

PACIFIC

Chapter 9

PACIFIC

The Cook Islands, the Fiji Islands, Kiribati,
the Marshall Islands, the Federated States of
Micronesia, Nauru, Palau, Papua New Guinea,
Samoa, Solomon Islands, Timor-Leste, Tonga,
Tuvalu, Vanuatu

ADB's scaled-up assistance for 14 Pacific developing member countries meets the region's unique challenges, including their response to climate change. Support boosted economic and social infrastructure, strengthened governance, and promoted private sector growth. The Pacific Approach 2010–2014 will guide the continued strengthening of regional cooperation, the regional provision of services, and improvement of policies.

OVERVIEW

ADB helps 14 Pacific developing member countries raise living standards and build resilience by developing economic and social infrastructure, strengthening governance, and promoting private sector growth.

Innovative approaches continued meeting the region's unique challenges. ADB has scaled up its lending and nonlending operations in response to increasing demand from Pacific countries. The Pacific Approach 2010–2014, produced in 2009, aims to improve the effectiveness of future ADB development operations in the Pacific.

Frequent high-level consultation improved coordination among development partners, laying the groundwork for a regional approach to the global economic crisis and deepening the response to climate change. This included ADB strengthening its partnership with the US government.

PORTFOLIO MANAGEMENT

Performance against targets for sovereign loans was 38.7% for contract awards (\$48.2 million) and 84.2% for disbursements (\$30.4 million) (Table 18). For Asian Development

The Global Economic Crisis: ADB's Response

- Improved economic monitoring, led by the quarterly *Pacific Economic Monitor*
- Analytical work, including the release of *Taking the Helm: A Policy Brief on a Response to the Global Economic Crisis*
- Approval of economic recovery support programs for the Cook Islands and Tonga

Fund (ADF) grants, contract awards were 79.3% (\$15.7 million) and disbursements 90.5% (\$14.1 million). The Pacific Department's achievements in contract awards were the best in the past 10 years. The number of active technical assistance projects averaged 82 over the past 3 years. Technical assistance savings were \$2.3 million. Five loans, four grant projects, and two technical assistance projects were delegated to the resident missions in 2009, resulting in more effective monitoring, stronger partnerships with Pacific developing member countries and development partners, and improved engagement in policy dialogue.

REGIONAL COOPERATION

The Pacific Approach 2010–2014 supports strengthened regional cooperation, the regional provision of services, and better policies.

ADB approved a regional technical assistance project to improve its engagement in fragile states and situations. The Infrastructure Advisory Center, established under the Pacific Region Infrastructure Facility, will help Pacific countries develop sustainable infrastructure and services. ADF investments in border roads in Timor-Leste and cross-border infrastructure in Papua New Guinea were approved. The Private Sector Development

HIGHLIGHTS

- New Pacific Approach 2010–2014 aimed at improved development effectiveness
- New country partnership strategies for Palau, Solomon Islands, and Vanuatu, and a midterm review of Papua New Guinea's country strategy and program 2006–2010
- Significant increases in Pacific lending and nonlending operations: \$231.7 million in loans and \$71.0 million in Asian Development Fund grants, and \$39.0 million in technical assistance projects (including cofinancing)
- Emergency response to natural disasters in the Fiji Islands, Samoa, and Solomon Islands
- The Climate Change Implementation Plan for the Pacific, which gave member countries a framework for developing and implementing climate change investments and action plans to 2015

Frequent high-level consultation improved coordination among development partners, laying the groundwork for a regional approach to the global economic crisis

TABLE 17 Pacific: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	APDRF	Other Sources ^a	Total
Papua New Guinea				
Extending the Socioeconomic Benefits of an Improved Road Network to Roadside Communities	–	–	2.0	2.0
Samoa				
Earthquake and Tsunami Disaster Response	–	1.0	–	1.0
Solomon Islands				
Road Improvement (Sector) (Supplementary)	–	–	0.2	0.2
Road Improvement (Sector) (Supplementary)	–	–	1.9	1.9
Emergency Assistance (Supplementary)	–	–	4.0	4.0
Second Road Improvement (Sector)	15.0	–	7.8	22.8
Timor-Leste				
Road Network Development Sector	46.0	–	–	46.0
Our Roads Our Future–Supporting Local Governance and Community-Based Infrastructure Works ^b	–	–	3.0	3.0
Tonga				
Economic Support Program	10.0	–	–	10.0
Total	71.0	1.0	19.0	91.0

– = nil, ADF = Asian Development Fund, APDRF = Asia Pacific Disaster Response Fund.

Note: Totals may not add up because of rounding.

a Officially cofinanced by external sources, and fully or partially administered by ADB.

b Grant component of a loan project.

TABLE 18 Pacific: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Cook Islands	4	1.6	–	(0.3)	1.3	25.0	–
Fiji Islands	4	17.0	6.2	5.3	9.7	25.0	50.0
Kiribati	–	–	0.1	–	–	–	–
Marshall Islands	–	–	–	–	–	–	–
Micronesia, Federated States of	2	0.8	1.6	0.8	3.6	–	–
Papua New Guinea	13	23.6	16.1	17.4	19.9	–	–
Samoa	4	5.1	9.6	6.3	2.6	–	–
Solomon Islands	–	–	0.02	–	0.1	–	–
Tuvalu	2	0.1	0.04	0.4	0.6	–	–
Regional	1	0.05	0.7	0.5	0.6	–	–
Total	30	48.2	34.2	30.4	38.4	6.7	3.7

– = nil, () = negative.

Note: Totals may not add up because of rounding.

opment Initiative, cofinanced with Australia, continued to improve the business environment and stimulate private sector investment. A second phase was approved during 2009.

The Pacific Approach 2010–2014 supports strengthened regional cooperation, the regional provision of services, and better policies

COUNTRY HIGHLIGHTS

The Cook Islands

Partnership priorities. The country operations business plan, 2010–2012, continued to emphasize infrastructure and public financial management. A budget support program was also included in light of the adverse impact of the global economic crisis. ADB strengthened its focus on climate change and private sector development.

TABLE 19 Pacific: Sovereign and Nonsovereign Loan Approvals by Country, 2009 (\$ million)

Country	OCR	ADF	Total
SOVEREIGN			
Cook Islands			
Economic Recovery Support Program	10.0	–	10.0
Fiji Islands			
Third Road Upgrading (Sector) (Supplementary)	36.1	–	36.1
Emergency Flood Recovery (Sector)	17.6	–	17.6
Suva–Nausori Water Supply and Sewerage Development (Supplementary)	23.0	–	23.0
Papua New Guinea			
Civil Aviation Development Investment Program – Tranche 1 ^a	25.0	70.0	95.0
Pilot Border Trade and Investment Development	–	25.0	25.0
Subtotal	111.7	95.0	206.7
NONSOVEREIGN			
Papua New Guinea			
Digicel Mobile Telecommunication Expansion	25.0	–	25.0
Subtotal	25.0	–	25.0
Total	136.7	95.0	231.7

– = nil, ADF = Asian Development Fund, OCR = ordinary capital resources.
a Consists of two ADF loans.

TABLE 20 Pacific: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^{a, b}

Country	Lending	Disbursements
Cook Islands	55.0	27.6
Fiji Islands	326.6	197.8
Kiribati	15.1	13.7
Marshall Islands	78.1	64.2
Micronesia, Federated States of	75.1	47.1
Nauru	5.0	2.3
Palau	–	–
Papua New Guinea	1,272.0	746.0
Samoa	159.4	114.6
Solomon Islands	79.3	65.8
Timor-Leste	–	–
Tonga	57.8	52.3
Tuvalu	7.8	7.6
Vanuatu	51.3	49.0
Regional	1.5	176.9
Total	2,184.0	1,564.9

a Loan component of regional projects distributed to the countries whenever possible.

b Includes nonsovereign (public and private) sector loans specific to the region.

Impact of operations. Technical assistance for the Infrastructure Master Plan and Infrastructure Development Project improved coordination among development partners, helping them support the infrastructure sector and elevate government efforts to manage and develop infrastructure and reform the ministries.

The Fiji Islands

Partnership priorities. ADB operations are guided by its 2007 Approach to Reengagement. ADB continued to support ongoing operations in water supply, sanitation, and road development.

ADB continued to help Kiribati overcome limited resources and geographic isolation and make progress toward its economic growth goals by emphasizing economic and financial planning and management

Impact of operations. The Suva–Nausori Water Supply and Sewerage Project continued to improve water and sanitation services. Notable achievements included commissioning a 10-kilometer (km) large-diameter raw water main, completing a 4-million-liter clear water reservoir, upgrading five major sewage pump stations, and constructing about 5 km of sewers for a heavily populated residential area.

Kiribati

Partnership priorities. ADB continued to help the country overcome limited resources and geographic isolation and make progress toward its economic growth goals by emphasizing economic and financial planning and management. Technical assistance was approved to support economic management and reforms of state-owned enterprises.

Impact of operations. The Integrated Land and Population Development Program on Kiritimati Island, which considered planning and zoning for residential and economic development land uses, continued to help the government improve land allocation.

FIGURE 5 Pacific: ADB Lending by Country, 2008–2009 (Sovereign and Nonsovereign) (\$ million)

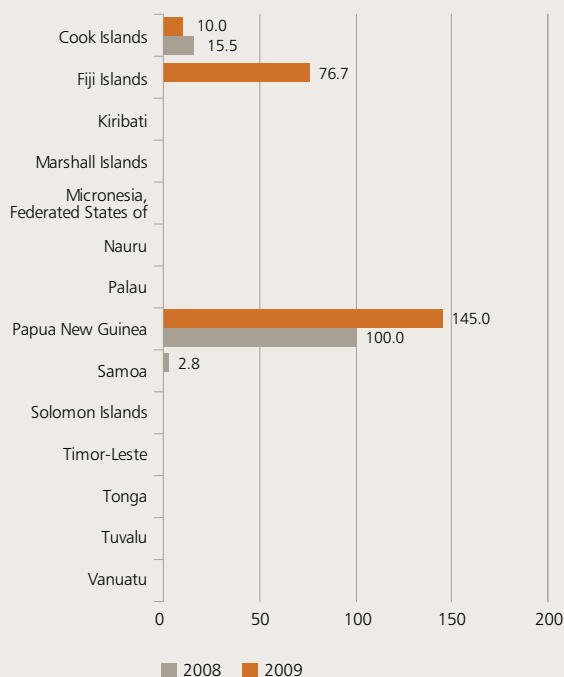
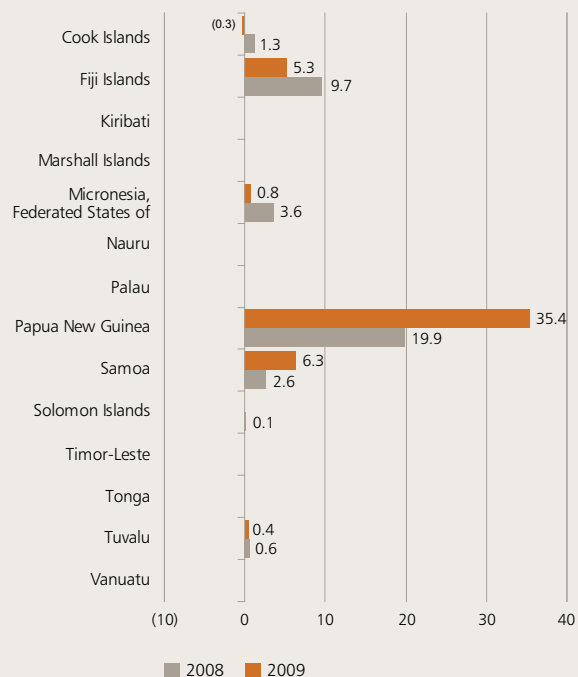


FIGURE 6 Pacific: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign) (\$ million)



The Marshall Islands

Partnership priorities. The government cleared its loan repayment arrears with ADB in March and has maintained subsequent repayments. The approved country operations business plan, 2009–2011, prioritizes technical assistance and policy advice to support public sector reform initiatives, formulate climate and environmental adaptation plans, and improve the government’s financial management.

Impact of operations. Technical assistance programs continued to support improved public sector performance and a better enabling environment for private sector activity. ADB also supported the organization of

Technical assistance programs in the Marshall Islands continued to support improved public sector performance and a better enabling environment for private sector activity

national conferences on public sector reform, fisheries development, energy reform, and climate change, leading to the adoption of strategy documents and work plans.

The Federated States of Micronesia

Partnership priorities. Economic management and accountability, including social and private sector development, remained priorities. ADB strengthened its partnership with the US through high-level dialogue and closer collaboration during project implementation.

Impact of operations. The Omnibus Infrastructure Project helped restore critical water supply, sanitation, and power infrastructure. The technical assistance program continued to strengthen the government’s ability to manage finance, budget, and performance.

Nauru

Partnership priorities. After its reengagement in May 2008, ADB stepped up its activities, which are closely aligned with the updated National Sustainable Development Strategy.

Impact of operations. ADB operations focused on improving infrastructure and public sector management.

Palau

Partnership priorities. ADB and the government developed a country partnership strategy to guide their relationship over the next 5 years. They will work to improve the public sector's effectiveness, facilitate private sector development, and manage the threats of climate change.

Impact of operations. Technical assistance supported embedding the development strategy into ministries' budget plans, helped develop a health insurance scheme to complement existing health care services, and helped prepare a new commercial code to improve private sector and consumer lending.

Papua New Guinea

Partnership priorities. The midterm review of ADB's country strategy and program 2006–2010 confirmed the rationale and validity of the four strategic priorities: public financial management, private sector development, infrastructure, and health and HIV/AIDS.

ADB's first private sector project in Papua New Guinea was approved and disbursed in 2009. A total of \$18 million was disbursed for the expansion and improvement of a nationwide mobile telecommunication network, which increases access to affordable telecommunication services, particularly for low-income users, and improves their accessibility and quality, particularly in the country's remote and rural areas.

Impact of operations. Ongoing ADB assistance improved the Highlands highway network and national road safety. ADB also strengthened support for private sector participation and development by providing assistance for the implementation of the national public–private partnership policy and in the delivery of rural health services, including HIV/AIDS prevention. The private sector was tapped to improve the supply and distribution of medical supplies. An ADB-supported project established a financial literacy and outreach program, and continued to strengthen the successful Nationwide Microbank, which grew to 12 branches.

ADB's first private sector project in Papua New Guinea was approved and disbursed in 2009



ADB support in the Pacific has helped train health workers including in Papua New Guinea

Samoa

Partnership priorities. The country partnership strategy, 2008–2012, emphasizes poverty reduction, with three pillars for intervention: removing infrastructure constraints, improving access to and delivery of public services, and promoting private sector development.

Impact of operations. A \$1 million grant from the Asia Pacific Disaster Response Fund helped the government provide medical care, shelter, and food to the population affected by the tsunami. The Power Sector Expansion Project facilitated installation of prepaid power meters in households.

Restoring the Reef

An ADB-financed fisheries management project in Papua New Guinea's coastal regions could begin to turn the tide against destructive fishing practices through a community-based approach

Locals wade through the shallows on a beach in the slim hope of finding a few small shells and peanut worms. Two hours away, on a palm-fringed coast on the other side of a mountain range dividing this narrow island province, shiny mullet slither in the nets of joyful fishermen.

The contrast between these two stretches of water reveals much about the story of Papua New Guinea's declining coastal resources—and the efforts of some communities to reverse the trend.

"This area has been totally overfished because it is near town, very accessible, and there are no restrictions or management of the reef," a resident complains on the beach outside Kavieng, the main port of New Ireland. "The people who

come here have no idea about the importance of managing these resources."

The big prizes—sea cucumbers, trochus shells (used to make mother-of-pearl buttons), and reef fish—have vanished because of the twin pressures of growing coastal populations and destructive fishing practices.

By contrast, villagers of Panakais on the west coast have established a no-fishing zone, although on this day they give themselves permission to break the ban for a special feast. The community has also renounced poisoning fish with derris root powder, fishing with dynamite, and night fishing by flashlight using fine-mesh nets as part of a self-imposed management plan drawn up with the help of Ailan Awareness, a local nongovernment organization.

"They told us in a scientific way why we should not catch small fish and why we should leave the spawning fish alone," says Francis Bolaf, chair of Panakais' fisheries management committee.

The community-based management approach to conserving marine resources has been pioneered through the Coastal Fisheries Management and Development Project, financed by ADB with a \$5.7 million soft loan. Seven communities in New Ireland and another 17 in Morong province had applied the methods by the time the project ended in 2007. A further 37 were waiting to participate.

"Our project was to kick-start this concept and pilot it, and I'm happy that this has been achieved and we would like to see it replicated throughout the coast," said Allan Lee, officer-in-charge at the ADB resident mission in Port Moresby.

As more communities decide to make short-term sacrifices for long-term gains, the tide could turn for Papua New Guinea's once bountiful reefs.



Fishermen in Panakais and elsewhere are learning new ways to bring in the day's catch

"They told us in a scientific way why we should not catch small fish and why we should leave the spawning fish alone"

—Francis Bolaf, chair of Panakais' fisheries management committee

Solomon Islands

Partnership priorities. A new interim country partnership strategy continued the focus on improving transport infrastructure and services and developing the private sector.

Impact of operations. Rehabilitation work under the emergency assistance program (in response to the 2007 earthquake and tsunami) progressed well and the Gizo town road was reopened. ADB continued to help the government implement company laws and establish a companies registry.

On the Same Track

Through post-conflict reconstruction, such as in Solomon Islands, ADB is helping governments restore fragile connections. The successful project has rebuilt roads and bridges, providing a lifeline to markets and hospitals

Several times a week, Mary Puke travels from Visale in West Guadalcanal to sell mangoes in Honiara, the capital of Solomon Islands. The 80-kilometer round trip used to take her about 6 hours on a route damaged in conflict more than a decade ago. She can now cover that ground in 2 hours, after ADB's Post-Conflict Emergency Rehabilitation Project restored roads and bridges.

Bridges were bombed and major roads linking provincial and market centers with communities in Guadalcanal and the Island of Malaita were severely damaged during ethnic tensions that afflicted this South Pacific archipelago in 1999–2000. An October 2000 peace agreement ended conflict between groups from Guadalcanal and Malaita provinces, but communities were left without access to markets, clinics, schools, and agricultural services.

"Frankly speaking, these were the worst conditions I'd seen in nearly 30 years of working on road projects,"

says Rishi Adhar of ADB's Pacific Liaison and Coordination Office, who worked on the project, which started in 2002.

Additional funding made available by the Australian Agency for International Development (AusAID), through its Regional Assistance Mission to Solomon Islands, and the New Zealand Agency for International Development (NZAID) helped expand the rehabilitation project and avoid duplication of efforts. "By pooling our different ideas, we generally come up with a much better result," NZAID manager Guy Redding says.

The restoration of important transport links like the Tanavasa Bridge—the "Bridge of Peace," which had been blown up during the conflict—is a tangible symbol of the trust and cooperation that now exists between communities previously at war.

"The project has been widely regarded as being successful, delivering on its original objectives in an environment that was still fragile," says Paul Kelly, RAMSI development coordinator. "It also contributed to economic growth in Solomon Islands. A working network of improved roads and bridges, particularly in rural areas, has joined communities together and become a lifeline to markets and hospitals."

The Solomon Islands Road Improvement Project is the next big transport rehabilitation project. This will build on the work of ADB's Post-Conflict Emergency Rehabilitation Project, spreading the gains more widely. Policy advice and capacity building for the Ministry of Infrastructure is part of the package, and there are plans to involve youth, school dropouts, and women's groups in local road maintenance to maximize the useful life of these arteries of commerce and peaceful existence.



The project rejoins communities separated by conflict

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Timor-Leste

Partnership priorities. ADB priorities include infrastructure, public administration, and ongoing support for the Instituicao de Microfinancas de Timor-Leste. Regional technical assistance was also approved to improve cross-border linkages between Indonesia and Timor-Leste.

Impact of operations. The concluded \$10 million ADF Road Sector Improvement Project rehabilitated about 123 km of deteriorated national roads, piloted road maintenance on 47 km of national roads using labor-intensive methods, and engaged roadside communities in feeder road maintenance.

Tonga

Partnership priorities. The joint ADB–World Bank field presence in Tonga has strengthened country-level interaction. A budget support program grant will help mitigate the impact of the global economic crisis.

Impact of operations. ADB supported state-owned enterprise (SOE) reforms. *Finding the Balance*, a 2009 comparative study of SOE performance, rated Tonga as having outperformed the Fiji Islands and Samoa in SOE reform.

Tuvalu

Partnership priorities. The country operations business plan, 2010–2012, focuses on improving public expenditure and financial management.

ADB priorities include infrastructure, public administration, and microfinance in Timor-Leste; budget support in Tonga; improving public expenditure financial management in Tuvalu; and strengthening the private sector in Vanuatu

Impact of operations. ADB continued to help upgrade the Tuvalu Maritime Training Institute to double the number of students. A program grant supported improved public financial management, including major changes in taxation legislation.

Vanuatu

Partnership priorities. The country partnership strategy, 2010–2014, focuses on transport, urban development, and energy. It aims to strengthen the private sector through an improved regulatory environment, better access to finance, and reform of state-owned enterprises.

Impact of operations. ADB continued to improve access to financial services by strengthening the Financial Services Commission's institutional framework, reforming company and bankruptcy laws, modernizing the registry of companies, and establishing a framework for secured transactions.



Once of doubtful use for heavy cargo, the improved port at Suva is now the biggest in the Fiji Islands