

## MANAGEMENT RESPONSE TO IED'S PACIFIC APPROACH: VALIDATION OF THE COUNTRY PARTNERSHIP STRATEGY FINAL REVIEW, 2016-2020

On 1 December 2020, the Director General, Independent Evaluation Department, received the following response from the Special Senior Advisor to the President on behalf of Management:

### I. General Comments

1. Management thanks the Independent Evaluation Department (IED) for its feedback on the Pacific Approach, 2016–2020 Final Review. The Pacific Approach, 2016–2020 served as the Country Partnership Strategy (CPS) for the 11 smallest developing member countries (DMCs) of ADB in the Pacific. All of the Pacific DMCs are small island developing states (SIDS), and although over this five-year period ADB classified only six of them as Fragile or Conflict Affected Situations (FCAS),<sup>1</sup> they all experience various elements of fragility.

2. The validation of IED provided several relevant observations on the previous strategy, and its five recommendations have been noted. However, Management wishes to highlight that the Pacific Approach is, by design, a unique document. It is the only multi-country strategy of ADB and is intended to respond to the unique development circumstances of SIDS and FCAS nations in the Pacific. As such, the Pacific Approach itself represents a differentiated approach to identifying development challenges, articulating a strategy to address those challenges and highlighting priorities for the implementation of the strategy. This differentiated approach is completely in line with, and actually predates, the call of Strategy 2030 for differentiation in SIDS and FCAS nations. The validation demonstrates a clear discomfort with this differentiated approach. Management agrees with two of the recommendations and *partially agrees* with three of the recommendations of IED, while indicating how they can be more closely aligned with the objectives of ADB for flexible, responsive, and differentiated approaches to programming in SIDS and FCAS countries.

### II. Management Response to the Recommendations

3. **Recommendation 1. Develop a Pacific strategy and approach, possibly interim, targeted at addressing the twin health and economic crises caused by the COVID-19 pandemic.**

*Management agrees.* Prior to receiving the recommendation from IED, Management had already decided to postpone the schedule of the Board of Directors consideration of the that the impact of COVID-19 could be considered. The new strategy will place resilience to external shocks, including COVID-19, at its core, and will highlight the importance of flexibility in responding to this evolving global situation.

4. **Recommendation 2. Develop a strategy for the PIC-12 (now including Niue) that articulates a transformative, differentiated, and FCAS approach. The strategy should not be confused with an implementation plan for the Pacific, such as the Pacific Approach.**

*Management partially agrees.* The Pacific Approach 2021-2025 will describe a transformative, differentiated, and FCAS-appropriate/sensitive partnership strategy for the PIC-12. However, Management believes that, in the SIDS and FCAS context,

acknowledging and addressing core implementation barriers *at the strategic level* is vitally important. For example, capacity constraints in FCAS and SIDS are a key barrier to the success of projects and, through this, to the long-term sustainability of development outcomes. Another example is frequent weak communication and coordination across government agencies, which undermines broader project ownership – consideration through a strategic lens informs improved project design. While traditional CPSs may focus on key areas of assistance in relative isolation from implementation plans, experience in the Pacific has demonstrated the benefit of grounding strategic issues through practical delivery considerations, and so allowing better visualization of a strategy's deliverables. In SIDS and FCAS countries, which are characterized by low capacity, weak institutions, vulnerability, small economies, etc., a differentiated approach to assistance in the Pacific region should consider these issues (strategy and implementation) together to arrive at sustainable solutions for the region and its countries.

**5. Recommendation 3. Measure and monitor the performance of ADB support to the PIC-12 at both the strategic and project levels and use evidence-based reporting to learn, adapt, and better demonstrate success and ADB value addition.**

*Management partially agrees.* Measuring and monitoring results is essential to improving performance, both within the strategy period and beyond it. The Corporate Results Framework, 2019-2024 introduces improved strategic performance measurement and enhanced portfolio measures are also being adopted in 2020. In addition, ADB will be introducing a new results framework in early 2021 and the Pacific Approach 2021-2025 will be one of the first documents to utilize it. Management notes that, despite the advantages of using a multi-country strategy for the PIC-12, measuring and monitoring project performance across 12 countries in a consolidated manner can be challenging. This is why the Pacific Approach is intended to be read in conjunction with the country operation business plans and project documents used for the PIC-12, each of which provides more detailed mechanisms for measuring and monitoring results than the multi-country strategy itself.

**6. Recommendation 4. Work more closely with other development partners to support stronger aid coordination in counterpart governments and improve absorptive capacity in the Pacific.**

*Management agrees.* Management fully agrees that donor coordination is essential to the success of development support in the region. The validation recognizes the success of ADB in collaborating with development partners and highlights the success of the coordination efforts made by ADB during the previous strategy period. ADB will continue to work closely with other development partners to facilitate strong aid coordination in counterpart governments and build absorptive capacity in the Pacific.

**7. Recommendation 5. Build Pacific Department capacity to deliver and manage the larger work program.**

*Management partially agrees.* In the validation report, this recommendation suggests (i) employing more international staff from Pacific countries, (ii) Pacific country offices (PCOs) of ADB to be more involved in planning and implementing country programs and projects, and (iii) providing FCAS-focused training to Pacific Department staff. ADB will continue to effectively utilize the skills and experience of all staff categories (IS/NS/AS) as needed for our country operations and provide staffing adjustments in line with the annual

workforce planning findings. When ADB hires international staff, it is to acquire their international experience and qualifications, with an expectation that they will be mobile and share international experience across regions. In contrast, hiring national staff in the field allows recruited staff to work in their own countries (without any expectation they will move out of the country) and this allows them to add value to project teams. ADB will continue to use a mix of skills and experience, both international and national, to address various aspects of our country operations. In addition, the establishment of the PCOs has supported ADB's understanding of the country context and will increasingly support deeper knowledge transfer in the future. Several PCOs, together with the regional offices, are already leading country programming exercises. In addition to local staff hired in field offices, the Pacific Fellows program currently serves to introduce government officials from the Pacific to ADB on a short-term basis, and in turn, supports the augmentation of national capacity concerning ADB processes when they return to their home countries. ADB is updating its FCAS and SIDS Approach and once it is finalized all relevant staff will be trained on its findings and guidance.