

ASIAN DEVELOPMENT BANK

TAR:OTH 35467

**TECHNICAL ASSISTANCE
FOR
PREPARING A PACIFIC GOVERNANCE STRATEGY**

December 2002

ABBREVIATIONS

ADB	–	Asian Development Bank
CGA	–	country governance assessment
DMC	–	developing member countries
PDMC	–	Pacific developing member countries
TA	–	technical assistance

NOTE

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

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I. INTRODUCTION

1. The key objectives of the Medium Term Governance Agenda and Action Plan 2000–2004 of the Asian Development Bank are to elevate governance issues to the top level of the development agenda in the region and to help enhance the quality of governance in individual developing member countries (DMCs). Since 2001, ADB has devoted considerable resources to rigorous and structured studies to analyze governance issues in individual DMCs and the risk they pose. Although country governance assessments (CGAs) are normally required for all DMCs, in the Pacific the implementation was simplified, given the size of the Pacific DMCs (PDMCs) and the scale of ADB's operations and available resources. Thus, in the Pacific, governance assessments were undertaken for 6 of the 13 PDMCs, chosen as representative of the governance institutions and practices in the region. To complement the conventional CGAs, ADB is also conducting studies to collect a broad range of views on governance concepts and institutions as understood and practiced at the village/community level.¹

2. The CGAs identified weaknesses in all areas of governance. As the CGA findings are conclusions from information collected and discussions undertaken during ADB fact-finding missions, these conclusions must be discussed and debated with stakeholders to establish a shared understanding of the current state of governance in the Pacific and what needs to be done to improve governance institutions and practices in each country. Such an understanding will be valuable in the formulation of the regional strategy and program for the Pacific for 2005–2008. The technical assistance (TA) framework is presented in Appendix 1.²

II. ISSUES

3. ADB has had a lead role in promoting good governance in the Pacific region. Good governance is key to effective economic and social development. Conversely poor governance constrains and distorts the general process of development and has a discernable negative impact on the poorer and more vulnerable sections of society. CGA is the tool by which ADB analyzes the governance environment in DMCs as the basis of its advice on and assistance for enhancing the quality of governance in them. Additionally an understanding of governance systems and processes of central government administration and management is essential to ensure sector work will achieve the intended objectives and contribute to improved governance at the sector level.

4. In the past decade, ADB invested considerable resources in the Pacific through country-specific TA and program loans focusing on public service, economic, and financial management reforms to help improve public sector governance. The reform assistance provided by ADB (and other bilateral funding agencies) has helped to achieve the priority objective of macroeconomic and fiscal stabilization. However, how much was achieved in the area of allocative efficiency remains debatable. An ADB review³ identified a number of weaknesses in the design, scope, and content of various reform programs: inadequate analysis (except for economic and fiscal areas) of all aspects touched by the reform program, lack of public sector management expertise in the design and monitoring phases, inadequate attention to constraints on implementation, and inadequate analysis of the capacity of the private sector to provide assumed responses to public sector downsizing and liberalization of policy frameworks.

¹ ADB. 2002. *Technical Assistance for Assessing Community Perspectives on Governance in the Pacific*. Manila.

² This TA first appeared in *ADB Business Opportunities* on 2 April 2002.

³ Knapman and Saldanha. 1999. *Reforms in the Pacific: an Assessment of the ADB's Assistance for Reforms Programs in the Pacific*. Manila. ADB.

5. The conclusions of the review remain valid. The CGAs of the six PDMCs concluded that the lessons regarding public service and public expenditure management reforms have not been adequately addressed by the countries themselves and their development partners since 1999. Indeed, increasing concerns have been expressed by some stakeholders that economic performance and social cohesion and development seem to have worsened for the region as a whole and in a number of countries.

6. The preliminary findings of the CGAs undertaken by ADB indicate deficiencies in several areas of public sector governance: machinery of government, public service, public expenditure and financial management, local government, legal and regulatory framework, judicial system, and civil society participation. The reasons for the poor governance are many: recent independence from colonial powers, the appropriateness of the chosen model of government given the strength of the traditional governance structures that govern the lives of the majority of the people, resource and capacity constraints, ethnic and linguistic differences, and the inherent difficulties of governing widely dispersed and small island economies. Some program loans and TAs provided by the funding community in the past decade have had unrealistic goals given the implementation time frame, the PDMCs' limited skills base, and severe capacity constraints.

7. ADB recognizes the critical role of governance in the development process, including at a minimum, efficient, effective, and responsive government. The undertaking of CGA in accordance with ADB's good governance policy focuses on analysis of governance issues in each DMC to identify weaknesses impairing development effectiveness. Given the limited resources of the funding community, including ADB, the extent of governance weaknesses in PDMCs, and the lessons learned from ADB assistance programs in the recent past, the findings of CGAs and suggested assistance strategies would benefit from wider discussion involving public officials, chiefs, nongovernment organization representatives, and the funding community. Such a forum is likely to generate a shared understanding of the challenges facing PDMCs in their effort to enhance governance, and ensure that CGA conclusions are firmly grounded, realistic, and achievable within the timeframe and resources to be committed by PDMCs and their development partners.

8. The forum will provide an opportunity for participants to learn from ideas and actions that work elsewhere and an understanding of current governance deficiencies. This is the first step in developing an improvement strategy. The findings of CGAs and wider discussion with stakeholders should be followed by strategies and action plans for improvement. Selected PDMCS may need assistance to develop their own governance improvement agendas consistent with their stage of economic and social development, resource and capacity constraints, and policy priorities.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The objectives of the TA are to disseminate the findings and conclusions of the CGA work undertaken by ADB, generate shared understanding of governance challenges facing PDMCs, enhance the commitment of all stakeholders to a governance improvement agenda, and explain the rationale for ADB's strategy to enhance governance in the Pacific and its application in each PDMC. Additionally, the TA will provide an opportunity for each PDMC to examine its own governance systems and practices, take stock of the lessons learned for the region and individual countries, and develop its own governance improvement strategy.

10. The key output of the TA will be a regional governance strategy report that sets out activities that will be carried out by ADB to help improve selected aspects of public sector governance consistent with ADB's expertise, resources, and priorities in the region. This strategy will also provide a template for assistance programs in individual countries, linked to local governance circumstances and in accordance with the countries' policy priorities. Another output will be the publication of the CGA findings and recommendations, together with a summary of discussions and suggestions arising from the regional forum.

11. The TA will also assist selected PDMCs, on a pilot basis, to develop a governance improvement strategy and action plan that will take account of the country circumstances, skill base, resource constraints, and policy and development priorities. The output of this process will be a document (PDMC governance strategy and action plan) that will form the basis of assistance requests and coordination of external funding in this area. Alternatively, the TA may provide assistance to a PDMC in activities that will enhance governance in a specific sector or institution that is consistent with ADB's priorities for the PDMC.

B. Methodology and Key Activities

12. The first activity of the TA will be a regional forum. The TA will also finance a few national governance workshops in PDMCs that want to pursue follow-up activities. The regional forum and national workshops will discuss (i) ADB's CGA methodology and the assessment process in the Pacific; (ii) findings of the CGAs to determine the general applicability of the findings across the region; (iii) preliminary results of the governance mapping exercise conducted under the TA Assessing Community Perspectives on Governance in the Pacific;⁴ (iv) presentation of certain activities in some PDMCs as case studies for consideration, for example anticorruption activities by the Media Council and Transparency International's the chapter in Papua New Guinea; and (v) ideas and suggestions on the way forward regionally and opportunities for application in individual countries.

13. Several PDMCs indicated interest in seeking ADB's assistance to conduct national workshops to examine the specific governance situation in their own countries using the assessment work by ADB. The number of governance consultation workshops will depend on the level of the government's commitment to implementing some aspects of good governance in their country, but will cover at least the six countries that participated in the CGAs.

14. The results of the CGAs and the conclusions from the forum will culminate in a Pacific governance strategy that will be an important input in preparing a regional strategy and program for the Pacific for 2005–2008. Additionally, the priorities established in the Pacific governance strategy, in particular the findings and recommendations arising from the CGAs, will be considered in the preparation of country strategy and program updates and TAs.

C. Cost and Financing

15. The total cost of the TA is estimated at \$490,000 equivalent. The TA will be financed on a grant basis by ADB's TA funding program. Detailed cost estimates are in Appendix 2.

⁴ See footnote 1.

D. Implementation Arrangements

16. ADB will be the executing agency of the TA. National workshops will be conducted in conjunction with ministries of finance or national planning of the requesting governments as appropriate. The TA will take place over 15 months, starting in February 2003. Most activities will occur in 2003. The TA will culminate in the finalization of the Pacific governance strategy report, which will be published in the first half of 2004.

17. The consultants will be engaged by ADB as individuals in accordance with its Guidelines on the Use of Consultants and other arrangements satisfactory to ADB for the engagement of domestic consultants. One international consultant with experience in development and governance issues in the Pacific will be recruited on an intermittent basis for a total of 5 person-months to help conduct the regional forum and prepare the governance strategy report. Other international and domestic consultants, for a total of 5 person-months, will be recruited on an ad hoc basis to meet PDMCs' assistance requests as needs are identified. Appendix 3 provides the consultant's outline terms of reference and a tentative agenda for the regional workshop. The TA will also support the cost of PDMCs' participation in the regional workshop, and travel and accommodation costs of speakers on specialized governance topics.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$490,000 on a grant basis for Preparing a Pacific Governance Strategy, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Increased impact of good governance systems and practices on economic and social development in Pacific developing member countries (PDMCs).</p>	<p>Adoption of medium-term fiscal framework in the annual budget process (three PDMCs by the end of 2005).</p> <p>Procedures for civil society participation in the annual budget preparation process (three PDMCs by the end of 2005).</p> <p>Publication of Cabinet procedures (content, format, and timing) to improve effectiveness of Cabinet and improved coordination of central agencies (three PDMCs by the end of 2005).</p> <p>Improve effectiveness of oversight institutions.</p>	<p>Content and format of budget papers.</p> <p>Number of budget submissions from civil society.</p> <p>Duration and frequency of Cabinet meetings.</p> <p>Timely annual (within 6 months of the year end) and within year (2 months after month end) financial reporting to Parliament;</p> <p>Number of public accounts committee's meetings in a year and follow up actions;</p> <p>Timely corrective actions by</p>	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
		<p>departments on Auditor General's reports (within 6 months of report tabled in Parliament); and</p> <p>Number of prosecutions arising from Ombudsman's reports.</p>	
<p>Purpose Awareness of governance challenges facing PDMCs.</p> <p>Internally consistent policy objectives and priorities.</p> <p>More realistic design (objectives, sequencing, and resources) of reforms to improve public sector governance.</p>	<p>Quality of discussions and suggestions arising from the forum and national workshops.</p> <p>Existence of a statement of government policy objectives and priorities as guide to decision making by Cabinet, ministers and public officials.</p> <p>Availability of appropriate staff for input into the preparation and design, and subsequent management, of projects.</p> <p>Achievement of project objective and implementation timetable.</p>	<p>Revised process and content of Cabinet submissions.</p> <p>Compliance with the revised procedures.</p> <p>Number and qualification of consultants.</p> <p>Composition of project steering and/or working groups.</p> <p>Project progress reports.</p>	<p>Governments' acceptance of good governance principles and practices as critical for successful economic and social development.</p> <p>Willingness of ministers to focus on strategic direction and policies, and let go of operational/management issues within their departments/ministries.</p> <p>Short-term capacity to manage projects within the public service.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
	Participation of civil society in the design of development projects, as appropriate.	Project progress reports.	Capacity of civil society to participate meaningfully and to operate in the public interest.
<p>Outputs Report on proceedings of the regional forum and national workshops.</p> <p>A Pacific governance strategy for 2005–2008.</p>	<p>Quality of discussions and suggestions on how to improve governance over time.</p> <p>Acceptance of country governance assessment findings and practicality of recommendations.</p>	<p>Adoption of suggestions in the Pacific governance strategy and by PDMC governments.</p> <p>Responses of stakeholders in the forum and workshops. Adoption of recommendations by PDMCs.</p>	
<p>Activities Arrange regional forum and national workshops.</p> <p>Obtain feedback on the 6 country governance assessments.</p> <p>Prepare draft of a Pacific governance strategy for presentation at the Asian Development Bank Annual General Meeting in May 2003.</p> <p>Finalize and publish the strategy paper by mid 2004.</p>	<p>Number of participants.</p> <p>Timeliness of government responses and number of queries on facts.</p> <p>Power point presentation of the strategy by third week of April 2003.</p>		
<p>Inputs Engagement of consultants:</p>			

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
international consultants \$150,000 and domestic consultants \$70,000 (approximately 14 months in total). Staff time.			

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Asian Development Bank Financing^a	Total Cost
1. Consultants	
a. Remuneration and Per Diem	
(i) International	150.0
(ii) Domestic	70.0
b. International and Local Travel	50.0
c. Reports and Communications	30.0
2. Training, Seminars, and Conferences	
a. Facilitators	0.0
b. Seminars/Workshops	120.0
3. Miscellaneous Administration–Editing	30.0
4. Contingency	40.0
Total	490.0

^a Financed from Asian Development Bank's TA funding program.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Scope of Work

1. In implementing its Medium-Term Agenda and Action Plan for Good Governance (2000-2004) in the Pacific, Asian Development Bank (ADB) has adopted a simplified approach given the size and nature of the Pacific developing member countries (PDMCs) and ADB's scale of operation and resources available for this task. ADB staff conducted country governance assessments (CGAs) in six PDMCs (Fiji Islands, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga, and Vanuatu); research was carried out for four (Cook Islands, Kiribati, Republic of Marshall Islands, and Tuvalu), complemented by input from ADB officers and consultants. This process was completed at the end of October 2002.

2. Services of a consultant are required to supplement staff resources to complete the work in this area culminating in the preparation of a Pacific governance strategy. The consultant's services will be required intermittently for 5 months from February 2003 until the finalization of the Pacific governance strategy, expected to be at the end of November 2003.

B. Specific Terms of Reference

1. Governance Specialist

3. The person should have considerable experience working across a whole range of issues in the public sector in the Pacific or in other developing countries with similar characteristics. This experience is expected to translate into an understanding of development and governance issues facing countries in the region, and sensitivities to the Pacific culture and traditions. Analytical skills, capacity to write concise and plain English, and effective facilitating skills will be needed.

4. The tasks and output required of the successful candidate are as follows:

- (i) Work with staff to finalize the four desk research assessments (Feb 03).
- (ii) Provide comments on the six CGA reports prior to their distribution to the relevant governments for comment (Feb 03).
- (iii) Work with staff to elaborate on the outline of the draft Pacific governance strategy (Feb/March 03).
- (iv) Prepare technical papers for the regional forum on governance (Mar 03).
- (v) Facilitate the forum and national workshops as appropriate (Mar 03).
- (vi) Prepare the summary of proceedings of the forum (April 03).
- (vii) Work with staff to finalize the draft Pacific governance strategy paper, including the preparation of power point presentation to ADB's Board of Governors meeting in May 2003 (April 03).
- (viii) Prepare relevant papers for publication as part of the Pacific governance strategy (Aug/Sept 03).

2. Other Consultants

5. The regional forum and national workshops will identify the areas in which specialist knowledge will be required to assist PDMCs in follow-up activities. The international or domestic consultants will be recruited on an ad hoc basis in accordance with PDMC's requests for assistance. The consultants will be engaged by ADB as individuals in accordance with its

Guidelines on the Use of Consultants and other arrangements satisfactory to ADB for the engagement of domestic consultants. About 5 person-months of consulting services is needed to support 3 PDMCs in follow-up activities to develop their governance improvement strategy and action plan.

C. Tentative Agenda of the Regional Forum (1 to 2 April 2003, Nadi, Fiji Islands)

6. The agenda is as follows:

- (i) Welcome by Director General of Pacific Department
- (ii) Governance: a Pacific model?
- (iii) Governance assessments: an overview
ADB's proposed governance strategy and action plan for 2005–2008
- (iv) Some governance activities in the region:
 - a. Preliminary results from the governance mapping project of the Foundation of the Peoples of the South Pacific International
 - b. Corruption in Papua New Guinea (PNG): contribution by PNG Media Council and Transparency International, PNG chapter.
 - c. Lessons from Samoa: community participation in development priority
- (v) Discussion groups (3 groups: government, civil society and other stakeholders)
- (vi) Presentation of groups' deliberation
- (vii) Good governance in the Pacific – where do we go from here?
 - a. Summary of discussions and groups' deliberation
 - b. Next steps in ADB's good governance agenda