



Asian Development Bank

Chair's Summary of the Development Effectiveness Committee

24 March 2015

Corporate Evaluation Study: ADB Support to Small Pacific Island Countries (IN.58-15)

1. The Development Effectiveness Committee (DEC) discussed the corporate evaluation study on ADB's support in 10 Pacific island countries: Cook Islands, Federate States of Micronesia, Kiribati, Nauru, Palau, Republic of Marshall Islands, Samoa, Tonga, Tuvalu and Vanuatu (also known as PIC-10). The evaluation found that ADB has made notable progress in improving its field presence and increasing collaboration with other development partners. The report also flagged that most of the countries have limited capacity to service debt and were assessed at high risk of debt distress. Public sector management (PSM) operations, particularly technical assistance (TA) constitute nearly one-third of total approvals. Success rates are low (33%) but are seen as improving to 54% for the period 2004-2014. The report recommended that the new Pacific Approach 2015-2020 should consider: (i) a sharper focus on ADB engagement in smaller island countries and fragile and conflict-affected countries; (ii) increased human resources for the Pacific department (PARD) for better continuity and to improve monitoring and supervision of projects; (iii) broader and scaled up support for climate change adaptation; (iv) improved project preparation and readiness through increased use of the project design facility; and (v) strengthened approach for capacity building in PSM operations, and increased resources for TA.

New Pacific approach

2. DEC members commended IED for its accurate portrayal of the challenges confronting small Pacific island countries, especially the risks brought about by the increasing number of disasters and the impact of climate change. They remarked that the report would serve as a good input for PARD in finalizing the next Pacific approach. DEC members also noted that while ADB's support to the Pacific is not large compared to other ADB members, ADB is a significant funder of essential infrastructure services in the PIC-10 who constitute 25% of ADB's members, most of whom are considered fragile and conflict affected. Members noted several successes including: (i) support for primary and secondary education in a few countries; (ii) improving project success rates; (iii) scaling up financial support and mobilizing co-financing, (iv) increasing staffing levels by opening three resident missions and nine development coordination offices; and (v) use of multi-year flexible technical assistance (TAs) to quickly respond to members' needs.

3. DEC inquired about the scope and format of the next Pacific approach, and asked staff to consider a framework that would enable evaluators to determine whether the program has been successful or not. Some DEC members favored a narrower scope, featuring support for developing the private sector, tourism, food processing, and enhancing labor mobility through technical and vocational education and training. Given the cost overruns and project delays that are higher than average, a DEC member also suggested that a mechanism for developing detailed designs prior to approval should be considered in the new Pacific approach. A Board member remarked that the study did not sufficiently cover ADB's regional integration work and its positive impact as a convening force in the region, particularly in engaging donors and governments on policy reform. IED noted this observation and remarked that an evaluation

study on ADB's efforts on regional cooperation and integration will be released later within this year. Another Board member noted the PIC-10's heavy reliance on external donor financing and asked staff to consider the long term policy agenda in these countries particularly reform on public entities and state-owned enterprises (SOEs), in the next Pacific approach.

4. The Chair and another Board member favored a PIC-10 country partnership strategy (CPS) instead of a hybrid document that tries to cover all PDMCs and the regional Pacific program and constrains ADB from an evaluation perspective. Another Board member preferred a series of country operations business plans (COBPs) with some emphasis on the regional infrastructure. IED suggested that a design and monitoring framework would be particularly useful for the next Pacific approach. Most DEC members also expressed that the next Pacific approach should be brought to the Board for full discussion. Director General (DG), PARD expressed that the next approach will articulate strategic priorities such as concerns about connectivity, risks related to heavy reliance on external financing, and ways to manage the overhead cost of operations. He summarized the focus of the next approach as reducing costs, managing risks and creating value by providing a regional overview while employing a differentiated approach at the country level. IED further stressed increased efforts to address the impact of climate change in the next Pacific approach, which staff addressed in the next point.

Support for climate change

5. Most DEC members supported broader support for climate change in the Pacific, especially in light of the devastation caused by Cyclone Pam in some Pacific countries during a Board group visit. A DEC member also encouraged staff to foster greater coordination with other development partners in disaster response. A Board member commended ADB for engaging the Green Climate Fund (GCF) early, stressing the importance of having an efficient application process and rationalized reporting mechanism to ensure that ADB members are able to access climate financing. DEC members also stressed the importance of increasing resource flows through the ADF and other cofinancing partners.

6. Deputy Director General (DDG), PARD mentioned that disaster risk management and risk assessment management is integrated in ADB's operations and provided examples of ADB's community-based approach to climate change adaptation in Tonga and Papua New Guinea. He added that PARD is in communication with the GCF regarding two projects expected to be considered by the GCF Board this year. DG, PARD stressed that it has worked with GCF's predecessor, the Climate Investment Fund, on various climate change related projects in Tonga, Samoa and Papua New Guinea which are in various stages of implementation. He also underscored ADB's work on climate proofing infrastructure and disaster risk financing schemes in collaboration with the World Bank and the Government of Japan. The Managing Director General also stressed the importance of having a quick disbursement facility and response capability especially when dealing with disasters.

Project readiness

7. DEC members emphasized the need to improve project implementation speed and inquired why there was low uptake on the project design facility. A DEC member recalled that the PDF was introduced primarily for members who are more financially sound and have had more experience implementing ADB projects, (e.g People's Republic of China and India). DDG, PARD informed DEC that the PDF is only one of many instruments to improve project

readiness; other instruments include TAs and TA loans. He explained that some governments find the separate approval requirement as an added burden while some prefer not to use their country allocations for project design. Nonetheless, he assured DEC that there are two project design advances in the pipeline and that progress is being made on this front.

Staff resources

8. DEC members agreed with the report's finding that PARD needs to be resourced more appropriately to meet the increasing demand in the Pacific. However, there were mixed views as to how this would be achieved. Some members were in favor of converting consultant positions into fixed term staff positions, while others are of the view that consultants already have sufficient authority and accountability. A DEC member attested from his previous Board visit that consultants are heavily constrained. Having no access to ADB email or e-Operations and other databases, they are relegated to organizing incoming missions. He encouraged ADB to further develop national staff with expertise.

9. IED proposed that some development coordination offices should be staffed by national staff positions with fixed term contracts. DG, PARD reported that they outposted two additional staff in the field and are working with other development partners to strengthen country presence. DDG, PARD also clarified that funding for consultant positions will instead be utilized to recruit staff, especially for countries with growing portfolio. A Board member also asked Management to consider disaster risk as the new norm in the Pacific, and should be guided by this reality when hiring local teams who can respond quickly.

Private sector development

10. DEC members inquired whether the Private Sector Operations Department (PSOD) has any initiatives to support the private sector in the PIC-10. IED mentioned that the criteria are set too high for PSOD to be engaged in PIC-10 but there are ongoing initiatives led by PARD. DG, PARD mentioned that they are focusing on the enabling environment, reforms of SOEs, private provision of public services, and some programs on public sector management and public financial management. He added that PSOD is also doing work on trade finance. A DEC member noted that there is potential to further support micro business and micro infrastructure.

On relevance

11. The Chair remarked that several ADB projects seem to be the usual obvious choices, such as road infrastructure or connectivity. He then asked how relevant ADB's Pacific approach is. A Board member remarked that in some PIC-10 countries, ADB's allocation doesn't amount to much, but the stability of ADB's programming has brought in an alternative source of finance and advice. He also stated that most of the bilateral donors only provide grants, instead of infrastructure financing which the PIC-10 needs. He cited that the SOE reform agenda could not have been pushed without ADB's regional expertise.