                                                      | issues, principles and options                                                                                                                                                                                                   |
| 2. Economic and social updates, and pro-poor policy briefs prepared.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2. Policy briefs presented to cabinets of the Pacific DMCs, by end of each fiscal year as appropriate. | <ul style="list-style-type: none"> <li>Extract of Cabinet Meeting Minutes</li> </ul> | <ul style="list-style-type: none"> <li>Professional agreement</li> </ul>                                                                                                                                                         |
| <b>Activities with Milestones</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                        |                                                                                      | <b>Inputs</b>                                                                                                                                                                                                                    |
| <p>1.1. Review earlier studies, and prepare brief summary statements addressing the consensus on knowledge, issues, principles, and options for reducing hardship and poverty, by November 2005.</p> <p>1.2. Draft 12 Pacific DMC economic and social updates, and disseminate extensively to each Pacific DMC government and civil society, over the period 2006 to 2008.</p> <p>2. Prepare pro-poor policy briefs on private sector environment, public sector productivity, and specific sectors or other cross-cutting issues as appropriate to each Pacific DMC, over the period 2006 to 2008.</p> |                                                                                                        |                                                                                      | <ul style="list-style-type: none"> <li>ADB: US\$ 925,000; for 154 person-months of international and 60 person-months of domestic consulting services.</li> <li>AUSAID: US\$ 925,000</li> <li>Government: US\$444,000</li> </ul> |

**COST ESTIMATES AND FINANCING PLAN**

(\$ '000)

| <b>Item</b>                                                | <b>Cost</b>    |
|------------------------------------------------------------|----------------|
| <b>A. Poverty Reduction Cooperation Fund<sup>a,b</sup></b> |                |
| 1. Consultants                                             |                |
| a. Remuneration and Per Diem                               |                |
| i. International Consultants                               | 378.0          |
| ii. Domestic Consultants                                   | 180.0          |
| b. International and Local Travel                          | 147.0          |
| c. Reports and Communications                              | 30.0           |
| 2. Training, Seminars, and Conferences                     | 12.0           |
| 3. Miscellaneous Administration and Support Costs          | 24.0           |
| 4. Contingencies                                           | 154.0          |
| <b>Subtotal (A)</b>                                        | <b>925.0</b>   |
| <b>B. Government of Australia Financing<sup>a</sup></b>    |                |
| 1. Consultants                                             |                |
| a. Remuneration and Per Diem                               |                |
| i. International Consultants                               | 378.0          |
| ii. Domestic Consultants                                   | 180.0          |
| b. International and Local Travel                          | 147.0          |
| c. Reports and Communications                              | 30.0           |
| 2. Training, Seminars, and Conferences                     | 12.0           |
| 3. Miscellaneous Administration and Support Costs          | 24.0           |
| 4. Contingencies                                           | 154.0          |
| <b>Subtotal (A)</b>                                        | <b>925.0</b>   |
| <b>C. Government Financing</b>                             |                |
| 1. Office Accommodation and Transport                      | 70.0           |
| 2. Remuneration and Per Diem of Counterpart Staff          | 350.0          |
| 3. Others                                                  | 24.0           |
| <b>Subtotal (B)</b>                                        | <b>444.0</b>   |
| <b>Total</b>                                               | <b>2,294.0</b> |

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> Disbursements will be arranged so that the Poverty Reduction Cooperation Fund will cover the first six countries, so the fund's disbursements will end before 31 March 2008.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will cover (i) drafting, reviewing, and revising summary consensus papers on what works for poverty reduction in the Pacific, including summaries of issues, principles, and options related to good governance, pro-poor growth, and social development; (ii) research, analysis, report writing, publication, and public presentation of economic and social updates for each Pacific developing member country (DMC); and (iii) participatory preparation of pro-poor policy briefs as relevant for the same Pacific DMCs.

2. The summary consensus policy papers, as well as the economic and social updates, will assist the participation and preparation of the pro-poor policy briefs. An editor and a Pacific communications specialist will guide the updates. The individual consultants will coordinate their work schedules; and fully engage domestic consultants, civil society, and staff of each Pacific DMC's ministry, department, or office of economic policy formulation, planning, and statistics, as appropriate.

3. The updates and the policy briefs will draw on all relevant data and analyses, including (i) Pacific DMC national plans and national strategies; (ii) other Pacific DMC documentation; (iii) International Monetary Fund Article IV Public Information Notes; (iv) other bilateral, multilateral, and donor analyses; (v) earlier Asian Development Bank (ADB) Pacific Island Economic Reports (PIERs); (vi) ADB's participatory poverty assessments; and (vii) ADB-funded assessments of national policies and strategies as they affect hardship and poverty reduction.

4. A mix of individual domestic and international consultants will draft the updates and policy briefs, with the makeup of the team determined by the availability and capacities of each Pacific DMC. A team leader under the guidance of the relevant ADB desk officers for each Pacific DMC will manage the process. ADB Pacific Department, together with resident mission Pacific DMC desk officers and desk economists, will be responsible for managing the preparation of relevant Pacific DMC reports, including the provision of appropriate Pacific DMC documentation. They will liaise with individual country program managers of the Australian Agency for International Development (AusAID).

### A. Economic and Social Updates

5. **Macroeconomists and Team Leaders** (international, 18 person-months, intermittent). A macroeconomist and team leader will be appointed for each economic and social update. This person will have extensive experience (more than 15 years) analyzing the macroeconomies of developing societies. He or she preferably will have experience analyzing Pacific island economies. Working under the guidance of the relevant ADB Pacific DMC desk officer or desk economist, this person will

- (i) Provide intellectual leadership and guidance to the consultancy team, and will see the TA through to submission of draft final reports and publication of final manuscripts.
- (ii) Have overall responsibility for relevant Pacific DMC economic and social updates and policy briefs, overseeing the quality of analyses, report preparation, and Pacific DMC dissemination (though public hearings etc.).
- (iii) Review, comment on, and help revise the ADB consensus summary of principles, issues, and options for poverty reduction.
- (iv) Review all relevant documentation, including the discussion paper entitled *Assessment of Hardship and Poverty, Strategies for Equitable Growth and*

*Hardship Alleviation*, which was completed for eight Pacific DMCs under RETAs 6002<sup>1</sup> and 6047.<sup>2</sup>

- (v) Coordinate the research, analyses, and contributions of all other team members to the preparation of each update and policy brief.
- (vi) Produce Pacific DMC economic and social updates, and present them through a series of public hearings, radio and TV interviews, and reports to other media, as deemed to be the most effective form of extensive communication in each Pacific DMC. The economic and social updates will compile, analyze, comment, and report on all relevant economic and social data.
- (vii) Assist the participatory drafting of the pro-poor policy briefs on key issues for Pacific DMC cabinets and other leadership.
- (vii) Liaise with the relevant AusAID country program managers and in-country AusAID officers.
- (ix) Coordinate the work and inputs of the consultancy team with relevant members of civil society.

**6. Team Economist(s), Development Anthropologist(s), Sociologist(s), or Other Social Scientists** (domestic, 12 person-months, intermittent). Depending on the requirements of each Pacific DMC update, one or two domestic team economists or other social scientists will be recruited to assist each macroeconomist and team leader. The team economist(s) and/or other social scientist(s) will

- (i) Assist the research, analyses, and report preparation for each economic and social update, based on their specialist knowledge of the particular Pacific DMC economy and society.
- (ii) Assist with the preparation of each economic and social update, including the compilation, analysis, and comments.
- (iii) Assist the participatory drafting of pro-poor policy briefs on key economic and social issues for Pacific DMC cabinet and other leadership.
- (iv) Facilitate pro-poor policy workshops.

7. A draft Pacific DMC economic and social update will be produced within 1 month of inception. This will be followed by a pre-publication draft final report within 2 months of inception, and a final report within 3 months of commencement. Each Pacific DMC macroeconomist and team leader will visit Manila or resident missions (as relevant), as well as Canberra, Australia (as required). These trips will be made at the start and at the end of each project to allow briefing and debriefing, and to work with Pacific Department (PARD) and AusAID staff to finalize required documentation.

## **B. Public and Private Sector Performance, Productivities, and Capacities**

8. Pro-poor policy briefs will vary for each Pacific DMC. The terms of reference (TOR), therefore, will be tailored to these needs. For example, individual needs might require that the TOR focus more on the potential for further structural adjustment; and/or further state-owned enterprise reform; and/or land and other factor mobilization, regulatory reform, and the easing of administrative barriers (private sector reform); and/or the means to improve civil service personnel management, public expenditure review, or particular welfare reform.

<sup>1</sup> ADB. 2001. *Technical Assistance on Consultation Workshops on Poverty Reduction Strategies in Selected Pacific Developing Member Countries*. Manila.

<sup>2</sup> ADB. 2002. *Technical Assistance on the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila.

9. However, as directed by the Pacific Strategy, 2005 to 2009,<sup>3</sup> all Pacific DMC requirements most likely will incorporate a priority need to address cross-sector public and private sector productivity and performance, and the need for strengthened governance and improved development processes in a participatory manner. Individual Pacific DMC pro-poor policy briefs, therefore, likely will include a requirement for two or more additional international and/or domestic consultants to address each of these thematic requirements. Wherever possible, preference will be given to the recruitment of Pacific Island professionals. Preference will also be given to consultants who have experience with participatory process planning.

10. **Public Sector Specialists** (international, 18 person-months, intermittent). Working under the guidance of the relevant ADB Pacific country program manager and desk officer or desk economist, and the in-country management of the macroeconomist and team leader, the public sector specialists will

- (i) Review, comment on, and help revise the ADB pro-poor policy consensus summary of the principles, issues, and options for reducing poverty.
- (ii) Assess the governance, organizational, and institutional strengths and weaknesses of the relevant Pacific DMC, taking full account of earlier and ongoing public sector reform efforts, including the results of AusAID and ADB public sector and structural adjustment programs. This assessment will cover the size, structure, organization, administration, and management of each Pacific DMC civil and public service with respect to the efficient and effective delivery of essential public services to people most in need.
- (iii) Where available, review the discussion paper entitled *Assessment of Hardship and Poverty, Strategies for Equitable Growth and Hardship Alleviation*, which was completed for eight Pacific DMCs under RETAs 6002 and 6047.
- (iv) Assess civil and public service performance and productivity against relevant international norms.
- (v) Review (and, where applicable, revise and update) public sector road maps for improved public sector performance, identifying a few key, relevant, and measurable indicators to establish baseline data.
- (vi) Review, comment on, and make recommendations on the means to apply more effective development processes, including improved governance (ADB Pacific Strategy Strategic Result Area 3) in each country strategy.
- (vii) Assess governance standards and prepare road maps for improved governance, identifying a few key, relevant, and measurable indicators.
- (viii) Analyze and report on the means to mainstream gender and environmental considerations into development planning and programs.
- (ix) Facilitate participatory workshops that will help formulate pro-poor policy brief(s) on key issues, principles, and options for improved public sector productivity for decision-making by Pacific DMC cabinets and other leadership.

11. **Private Sector Specialists** (international, 6 person-months, intermittent). Working under the guidance of the relevant ADB Pacific country program manager and desk officer or desk economist, and the in-country management of the macroeconomist and team leader, the private sector specialists will

- (i) Assess the environment for private sector investment and commercial activity in each Pacific DMC, taking full account of the ADB's publication *Swimming Against*

<sup>3</sup> ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank 2005–2009*. Manila.

*the Tide*,<sup>4</sup> earlier individual Pacific DMC private sector assessments, the World Bank's business indicators reports, costs of doing business, and other relevant documentation.

- (ii) Where available, review the discussion paper entitled *Assessment of Hardship and Poverty, Strategies for Equitable Growth and Hardship Alleviation*, which was completed for eight Pacific DMCs under RETAs 6002 and 6047.
- (iii) Review the World Bank's Global Business Environment and Enterprise Survey (BEEPS) as it relates to the Pacific. Review the core BEEPS questionnaire, identify questions that are not relevant to businesses in the Pacific DMCs, and suggest questions that would be more relevant.
- (iv) Assess private sector performance and productivity against relevant international norms.
- (v) Prepare or review (and, where applicable, revise and update) private sector road maps for enhanced private sector activity, identifying a few key, relevant, and measurable indicators to establish baseline data.
- (vi) Facilitate participatory workshops that will help formulate pro-poor policy brief(s) on key issues, principles, and options for improved private sector productivity for decision-making by Pacific DMC cabinets and other leadership.

**12. Other Specialists, Including Development Anthropologists, Sociologists, or Economists** (international and/or domestic, 48 person-months, intermittent). Working under the guidance of the relevant ADB Pacific country program manager and desk officer or desk economist, and the in-country management of the macroeconomist and team leader, the other specialists will help

- (i) Design pro-poor policy formulation participatory planning process, and secure approval for same from ADB and from relevant Government.
- (ii) Facilitate all participatory pro-poor policy workshops.
- (iii) Assess public sector, governance, and private sector performance and productivity.
- (iv) Review (and, where applicable, revise and update) public sector, governance, and private sector road maps for improved public and private sector performance, identifying a few key, relevant, and measurable indicators to establish baseline data.
- (v) Produce all other thematic, cross-sector, specialist sector, and industry analyses, as applicable to each Pacific DMC.
- (vi) Undertake the participatory drafting of pro-poor policy brief(s) on key issues, principles, and options for improved public and private sector productivity for decision-making by Pacific DMC cabinets and other leadership.

13. A brief inception report will be prepared within 1 month of the commencement of each Pacific DMC assessment of public and private sector performance, productivities, and capacities. This will be followed by a final report within 3 months of commencement.

**14. Research Economist and Local Program Coordinator** (domestic, 36 person-months). The Research Economist and Local Program Coordinator will have a strong background in economics, including a degree in economics from an internationally reputable university. This person will have solid experience assisting research, preferably in helping review development policies and strategies in the Pacific. The consultant will have a proven ability to analyze and critique policy, as well as form normative policy prescriptions from a libertarian/market

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<sup>4</sup> ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Manila.

perspective that are consistent with private sector-driven growth through sound institutional arrangements. He or she will possess excellent oral and written skills in English, and have adequate publishing experience. Proficiency with the ADB style guidelines also will be beneficial. The consultant must have the ability to recommend reference material for various economic and policy issues, including empirical studies from international academic journals and economic analyses from a historical perspective. Working under the direction of PARD professional staff, the Research Economist and Local Program Coordinator will

- (i) Review relevant PARD and other ADB development policy and strategy documents, Pacific Forum Secretariat development policy, development management and other documentation. The review will cover the issues, principles, and options of good governance, social development, and economic management in support of equitable, pro-poor growth and development, and public and private sector productivity.
- (ii) Help prepare brief summary statements of the “Pacific Consensus” based on the review of relevant documentation, particularly the state of the issues, principles, and options for reducing hardship and poverty in the Pacific, and prepare them in a reader-friendly format.
- (iii) Review and update the issues, principles, and options papers with the team leaders for Pacific DMC economic and social updates, and for the preparation of policy briefs over the course of the TA.
- (iv) Help collate relevant ADB and other documentation for each Pacific DMC update and the set of pro-poor policy briefs exercises.
- (v) Establish a monitoring system for the TA, and help monitor TA progress.
- (vi) Facilitate consultants’ selection and processing.
- (vii) Facilitate finalization of the TOR for each Pacific DMC.
- (viii) Otherwise help to administer the TA.

15. **Pacific Communications Specialist** (international, 1 person-month, intermittent). The Pacific communications specialist will guide relevant ADB Pacific DMC desk officers and desk economists and the TA team leaders to help expand significantly the dissemination of the economic and social updates, and a rewrite of the pro-poor policy briefs where this documentation can be made public.

16. **Editor** (international, 2 person-months, intermittent) and **Pacific Language Interpreters** (domestic, 3 person-months, intermittent). The editor and Pacific language interpreters will work with relevant ADB Pacific DMC desk officers and desk economists and relevant team leaders on an intermittent basis to

- (i) comment on and help prepare each Pacific DMC economic and social update and each Pacific DMC set of policy briefs, as well as other related documentation in formats that are reader-friendly to the varied audiences of each Pacific DMC; and
- (ii) coordinate Pacific language interpretations of knowledge management reports, where necessary.

## **SAMPLE FINAL TERMS OF REFERENCE, TENTATIVE PACIFIC DEVELOPING MEMBER COUNTRY SCHEDULE, AND OUTLINES OF FINAL REPORTS**

### **A. Example: Strengthening Pro-Poor Policy in the Republic of the Marshall Islands**

1. In the case of the Republic of the Marshall Islands (RMI), summaries of the state of pro-poor policy in the Pacific first will be prepared in Manila. International and domestic (from RMI) consultants will analyze, report on, and present summaries of the social and economic status and trends. The latter work will update *Republic of the Marshall Islands: Meto 2000 Economic Report and Statement of Development Strategies*, which was published by the Asian Development Bank (ADB) in April 2001, among other documentation. While the pro-poor policy consensus and the social and economic updates might overlap, they will precede and help inform in-country, participatory drafting of pro-poor policy for Government consideration.

2. Although the areas of policy analyses and formulation have not been decided, the focus in RMI likely will be on (i) private sector development; (ii) public resource allocation, including a review of public expenditures; and (iii) local taxation.

3. A series of workshops will be convened. Each will have up to 25 participants from (i) the business community, including the chamber of commerce; (ii) Marshall Islands' nongovernment organizations (NGOs); (iii) *Irioj* (hereditary chief) and other traditional leaders; (iv) church groups; (v) local government; and (vi) central Government. Each workshop will be split into three subgroups to focus on a series of participatory exercises structured to suit their experience and skills. They will focus on identification of stakeholders (for governance/management of poverty reduction initiatives), an inventory of social institutions, political mapping, policy mapping, and analyses. After each exercise, the groups will compare their results and discuss differences of perspective or content that they used. Then they will consider possible changes, including policy changes, to promote new activities and get around the stumbling blocks that they identified. Each group will select a member to prepare a summary presentation of their results at a larger meeting. Dialogue at that meeting will seek to establish areas of consensus, and then to address areas of disagreement to facilitate clarity and agreement on (i) needed policy changes, (ii) possible activities to promote poverty reduction, and (iii) hopefully specific plans for at least one or two new ways of operating. Where agreement has been reached, domestic and international consultants, as relevant, will assist the participants in drafting policy briefs for submission to executive branch of the Government and the cabinet for review and consideration.

4. Individual RMI consultants and the Marshall Islands Council of NGOs—all with experience in facilitating such workshops—will facilitate these workshops.

5. The participants will learn through the analyses they carry out together. Thus, they will start to build capacity to work together to implement policy changes that they had a role in proposing. This will build social capital, as well as enhance institutional capacity for policy development and implementation planning.

### **B. Tentative Pacific DMC Schedule And Outlines Of The Final Reports**

#### **1. Schedule**

6. The TA will start in June 2005 and last for approximately 3 years. Tentative schedule of country coverage is presented in Table A4. This is based on individual Pacific DMC demand

and the opportunity to contribute to strengthening national development planning processes, changed economic and social circumstances, the timing of key Household Income and Expenditure and other surveys, and the potential to cooperate with other stakeholders,

**Table A4: Tentative Pacific Developing Member Country Schedule**

| 2005 to 2006                 | 2006 to 2007     | 2007 to 2008 |
|------------------------------|------------------|--------------|
| Cook Islands                 | Palau            | Fiji Islands |
| Nauru                        | Papua New Guinea | Kiribati     |
| Republic of Marshall Islands | Tonga            |              |
| Samoa                        | Tuvalu           |              |
| Solomon Islands              |                  |              |
| Vanuatu                      |                  |              |

Source: ADB estimates.

7. The economic report for Federated States of Micronesia is underway, and Timor-Leste is considered well covered by other updates.

## 2. Outline

8. The outlines of the final reports are as follows:

### (i) Economic and Social Updates

- Abstract
- Introduction
- Macroeconomic Performance
- Sector Performance
- Social Indicators and Performance
- Policy Critique
- Conclusions
- References

### (ii) Pro-Poor Policy Briefs

Introduction and Background

Summary of Economic and Social Update (where available)

Private Sector

- Issues, Principles, and Options
- Cabinet Recommendations
- Appended Road Map to Improved Private Sector Environment

Public Sector

- Issues, Principles, and Options
- Cabinet Recommendations
- Appended Road Map to Improved Public Sector Delivery

Governance

- Issues, Principles, and Options
- Cabinet Recommendations
- Appended Road Map to Improved Governance