



Regional Operations Business Plan

November 2007

Pacific
2007–2010

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AusAID	–	Australian Agency for International Development
EU	–	European Union
GDP	–	gross domestic product
HIV/AIDS	–	human immunodeficiency virus/acquired immunodeficiency syndrome
LEAP	–	Leadership Enhancement and Advancement Program
NGO	–	nongovernment organization
PASO	–	Pacific Aviation Safety Office
PARD	–	Pacific Department
PDMC	–	Pacific developing member country
PFTAC	–	Pacific Financial Technical Assistance Centre
PIFS	–	Pacific Islands Forum Secretariat
PIPSO	–	Pacific Islands Private Sector Organization
PNG	–	Papua New Guinea
PPTA	–	project preparatory technical assistance
RCI	–	regional cooperation and integration
RCSP	–	regional cooperation strategy and program
ROBP	–	regional operations business plan
RPG	–	regional public good
SERD	–	Southeast Asia Department
TA	–	technical assistance
WPC	–	weakly performing country

NOTE

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

Vice President	C. Lawrence Greenwood Jr., Operations Group 2
Director General	P. Erquiaga, Pacific Department (PARD)
Director	E. Zhukov, Pacific Operations Division (Area A), PARD
Team leader	E. Ferguson, Economist (Regional Cooperation), PARD
Team member	J. Guthrie, Pacific Policy and Regional Cooperation Specialist, PARD

CONTENTS

	Page
I. INTRODUCTION	1
II. BINDING CONSTRAINTS TO GROWTH AND POVERTY REDUCTION IN THE PACIFIC	2
III. REGIONAL APPROACHES IN THE PACIFIC	2
IV. CONSISTENCY OF THE BUSINESS PLAN WITH ADB STRATEGIES AND WITH THE PACIFIC PLAN	4
V. AIMS AND OBJECTIVES OF THE REGIONAL OPERATIONS BUSINESS PLAN	6
VI. INDICATIVE LENDING AND NONLENDING PROGRAMS	8
A. Lending Program	8
B. Nonlending Program	8
VII. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS	10
VIII. INDICATIVE INTERNAL RESOURCE REQUIREMENTS	10
IX. RESULTS-BASED MONITORING AND MANAGEMENT	10
 APPENDIXES	
1. Development Issues and Challenges for the Pacific	12
2. Current Asian Development Bank Pacific Regional Portfolio	17
3. Indicative Lending and Nonlending Programs	20
4. Regional Operations Business Plan Results Framework	25

I. INTRODUCTION

1. Sustained development has proven challenging in the Pacific despite the efforts of governments and donors. Most of the Pacific developing member countries (PDMCs)¹ of the Asian Development Bank (ADB) are isolated, have small land masses and populations, and limited resources; these factors have contributed to the high cost of goods and services, limited economic diversification and held back the growth of the private sector. Political instability, civil unrest, weak governance and corruption have also contributed to poverty and low rates of economic growth. Islands remain vulnerable to natural disasters and the effects of climate change.

2. It is therefore not surprising that many of the more weakly performing countries (WPCs) among ADB's developing member countries are in the Pacific. The traditional response of development partners has been to provide significant levels of assistance in an effort to facilitate development, primarily at the country level. A growing, although relatively low level of assistance, has also been provided at the regional level.

3. One approach to overcoming fundamental challenges in the Pacific is through regional cooperation and integration (RCI), as it offers economies of scale and an opportunity to share capacity. The renewed political support for regionalism shown by the endorsement of the *Pacific Plan for Strengthening Regional Cooperation and Integration*² by leaders of the 16 members of the Pacific Islands Forum in October 2005 indicates the time is ripe to catalyze Pacific regionalism. Leaders recently reiterated their commitment to the evolving *Pacific Plan* at the October 2006 Forum meeting.

4. ADB's Regional Operations Business Plan (ROBP) aims to contribute to reducing poverty in the Pacific by strengthening national ownership of regional approaches, increasing the regional provision of services and improving the environment for private sector development.

5. The ROBP aligns ADB's assistance with the priorities identified in the *Pacific Plan* and in national development strategies. It is closely guided by ADB's own internal policy frameworks, in particular *A Pacific Strategy for the Asian Development Bank 2005–2009: Responding to the Priorities of the Poor*³, which outlines ADB's strategic approach to RCI. It also draws heavily on ADB's *Regional Cooperation and Integration Strategy*⁴ and its approach to improving effectiveness in WPCs,⁵ together with ADB's long experience in the Pacific.

6. The ROBP sets out strategic objectives and a pipeline of activities that build on the current ADB Pacific regional portfolio. The ROBP pursues a selective approach to providing longer-term support for regional pilot activities that (i) are aligned with country priorities, (ii) can demonstrate tangible results, and (iii) reflect ADB's areas of comparative advantage and

¹ The 14 PDMCs comprise Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

² Pacific Islands Forum Secretariat (PIFS). 2005. *Pacific Plan for Strengthening Regional Cooperation and Integration*. Suva.

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

⁴ ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

⁵ ADB. 2006. *Achieving Development Effectiveness in Weakly Performing Countries (ADB's Approach to Engaging with Weakly Performing Countries)*. Manila.

experience. It also seeks to draw on this engagement to promote greater understanding and ownership of regional approaches through its knowledge-based products.

II. BINDING CONSTRAINTS TO GROWTH AND POVERTY REDUCTION IN THE PACIFIC

7. The constraints to economic growth in the Pacific are well documented, as is the unique nature of poverty in the Pacific. Appendix 1 provides further analysis of the development challenges facing the Pacific and constraints to broad-based growth. These are summarized below.

8. Many Pacific island countries face common challenges of geographic isolation, small size, a limited resource base and a lack of human resource capacity. Weak governance structures and policies are also significant constraints to growth. Many PDMCs have experienced or continue to experience civil unrest, and ADB's country governance assessments have highlighted common problems of weak leadership, ineffective oversight institutions, weaknesses in the policy environment, and corruption. These problems contribute to low efficiency and productivity, failures in service provision, and subdued private sector development.

9. Weaknesses in macroeconomic and financial management are ongoing concerns for many PDMCs. This includes weak (i) control of public expenditure, and (ii) management of revenue streams and public debt. In most PDMCs, the public sector tends to dominate the economy and the full potential for private sector growth is not being realized. There are significant barriers to investment and private sector development, ranging from unfriendly regulatory and investment environments, to direct competition from the private sector. Poor and high cost infrastructure remains a major constraint, as does inadequate security of land tenure.

10. In many countries, job creation has not kept pace with population growth. While labor mobility offers some solutions, opportunities are constrained by the region's education systems, particularly technical and vocational training. It is also important that labor mobility not be regarded as the only option for achieving higher growth: the major challenge facing PDMCs remains how to facilitate private sector-led growth, and develop economies that can generate employment opportunities.

11. Where gains have been made these can be difficult to sustain. Pacific countries' geographic location, small size and populations, narrow economic diversification and import dependence mean that many are highly vulnerable environmentally and economically. Population growth, urban drift, weak governance and changing social structures can exacerbate existing cultural, ethnic and/or political tensions. A traditional reliance on and close relationship with the environment is also under threat, as natural resources are depleted, demand for energy increases, and countries face the adverse affects of climate change, urbanization, and pollution.

III. REGIONAL APPROACHES IN THE PACIFIC

12. Regional approaches offer one avenue for tackling constraints to economic growth in the Pacific. Issues such as environment, trade, investment, finance, transport, health and communications transcend borders: by addressing these issues on a joint basis, countries can better improve economic prospects and address complex development challenges.

13. Regional cooperation and integration provide avenues for addressing issues of

economies of scale and opportunities to share capacity. In the Pacific, this can help ease capacity constraints for government through increased regional provision of services and by improving the environment for private sector development.

14. As ADB's *Regional Cooperation and Integration Strategy* indicates, regional cooperation and integration can help improve cross border connectivity, increase regional trade and investment, mobilize regional savings for investment, reduce macroeconomic vulnerability to shocks, facilitate cooperation in regional public goods (RPGs), and improve overall governance standards across the region (footnote 4). It is an additional platform that can support and supplement activities at a country level. In this regard, regionalism can be an important tool for Pacific Island countries in pursuing national-level objectives and priorities.

15. While Pacific regionalism may make good sense theoretically, its practical uptake has moved at a measured pace. This is not unexpected.⁶ Many PDMCs are still relatively newly independent by global standards, and, as elsewhere, continue to identify vital interests in national terms.⁷

16. The Pacific differs from other ADB sub-regions in several important aspects. There are no land borders between any of the PDMCs and there is limited trade between PDMCs. Monetary and financial integration are not high on the region's agenda. There is a relatively low demand for regional physical infrastructure (although a growing demand for regional provision of the institutional elements to support infrastructure), and limited demand for support for monetary and financial cooperation.

17. Lack of a strong commitment to regionalism at a national level has proven a major constraint for many regional initiatives. Regionalism has been regarded by many Pacific Islanders as primarily a political issue and one driven by external forces. There has been a concern that it reduces national sovereignty and exposes the Pacific to unfair competition. This has been reinforced by a failure to capture economies in the regional provision of goods and services.

18. Ongoing dialogue and awareness-raising will be important to develop a broad-based understanding in PDMCs of regionalism and to build national support for regional approaches. In return, regional initiatives need to demonstrate their effectiveness and their complementarity with national-level priorities.

19. PDMCs' developing country status and pressing national issues have tended to limit the financial support individual Pacific countries have given to regional activities. PDMCs and regional organizations face very real constraints in terms of their financial, technical and human resources. PDMCs have also not been conditioned to pay for regional services, even on a cost-recovery basis, due to the tendency of donors to fund regional initiatives. A lack of strong domestic institutions has also hampered implementation of regional initiatives, in terms of commitments, resources and the ability to build support for and interest in regional issues within PDMCs.

⁶ While the European Union is often held up as a model of regional integration, it must be remembered that its historical roots are in the Second World War; it has taken 60 years and the provision of significant resources by its developed members to reach today's level of integration. Europe also has many centuries of diplomatic, trade and social relations upon which to build.

⁷ Indeed, some PDMCs are still struggling with the concept of nationhood; for example, Bougainville in Papua New Guinea waged an armed campaign for independence in the 1990s, and consideration is being given to decentralization in the Solomon Islands.

20. Commitment to regional approaches has varied between countries, with activities likely to be more sustainable where participating countries have self-selected these initiatives. As the *Pacific 2020*⁸ report has noted, individual countries also need to be supported by guidance on implementation and review of regional activities.

21. There has been a renewed emphasis on regionalism in the Pacific since 2005—primarily under the auspices of the *Pacific Plan*—and a growing recognition by Pacific leaders of the opportunities that regional action provides to address the binding constraints facing the Pacific. A number of regional initiatives supported by ADB and other donors are now underway, and will be important in demonstrating how regional efforts can address development challenges and add value to country-level objectives.

22. The governing councils of the various regional organizations remain important avenues for promoting Pacific ownership and participation. There is also growing participation in regional fora from private sector and nongovernment organizations (NGOs). Many consultation mechanisms⁹ are relatively new at the regional level, but their development and the participation by the private sector and NGOs in public discussion of regional issues bodes well. The challenge will be to continue this dialogue nationally and sub-nationally.

23. Given the history of regionalism in the Pacific, it will be important to adopt a measured approach that focuses on demonstrating where regional action can add value to country-level objectives. This will need to be supported by the promotion of dialogue on, and understanding of, regional issues at a national level.

IV. CONSISTENCY OF THE BUSINESS PLAN WITH ADB STRATEGIES AND WITH THE PACIFIC PLAN

24. ADB's *Regional Cooperation and Integration Strategy*, its *Pacific Strategy*, and its approach to WPCs provide a framework to effectively target regional assistance to the Pacific. The *Regional Cooperation and Integration Strategy* aims to support poverty reduction through regional collective action based on four pillars: (i) programs on cross-border infrastructure; (ii) related software, trade and investment; (iii) money and finance; and (iv) RPGs.

25. The *Regional Cooperation and Integration Strategy* highlights four roles ADB can play in supporting regional cooperation and integration. These include (i) providing financial resources, (ii) acting as a “knowledge bank,” (iii) helping PDMCs and regional and sub-regional bodies to build institutional capacity to manage RCI, and (iv) serving as an “honest” broker by catalyzing and coordinating RCI.

26. These closely reflect ADB's comparative advantage in the Pacific. ADB has an ongoing role in financing development of RPGs in key sectors such as governance, environment and education. It has an important role as a knowledge bank, in terms of policy and technical advice on key regional issues. Finally, it is well placed to assist PDMCs and regional organizations in managing RCI more effectively through its emphasis on working to improve PDMC capacity to manage for development results.

27. The Pacific ROBP is closely guided by the ADB's *Pacific Strategy*. The *Pacific Strategy*

⁸ Government of Australia. 2006. *Pacific 2020*. Canberra.

⁹ For example, the Pacific Islands Private Sector Organization (PIPSO) came into being in 2005, adopting a constitution in November of that year; in the same year the Pacific Islands Forum Secretariat developed a ‘Framework for Engagement with Non-State Actors.’

provides a framework for operations in the 14 PDMCs and in support of regional cooperation in the Pacific,¹⁰ and directs ADB resources to addressing the fundamental challenges the Pacific faces.

28. The *Pacific Strategy* perceives regional cooperation as playing an important complementary role to ADB engagement and operations at the country level, although it is through country engagement that fundamental needs, i.e., strengthening of policies and institutions, can best be addressed. The *Pacific Strategy* envisages regional cooperation as “improving the environment for the private sector and supporting the provision of basic social services through providing RPGs including in specialized skills areas; contributing to service delivery, including strengthened financial management; promoting knowledge sharing and economies of scale; and supporting improved governance and development processes through peer accountability”.¹¹

29. The mid-term review of the *Pacific Strategy* is ongoing, and is scheduled for completion in late 2007. It is expected to further strengthen the discussion of how regional cooperation can contribute to ADB’s overarching objectives in the Pacific.

30. The ROBP draws on extensive sectoral and thematic studies undertaken by ADB and other organizations in identifying the areas where ADB can best target its efforts. It also draws on lessons from ADB’s long history of support to the Pacific to be more selective in its areas of engagement and to strengthen the development impact of future regional activities. ADB’s regional-level assistance to the Pacific between 1977 and 2006 has totaled over \$46 million. ADB’s Evaluation Information System captures lessons from a range of evaluations in the Pacific and elsewhere, and highlights the importance of issues such as national ownership and targeting areas of comparative advantage.

Lessons from Assistance to the Pacific

The regional operations business plan draws lessons from the Asian Development Bank’s development experiences in the Pacific to strengthen the development impact of future regional activities. Some lessons stand out:

- Regional initiatives are most successful when they directly address national needs and priorities.
- ADB is most successful when support complements and builds upon sectors and themes in which it has performed strongly in the past, and that reinforce the focus at the national level.
- Subregional approaches can be very successful by allowing for variation in emphasis and approach for self-selecting groups of countries with heightened commitment.
- Consultative and participatory processes contribute to success by generating ownership of activities and promoting sustainability.
- Developing understanding of the benefits and costs of regionalism within countries provides a foundation for successful regional interventions.
- Successful regional interventions can be time and resource intensive, requiring long-term engagement.
- Governments must take responsibility for creating an environment where government actions are not counterproductive to private sector growth and development objectives.

¹⁰ Prior to the development of the *Pacific Strategy*, ADB’s *Regional Cooperation Strategy and Program (RCSP) 2004–2006* guided ADB’s regional assistance to the Pacific. The *RCSP 2004–2006* strongly reflected ADB priorities at the time of its commencement and built upon the existing regional assistance program.

¹¹ ADB. 2005. *Pacific Strategy 2005–2009*. Manila (p. 31).

31. The ROBP also takes guidance from ADB's recently approved approach on WPCs, which sets out flexible and effective engagement strategies, including a focus on longer-term capacity development and on participatory approaches that engage civil society and the private sector along with governments. Many PDMCs are classified as WPCs, while others that do not display all characteristics of WPCs remain vulnerable to internal and external shocks, and would benefit from such a specialized approach. Implementation of the ROBP will also benefit from the findings and directions to be drawn from an ongoing Pacific Capacity Development Study.

32. The ROBP is also aligned with, and supports, regional priorities identified by PDMCs themselves through the *Pacific Plan*. The *Pacific Plan* provides an important frame of reference for national and regional decision making and for guiding donor assistance. In October 2006, Forum Leaders reiterated their commitment to the *Pacific Plan* and the Kalibobo road map, which lists priority initiatives over the first three years of the Plan.

33. The ROBP supports *Pacific Plan* initiatives in areas where ADB has a comparative advantage, including good governance and economic growth. The results framework at Appendix 4 outlines the relationship between *Pacific Plan* objectives and ROBP outcomes and activities.

34. By emphasizing dialogue around regional policy issues and application through pilot approaches, ADB will be an active partner in regional policy discussions. The ROBP retains the flexibility to respond to a dynamic and growing Pacific regional agenda and to engage on emerging priorities for the Pacific.

V. AIMS AND OBJECTIVES OF THE REGIONAL OPERATIONS BUSINESS PLAN

35. The ROBP aims to reduce poverty in the Pacific by strengthening national ownership of regional approaches, increasing the regional provision of services, and improving the environment for private sector development.

36. ADB's approach focuses on building opportunities for effective regional cooperation and integration in the Pacific, by promoting national-level dialogue about, and ownership of, regional actions, and focusing only on support for activities that provide direct benefits to PDMCs and clearly support country-level interests. This involves prioritizing support for activities with clear country-level benefits that offer effective models for regional cooperation and integration.

37. Lessons from current and previous activities indicate that understanding of developing countries of the benefits and costs of regionalism are necessary as a foundation for successful regional interventions. To this end, ADB will support inclusive, participatory and consultative dialogue and information sharing with stakeholders on regional issues. This will include the provision of knowledge products and policy advice. It will help develop awareness, understanding and public debate of regional issues, and create the foundation for the acceptance and success of subregional actions to address priority issues.

38. Specific subregional pilot activities will provide direct benefits to participating PDMCs and will become models for further regional interventions. This is based on ADB's experience that incremental, flexible and participatory approaches will be more effective in achieving development gains, given the modest resources available. These activities will focus on areas where ADB has a proven track record, where progress has been made to date, and where the potential exists for gains to become quickly apparent.

39. This approach will guide the ROBP's three strategic objectives, which focus on addressing the binding constraints facing the region, by:

- (i) supporting the efficient provision of priority RPGs,
- (ii) improving the environment for private sector development, and
- (ii) improving outcomes in PDMCs and regional organizations in managing for development results.

40. The current ADB Pacific regional portfolio (see Appendix 2) will continue to contribute substantially to the achievement of the strategic objectives. Priorities for support will include ADB's Private Sector Development Initiative, provision of regional aviation safety services through the Pacific Aviation Safety Office (PASO), provision of financial technical assistance (TA) through support to the Pacific Financial Technical Assistance Centre (PFTAC), ongoing work in education and support for the Pacific Regional Audit Initiative. These initiatives have demonstrated a link to meeting national needs through regional action and have the potential to become important drivers in regional cooperation and integration.

41. As success in these areas gradually helps to stimulate demand for, and ownership of, regional approaches, it is likely that issues such as trade, infrastructure and climate change will increasingly demand regional action. It is anticipated that this may give rise to a growing focus on the provision of RPGs in the Pacific over the life of the ROBP. ADB is well placed to assist PDMCs on a number of priority RPGs, including (i) environment and regional responses to climate change; (ii) disaster preparedness; (iii) education; and (iv) governance, including (a) regional approaches to regulation and oversight, (b) expansion of trade relationships, and (c) building the software to improve regional connectivity. Support for cross-border infrastructure and related software and trade facilitation activities will be important aspects.

42. The Pacific Islands Forum Secretariat (PIFS) and the other agencies comprising the Council of Regional Organisations in the Pacific play important roles in coordinating donor efforts and providing TA to their Pacific member countries, and will be important implementation partners. ADB will leverage its limited regional resources by working closely with key development partners in the Pacific—including Australia, the European Union, and New Zealand—that can provide support to joint activities. Partnerships also serve to avoid overlap and duplication. ADB will seek to identify and utilize flexibility in its processes and procedures to simplify cooperation with other development partners to make sure the partnerships work effectively. Mechanisms such as the ADB-World Bank-Australian Agency for International Development (AusAID) Cooperation Agenda will be important in guiding harmonization efforts. At a sectoral level, an Infrastructure Working Group comprising representatives from ADB, AusAID and the World Bank will aim to strengthen donor coordination and harmonization.

43. The pipeline for 2007–2010 (see Appendix 3) articulates the proposed sequencing of activities. The ROBP presents a more selective approach to engagement within the available resourcing envelope for 2007–2010, based on those areas that are clearly linked to national priorities and that have the potential to tangibly demonstrate the benefits of regional engagement.

VI. INDICATIVE LENDING AND NONLENDING PROGRAMS

A. Lending Program

44. Priority lending assistance will support the development of key subregional infrastructure and complementary trade facilitation services along the land border of Papua New Guinea (PNG) and Indonesia, and along the land border of Timor-Leste and Indonesia. This will significantly improve connectivity and promote opportunities for increased regional trade.

45. These loans will be in the form of parallel country loans directed to a common regional project. Each loan would be expected to be around \$10.0 million and would be drawn from Asian Development Fund (ADF) resources.

46. For both projects, there will be close cooperation between ADB's Pacific Department (PARD) and the Southeast Asia Department (SERD). SERD will assist with the coordination and facilitation on the Indonesian side of both the Timor-Leste/Indonesia and PNG/Indonesia projects, and will closely work with PARD to realize the proposed projects. This cooperative arrangement is also reflected in the interface between this ROBP and the SERD Regional Cooperation Strategy for archipelagic Southeast Asia, currently under preparation. The development of these two regional programs has been closely coordinated.

47. There is a need to be realistic about the potential for regional loans in the Pacific. The length of time and the labor intensiveness of processing what can only be expected to be small-value loans by ADB standards must be recognized. The PNG/Indonesia and Timor-Leste/Indonesia border region projects are all currently at the very earliest stages of development and will require significant consultation and planning. An Indicative Assistance Pipeline for Lending Products for 2007–2010 is in Appendix 3 (Table A3.1).

B. Nonlending Program

48. The assistance provided through the ROBP will be predominantly in the form of regional TA. The indicative annual nonlending Pacific regional program is \$3.15 million for 2007–2010.

49. The ROBP sets out a pipeline of new activities supporting achievement of the three objectives. An Indicative Assistance Pipeline for Nonlending Products for 2007–2010 is in Appendix 3, Table A3.2. Further details of the activities for 2007 are set out in Appendix 3, Table A3.3.

50. Support for nonlending activities has been prioritized according to the criteria outlined in paragraph 36 above, which will serve to maximize buy-in from partner governments. This builds on principles for effective engagement in WPCs, in particular selectivity in focus, development of effective partnerships and longer-term approaches. They will include the following activities in support of each of the strategic objectives:

- (i) Support the effective provision of RPGs.
 - (a) Ongoing funding of PFTAC in 3-year cycles in support of the regional provision of TA in public financial management, tax administration and policy, banking regulation and supervision, and macroeconomic and financial statistics. PFTAC is now well established in the region, and there

is ongoing demand for its activities. Expertise in these areas is not readily accessible at national levels.

- (b) Continued support for the implementation of the Pacific Regional Audit Initiative design and road map being developed with the support of TA (Strengthening Governance and Financial Management in PDMCs¹²). This has demonstrated buy-in from national auditors-general.
 - (c) Building on TA (Improving Delivery of Infrastructure Services¹³) by providing support for the creation of a Regional Advisory Service for Infrastructure Regulation to meet country demands.
 - (d) Project preparatory support for the regional connectivity projects proposed for Timor-Leste/Indonesia and PNG/Indonesia in support of improved trade connections, to facilitate consultation with governments and other key stakeholders as part of the design phase.
 - (e) Continued assistance in the education sector, including support for successful national initiatives, by supporting development of teacher policies and strategies with a focus on creating an environment conducive to skills development to enable workforce participation. This will seek to address current discrepancies between employment opportunities and the skills of job seekers.
 - (f) Working with international and regional organizations to develop regional partnerships for climate change adaptation and disaster preparedness. This will include enhancing linkages with other ADB programs, to help Pacific countries adopt investment programs, plans, policies and other actions to adapt to climatic conditions.
- (ii) Improve the environment for private sector development through the ongoing Private Sector Development Initiative.¹⁴ This aims to improve the business environment in Pacific Islands by promoting effective private sector development policies and practices. It focuses on financial intermediation; the institutional, legal, and regulatory business environment; and state-owned enterprise reform and public-private partnerships.
- (ii) Improve PDMC and regional outcomes in managing for development results.
- (a) Continued support for results-based management in the Pacific through strengthening of statistics collection; strengthening of demand for statistics as a basis for sound decision making, including enhanced policy formulation; and by building linkages with other ADB-managing-for development-results-initiatives.
 - (b) Expanded assistance to PDMCs to improve project administration and implementation in support of strengthened results-based management for development outcomes.

¹² ADB. 2006. *Regional Technical Assistance for Strengthening Governance and Financial Management in PDMCs*. Manila (TA 6257-REG, approved on 7 December 2006, for \$1,579,000).

¹³ ADB. 2005. *Regional Technical Assistance for Improving Delivery of Infrastructure Services*. Manila (TA 6257-REG, approved on 15 September 2005, for \$800,000).

¹⁴ ADB. 2006. *Regional Technical Assistance for the Private Sector Development Initiative*. Manila (TA 6353-REG, approved on 21 November 2006, for \$8,700,000).

- (c) Enhanced engagement in PDMCs through the opening of three in-country liaison offices, two of which are to be operated jointly with the World Bank.
- (d) Assistance for selected PDMCs to establish national health accounts as the basis for expenditure monitoring and evidence-based policymaking in the health sector.
- (e) Support for the participatory development, dissemination and discussion of knowledge products on key subregional issues within ADB's sphere of comparative advantage, including ADB's Pacific islands economic report.
- (f) Continued support for the development and widespread dissemination of leadership skills training packages designed specifically for the Pacific through a second phase of ADB's Leadership Enhancement and Advancement Program (LEAP) II.
- (g) Expansion of support to strengthen and build the capacity of civil society to contribute to, and participate in, development-related decision making in the Pacific.
- (h) Support for analysis of issues faced by national social protection schemes (including provident funds) in the Pacific, and identification of improved approaches to managing risks.

51. ADB's commitment to regional-level policy dialogue, through participation in key regional meetings and engagement with the private sector and civil society, will support a wider awareness and understanding of issues being addressed through regional ADB assistance and contribute to the success of these activities.

52. ADB will maintain the flexibility to respond to emerging issues in the Pacific in which it has the expertise and comparative advantage to provide assistance. ADB will also seek opportunities to utilize new and innovative financing instruments that meet the needs of PDMCs.

VII. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

53. The years covered by this business plan do not overlap with those covered by the *RCSP 2004–2006* and hence there are no changes to the lending and nonlending programs.

54. The proposed lending and nonlending programs have been designed to ensure consistency with, and support for, ADB's internal policies and strategies and the Pacific region's strategy (*Pacific Plan*), as discussed in Section II.

VIII. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

55. It is estimated that 60 person-weeks would be required for the processing and administration of the lending program and 180 person-weeks would be required for the processing of the non-lending program.

IX. RESULTS-BASED MONITORING AND MANAGEMENT

56. Placing the ROBP in a clear results framework is especially important given the diverse operating environments encountered. It is important to remain realistic about what ADB can achieve, and to recognize that progress will be incremental.

57. It is anticipated that activities under the ROBP will contribute to the following outcomes:

- (i) The efficient provision of RPGs, including strengthened public sector financial management capacity, regional infrastructure services development, and improved provision of basic social services.
- (ii) An improved environment for private sector development, including state-owned enterprise reform and expansion of public–private partnerships, financial sector reform, and a strengthened institutional, legal, and regulatory business environment.
- (iii) Managing for development results by PDMCs and regional organizations, and in particular increased national ownership of regionalism as a response to priority development challenges, and the use of data, information and analysis to promote managing for development results.

58. ADB's approach will contribute to these outcomes in two ways. Individual activities will have well-defined objectives that will aim to produce realistic and measurable outputs in support of regional approaches. As pilot approaches, they will also produce lessons to guide other activities and contribute to the regional policy dialogue.

59. Support for country-level dialogue on regional issues will be important in reinforcing national ownership of regional approaches. This dialogue includes reporting on achievements, and building awareness and ownership through sharing of lessons and promotion of nationally-led, harmonized approaches.

60. A small number of measurable indicators (including process indicators) are identified against each outcome in the ROBP Results Framework. The results framework is in Appendix 4, and draws on the indicators contained in the *Pacific Plan* and ADB's *Pacific Strategy*. The ROBP and results framework will be reviewed annually and modified as necessary to ensure that they remain current.

61. Design and monitoring frameworks at the activity level will be linked to the results framework. PARD is strengthening its approach to results-based management, which will include developing systems that draw on design and monitoring framework data to periodically monitor progress. This will feed into the annual review of the ROBP.

DEVELOPMENT ISSUES AND CHALLENGES FOR THE PACIFIC

1. There has been extensive analysis of the development issues and challenges facing the Pacific, both by the Asian Development Bank (ADB) in the form of strategy development and thematic assessments,¹ by regional organizations in support of the *Pacific Plan*,² and by donors to the region.³ Assessment of progress in implementing the Millennium Development Goals in the region has also highlighted remaining development challenges, as well as some successes. Furthermore, extensive country consultations have been undertaken as part of ADB's country programming processes, as well as during the development of the *Pacific Plan*, and countries themselves have set out their priorities in their national development strategies. This analysis forms the foundation of the Regional Operations Business Plan (ROBP).

A. The Unique Nature of Poverty in the Pacific

2. Primary among the region's development challenges is the unique nature of poverty in the Pacific. Weak economic performance associated with rapid population growth, limited new formal sector employment opportunities, urban drift, and changes in traditional support mechanisms have led to the recognition that a growing proportion of people are living in poverty. These people lack access to services, face unemployment, and struggle to provide housing and other basic needs. They are also faced with comparatively high living costs, due not only to both diseconomies of scale and isolation, but also to inefficient delivery of services and the absence of a competitive private sector. Women are particularly vulnerable to poverty, and there is a need to focus more closely in the Pacific on gender-related differences in the impact of development challenges.

3. Per capita gross national product figures vary significantly across the Pacific, ranging in 2005 from \$590 in the Solomon Islands to \$7,630 in Palau.⁴ However, these figures do not reflect the actual consumption and welfare levels in the Pacific, as they do not account for the share of aid, unequal distribution of income, high cost of living in small island states, and the extent of subsistence lifestyles.

B. State Fragility and Vulnerability in the Pacific

4. Many Pacific developing member countries (PDMCs) have experienced or continue to experience major disruptions related to the overthrow of governments and civil unrest. They exhibit poor and declining performance, frequently as a result of the inability of the government to provide for security and safety, manage public resources and/or deliver basic social services.

¹ ADB. 2005. *A Pacific Strategy for the Asian Development Bank 2005–2009*. Manila; ADB. 2005. *Hardship and Poverty in the Pacific*. Manila; ADB-Commonwealth Secretariat. 2005. *Towards a New Pacific Regionalism*. Manila; ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*. Manila; ADB. 2004. *Pacific Regional Environment Strategy 2005–2009*. Manila; ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Manila; ADB. 2003. *Regional Cooperation Strategy and Program 2004–2006 The Pacific*. Manila; and ADB. 2003. *Information and Communication Technology for Development in the Pacific*. Manila.

² The Pacific Islands Forum Secretariat presents regional sectoral and thematic reports on thirty topics. Available: <http://www.forumsec.org.fj>.

³ See Government of Australia. 2006. *Pacific 2020*. Canberra. and related background papers (on agriculture, land, the private sector, political governance, and a framework for growth). Available: http://www.ausaid.gov.au/publications/pubout.cfm?ID=9848_8641_1852_9210_4036&Type=; and Duncan, R. and J. Gilling. 2005. *Pacific Island Countries: Analytical report for the White Paper on Australia's aid program*. Canberra.

⁴ ADB. 2007. *Asian Development Outlook 2007*. Manila. Available: <http://www.adb.org/Documents/Books/ADO/2007/default.asp>.

5. ADB's country governance assessments⁵ have highlighted common problems with weak leadership, ineffective oversight organizations (such as the ombudsman, attorney general, auditor general, and public service commission), weaknesses in the policy environment, and corruption. These problems contribute to low efficiency and productivity in the public sector, failures in service provision, and subdued private sector development.

6. Many existing governance structures originated in the colonial era, and may not (i) be appropriately designed to meet the current needs of PDMCs, (ii) be functioning effectively, and/or (iii) have access to the required financial and human resources. Leaders can face demands from kinship groups that conflict with national considerations, and often receive little guidance or support in executing their roles and responsibilities. Women are insufficiently represented in leadership positions in many PDMCs.

7. Lack of capacity in the public service is a common challenge across the Pacific. Various studies have highlighted deficiencies in policy formulation, analysis and implementation, as well as a lack of statistical information upon which to base policy decisions. This is a result of a number of factors, including the typically small population sizes, narrow skill base of public sector employees, small size of departments or ministries, extensive range of government activities, frequent staff movement within the public sector, limited financial resources of government, and the migration of skilled people. It cannot be assumed that public servants will play their role effectively, and in some cases, countries are seeking long-term provision of external capacity to fill line public service positions.

8. Any development progress that is realized can be quickly lost due to the effects of natural disasters, economic shocks or social unrest. The geographic location, small size (in terms of area and population), narrow economic diversification, import dependence, and open economies of PDMCs mean that they are extremely vulnerable, both environmentally and economically.

C. Constraints to Broad-based Growth

9. Gross domestic product (GDP) growth in the Pacific averaged only 1.5% annually over the last decade, causing the Pacific region to fall further behind other developing regions. This has meant that the Pacific is unable to provide the financial resources to keep pace with the social aspirations of its growing population. While external factors play a role in this, growth has also been constrained by weaknesses in macroeconomic and financial management.

10. Sustained control of public expenditure, and management of uneven or unpredictable revenue streams (predominantly from tourism, fisheries, agriculture, trust funds, and increasingly, remittances),⁶ are perennial concerns for many PDMCs. Public debt is also a growing problem. These are all areas in which donors have actively assisted to build capacity and improve systems over the years,⁷ and there is demand for continued support. In the case of the small PDMCs, it may be impossible to sustain the required skills in-country.

⁵ ADB. 2004. *Governance in the Pacific: Focus for Action 2005–2009*. Manila. Available: <http://www.adb.org/Documents/Books/Governance-in-the-Pacific/default.asp>.

⁶ ADB. 2005. *Remittances in the Pacific: An Overview*. Manila.

⁷ During the late 1980s to late 1990s, ADB provided assistance in the form of loans and supportive technical assistance to facilitate economic, structural and public sector reforms in Cook Islands, Marshall Islands, Federated State of Micronesia, Samoa, Solomon Islands and Vanuatu. In some cases, however, performance indicators such as public sector employment have since slipped back toward pre-reform levels.

11. The important role of the private sector in generating economic growth is widely recognized, yet in the PDMCs the public sector tends to dominate the economy⁸ (particularly in the smallest countries), and private sector growth has been disappointing. There is potential for private sector growth in key productive sectors, but this is not being realized. Factors raising the cost of doing business include an unfriendly regulatory/investment environment, direct competition from the public sector, underdeveloped financial markets, high cost and/or poor quality infrastructure services, poor governance, and issues related to natural resource and land management.⁹ The business or economic skills and aptitudes of Pacific islanders also need to be improved.

12. Government imposition of excessive requirements for registration and licensing of businesses, and widespread (and often unsuccessful) government ownership of businesses are both pervasive in the Pacific. The rationale for government involvement has been that the private sector would not, or could not, meet the needs of small markets. The result has been inefficient government provision of goods and services (such as communications and transport), with some governments even taking active steps to restrict business opportunities in some sectors—including tourism and retail sales.

13. Limited private sector development has meant that job creation in many PDMCs has not kept pace with population growth. Labor mobility has been viewed as one solution to the lack of local job opportunities in PDMCs, and Pacific leaders have endorsed the exploration of opportunities for labor mobility schemes.¹⁰ Understanding of labor mobility issues is expanding through current research in various areas, including remittances, economic costs and benefits, and social impacts. Successful labor mobility schemes rely on providing people with the job skills required in developed economies. In this respect, support for education, particularly technical and vocational training, is a critical element in enhancing the job opportunities available to Pacific Islanders, and hence the potential for engendering broad-based economic growth in the Pacific.

14. While trade, investment and labor flows between the islands remain very small, the potential for this to change to some degree does exist. The Pacific Island Countries Trade Agreement and the Pacific Agreement on Closer Economic Relations are designed to promote greater regional trade as a stepping stone to closer integration with the world economy. Other trade-related issues—World Trade Organization engagement and Economic Partnership Agreement negotiations with the European Union (EU)—have been approached regionally with positive results. Trade liberalization entails adjustment costs but also brings benefits in terms of improved international competitiveness. The waiver to the EU market, which has provided Pacific countries with preferential access in the past, will expire in 2007. Pacific countries will need to consider how to adjust to growing competition from 2008 onwards, and how to best meet the high technical standards of the EU and other markets.

15. Inadequate security of land tenure is also a barrier to investment. Land is one of the principal assets of indigenous Pacific islanders, and cannot be easily mobilized for productive economic purposes. Land tenure is a contentious and complex issue requiring culturally-

⁸ In 2004, PDMC government expenditure ranged from 20% of GDP to above 100%, with a regional average of 33.5%. Public investment outstrips private investment in smaller countries. While the private sector employs about 60% of the labor force in the formal sector in the larger countries, the proportion is much lower in smaller countries.

⁹ ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Pacific Studies Series. Available: http://www.adb.org/Documents/Books/Swimming_Against_Tide/default.asp.

¹⁰ Pacific Islands Forum. 2006. *Forum Communiqué, 37th Pacific Islands Forum*. Nadi, Fiji Islands.

sensitive and innovative approaches, but most PDMC governments are not actively seeking solutions.

D. Social and Environmental Challenges

16. Existing cultural, ethnic and/or political tensions in many Pacific Island countries have been exacerbated by weak governance structures, rapidly changing societies and the uneasy coexistence of traditional and modern cultures. This has contributed to an increase in social problems across the Pacific. Rapid population growth, urbanization and exposure to the lifestyles of developed countries are fuelling a growing demand for basic social services that most PDMCs are unable to meet. The burden of both communicable diseases, particularly HIV/AIDS, and non-communicable diseases is increasing, stressing the capacity of already weak institutions. Education systems are also under increasing strain.

17. While women in the Pacific have made significant progress toward equality and empowerment, women remain disadvantaged in many areas, including education, employment, and political representation. The key challenge is to turn rhetoric into action and accelerate the pace of change.

18. Societies in the Pacific have traditionally had a close relationship with and reliance on the environment. Subsistence farming has been a buffer against poverty, natural resources—including fish, timber and minerals—are significant contributors to GDP, and the environment is central to tourism opportunities.

19. The economic role played by the environment is under threat, however. These threats are well documented in ADB's *Pacific Region Environment Strategy 2005–2009*,¹¹ including dwindling supplies of freshwater; depletion of forest, coastal and marine resources; increased demand for energy; growing pollution; and the adverse impact of climate change. The Pacific Islands also remain highly vulnerable to natural disasters, as witnessed by the April 2007 tsunami in the Solomon Islands. Meeting these threats will require concerted regional and national efforts, in particular regarding climate change adaptation and disaster preparedness and management.

E. Challenges in Donor Harmonization and Alignment

20. The Pacific region has received high per capita levels of aid over many decades, yet this has not always translated into significant improvements in key development indicators. Continued changes in aid management processes at the national level are needed to promote ownership and greater alignment of development partners' commitments with national priorities. There needs to be further effort to strengthen country systems to allow eventual development of partner harmonization with, and use of, country systems.

21. Linkages between national development strategies and budget processes need to be improved, and the statistical base for decision making needs to be strengthened. There have been efforts to move to the use of medium-term budget frameworks to support a longer planning horizon, but these remain rudimentary in many countries. Regional efforts in statistical support and strengthening have been proving successful, but decision-making processes still suffer from a lack of rigorous analysis and accurate data.

¹¹ ADB. 2004. *Pacific Region Environment Strategy 2005–2009*. Manila.

F. The Role of a Regional Approach

22. The Pacific differs from other ADB sub-regions in several important aspects. There are no land borders and limited trade between the PDMCs. Monetary and financial integration are not high on the region's agenda. There is a low demand for regional physical infrastructure—although a growing demand for regional provision of the institutional elements to support infrastructure—and limited demand for support for monetary and financial cooperation.

23. As ADB's *Regional Cooperation and Integration Strategy*¹² identifies, however, there is a strong rationale for regional efforts to build the “software” to improve connectivity and minimize the cost and constraints of isolation, by creating more efficient and effective regional aviation, shipping, and communications markets. There is a need for RPGs that enhance skills, knowledge and technology transfer, and in particular, a need to build regional institutional capacity as a complement to limited national capacity. The *Regional Cooperation and Integration Strategy* highlights four roles ADB can play in supporting RCI:

- (i) Providing financial resources for RCI projects, programs and related TA, and/or help PDMCs mobilize funding and TA.
- (ii) Act as a “knowledge bank” by creating, consolidating and disseminating knowledge and information on RCI to PDMCs.
- (iii) Help PDMCs and regional and subregional bodies build institutional capacity to manage RCI.
- (iv) Serving as an “honest broker” by catalyzing and coordinating RCI.

24. ADB will continue to supply financing in support of regionalism in the Pacific, but will also increase its focus on (i) knowledge products that better target the analytical needs of the region; and (ii) providing the effective means to reform, reconstruct, maintain and sustain infrastructure and services, which are crucial to development in the region. Extensive consultation and participation to identify and build on the effective demand for reform and development are likely to play an important role. It is envisaged that efforts to build regional capacity will increase as more reliance is placed on the regional provision of public goods.

25. ADB will also take a more active role in catalyzing regional development, through policy dialogue involving all stakeholders. This dialogue needs to identify the policy and institutional environment required to facilitate regional cooperation, such as improved governance, sound economic management and a supportive environment for doing business. It is through this approach that an environment conducive to the acceptance and success of regional activities will be developed.

26. Regionalism that resonates in the Pacific must focus on creating economic opportunity, both by easing capacity constraints for government through increased regional provision of services, and by improving the environment for private sector development. This will support a regionalism that directly meets national needs and priorities.

¹² ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

CURRENT ASIAN DEVELOPMENT BANK PACIFIC REGIONAL PORTFOLIO
(As of 26 October 2007)

RETA No.	TA Name	TA Objective	Amount	Approval Date	Expected Completion Date	Countries
A. Support for Regional Public Goods						
6207	Pacific Regional Social Protection Systems	To improve Pacific governments' capacity to develop social protection policies and programs for the poor and vulnerable.	\$500,000	14 Dec 2004	15 May 2007 (being closed)	FIJ, KIR, PAL, RMI, SOL, TON, VAN
6241	Socioeconomic Implications of HIV/AIDS in the Pacific	To strengthen the regional response to HIV/AIDS in the Pacific.	\$300,000	29 Apr 2005	31 Dec 2007	All PDMCs
6259	Aviation Legislative and Regulatory Review	Provide assistance to PASO to (i) create a harmonized regulatory environment based on a common set of standards and recommended practices enabled in national law; (ii) audit and recertify commercial air transport operators to provide a common baseline for compliance monitoring, and (iii) create an information system for recording, archiving, and retrieving inspection, surveillance and certification reports.	\$450,000	22 Sep 2005	31 Oct 2010	FIJ, KIR, PNG, SAM, SOL, VAN
6281	PFTAC 2005–2008	To continue the provision of ADB support to PFTAC so that the center can provide capacity building, policy advice, and practical TA to PDMCs, and assist them institute more effective and efficient economic and financial governance, better allocate public resources, and improve macroeconomic stability.	\$800,000	9 Dec 2005	30 Apr 2008	All PDMCs except TIM
6360	Strengthening Governance and Financial Management in PDMCs	To promote good governance through improved transparency, accountability, and efficiency in managing and using public resources in the Pacific.	\$1,579,000	7 Dec 2006	30 Nov 2009	All PDMCs except TIM
Grant No. 0021-REG	HIV/AIDS Prevention and Capacity Development in the Pacific	To halt and begin to reverse the spread of HIV/AIDS in the Pacific by 2015. The purpose is to have an effective response to HIV/AIDS in place in PDMCs in regards to government and community capacity to address HIV/AIDS, through the implementation of the ADB Pacific region road map on HIV/AIDS.	\$8,000,000	8 Nov 2005	31 Mar 2010	All PDMCs except PNG and TIM
Loan No. 2183	Establishment of the Pacific Aviation Safety Office	The loan will complete the establishment of PASO, and make it fully operational and able to provide aviation safety and security expertise to PDMCs.	\$1,500,000	22 Sep 2005	31 Oct 2010	FIJ, KIR, PNG, SAM, SOL, VAN
B. Improving the Environment for Private Sector Development						
6162	Improving the Legal Business Environment in the Pacific Region	To improve the legal business environment in the Pacific islands in support of the development of a strong and dynamic private sector.	\$800,000	19 Dec 2003	31 Dec 2007	FIJ, RMI, SOL

RETA No.	TA Name	TA Objective	Amount	Approval Date	Expected Completion Date	Countries
6166	Pacific Regional Transport Analysis	To improve the efficiency and effectiveness of transportation services through reform of public sector operations and policies and increased private sector participation in service provision.	\$467,000	9 Jan 2004	30 Sep 2007	FIJ, SOL, TIM, TON
6202	Diagnostic Studies for Secured Transactions Reforms	To design and reach agreement with PDMC governments on a sound secured transaction reform package in each participating PDMC, and prepare them for implementation, with the goal of improving the access of the private sector to affordable credit.	\$870,000	3 Dec 2004	31 May 2008	FIJ, PNG, RMI, SOL
6257	Improving Delivery of Infrastructure Services	To identify the necessary reform actions and develop innovative regional and private sector approaches that directly impact on the management of infrastructure service delivery in PDMCs, including exploring opportunities for regional collaboration and private sector participation.	\$800,000	15 Sep 2005	30 Oct 2007	All PDMCs
6268	Implementation of Pacific Education Strategy: Skills Development	To ensure more effective public and private investment in skills development.	\$975,000	4 Nov 2005	15 Aug 2008	All PDMCs except TIM
6353	Private Sector Development Initiative	To improve the business environment by promoting effective private sector development policies, strategies, practices, and activities in priority areas, as measured by improved ratings in selected World Bank "Doing Business" indicators, and ongoing qualitative assessments through ADB private sector assessments.	\$8,700,000	21 Nov 2006	30 Nov 2011	All PDMCs
C. Improving Outcomes in PDMCs and Regional Organizations in Managing for Development Results						
6009	Capacity Building and Regional Cooperation for Economic Statistics in Selected PDMCs	To upgrade the capacity of concerned agencies to prepare a minimum set of economic statistics, particularly the key economic indicators, in selected PDMCs and support regional cooperation for the same.	\$500,000	13 Dec 2001	31 Oct 2007	COO, FIJ, PNG, SAM, VAN
6157	Strengthening Poverty Analysis and Strategies in the Pacific	To assist PDMCs to develop the capacity to formulate pro-poor strategies and budgets in a participatory manner, thereby enabling them to reduce poverty and achieve progress toward the MDGs.	\$1,000,000	18 Dec 2003	30 Nov 2007	All PDMCs
6164	Institutional Strengthening & Capacity Building to Handle Public Procurement	To provide the procurement staff of various government agencies with an understanding of principles and techniques of procurement.	\$150,000	23 Dec 2003	31 Dec 2006 (being closed)	FIJ, SAM

RETA No.	TA Name	TA Objective	Amount	Approval Date	Expected Completion Date	Countries
6175	Making Resource Allocation Pro-poor & Participatory in the Pacific	To (i) improve civil society's capacity to engage more constructively and proactively in resource allocation prioritization and decision making and in monitoring service delivery, and (ii) to encourage governments in the two pilot countries to become more responsive to the participation of civil society in the resource allocation process.	\$500,000	16 Jun 2004	30 Apr 2007 (being closed)	FIJ, VAN
6204	Mainstreaming Environmental Considerations in Economic and Development Planning Processes in Selected PDMCs	To prepare country environmental assessments that will provide inputs to country programming for selected PDMCs and country medium-term development strategies, particularly in addressing eight key environmental challenges.	\$600,000	3 Dec 2004	31 Dec 2007	COO, FSM, KIR, PNG, RMI, SAM, SOL, VAN
6222	Leadership Enhancement and Advancement Program	To enhance the leadership and managerial skills of midlevel and senior managers in government, the private sector, and civil society in participating PDMCs, and to reinforce regional cooperation.	\$650,000	23 Dec 2004	31 Aug 2007 (being closed)	All PDMCs except PNG
6245	Strengthening Pro-Poor Policy in the Pacific	To advance the pro-poor policy agenda and capacity development strategy that has been formally established under Poverty Partnership Agreements in each PDMC.	\$1,850,000	10 Jun 2005	30 Jun 2008	All PDMCs except FSM and TIM
6258	Demographic and Health Survey in Pacific Island Countries	To provide reliable regional statistics on demographic and health-related issues in the Pacific region, which will enable the governments to conduct evidence-based policy making. The TA will strengthen the capacity of NSOs to conduct such surveys and to analyze the results.	\$1,000,000	22 Sep 2005	31 Oct 2007	NAU, RMI, SOL, TUV
6319	Pilot Strengthening of Civil Society Participation in Development in the Pacific	To strengthen CSO understanding of development policy and directly engage CSOs with their governments and external funding agencies in the design, formulation, and implementation of ADB's own country strategies, programs, and projects as an example to all development programs.	\$500,000	28 Apr 2006	15 Dec 2008	All PDMCs
6379	Supporting Strengthened Regional Cooperation among PDMCs	To contribute to sustainable economic growth and poverty reduction in PDMCs through enhanced economic cooperation among selected PDMCs, between Indonesia and Papua New Guinea, and between Indonesia and Timor-Leste.	\$1,000,000	20 Dec 2006	30 Nov 2008	All PDMCs
6414	Support for Results-Based Management in the Pacific	To improve managing for development results within PDMCs and to improve PDMCs' capacity to utilize economic and social statistical information for informed planning and policy decisions.	\$1,000,000	19 Oct 2007	30 Nov 2010	Selected PDMCs

ADB = Asian Development Bank, COO = Cook Islands, CSO = civil society organization, CSP = country strategy and program, FIJ = Fiji Islands, FSM = Federated States of Micronesia, KIR = Kiribati, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, MDG = Millennium Development Goal, NAU = Nauru, NSO = National Statistic Office, PASO = Pacific Aviation Safety Office, PDMC = Pacific developing member country, PFTAC = Pacific Financial Technical Assistance Center, PNG = Papua New Guinea, REG = regional, RETA = regional technical assistance, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TA = technical assistance, TBD = to be determined, TIM = Timor-Leste, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

Source: Asian Development Bank estimates.

INDICATIVE LENDING AND NONLENDING PROGRAMS

Table A3.1: Indicative Assistance Pipeline for Lending Products, 2007–2010

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)					Co- financing
						OCR	ADB		Total	Gov't.	
							ADF				
							Loans	Grants			
2009											
Support for regional public goods											
Firm Loans											
Improving Trade Connections – PNG/INO	General Intervention		PARD	2008	10.00	0.00	10.00	0.00	10.00	TBD	TBD
Subtotal					10.00	0.00	10.00	0.00	10.00	TBD	TBD
2010											
Support for regional public goods											
Firm Loans											
Improving Trade Connections – TIM/INO	General Intervention		PARD	2009	10.00	0.00	10.00	0.00	10.00	TBD	TBD
Subtotal					10.00	0.00	10.00	0.00	10.00	TBD	TBD
Total					20.00	0.00	20.00	0.00	20.00	0.00	0.00

ADB = Asian Development Bank, ADF = Asian Development Fund, Gov't = Government, INO = Indonesia, OCR = ordinary capital resources, PNG = Papua New Guinea, TBD = to be determined, TIM = Timor-Leste.
Source: Asian Development Bank estimates.

Table A3.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2007–2010

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2007							
Improving outcomes in PDMCs and regional organizations in managing for development results							
1.Support for Results-Based Management in the Pacific ^a	PARD	RETA	TASF	1,000.00	World Bank	0.00	1,000.00
2.Results-Based Project Management	PARD	RETA	JSF	800.00		0.00	800.00
3. Enhancing Engagement with PDMCs	PARD	RETA	TASF	1,000.00		522.00	1,522.00
Subtotal				2,800.00		522.00	3,322.00
2008							
Support for regional public goods							
1. Pacific Financial Technical Advisory Centre 2009–2011 ^a	PARD	RETA	TASF	1,000.00	TBD	0.00	1,000.00
2. Strengthening Financial Management and Accountability Phase II ^a	PARD	RETA	JSF	1,200.00	TBD	0.00	1,200.00
3. Improving Trade Connections - PNG-INO	PARD	RETA/PPTA	JSF	800.00	TBD	0.00	800.00
4. Regional Advisory Service for Infrastructure Regulation ^a	PARD	RETA	RCIF	500.00		0.00	1,000.00
			TASF	500.00			
Subtotal				4,000.00		0.00	4,000.00
Improving outcomes in PDMCs and regional organizations in managing for development results							
1. Advancing National Health Accounts in PDMCs	PARD	RETA	TASF	500.00	TBD	0.00	500.00
2. Strengthening Pacific Economic Analysis and Policy Development	PARD	RETA	TASF	1,500.00	TBD	0.00	1,500.00
Subtotal				2,000.00		0.00	2,000.00
2009							
Support for regional public goods							
1. Implementing the Pacific Education Strategy II: Teacher Policies and Strategies for the Pacific Islands	PARD	RETA	TASF	600.00	Australia	TBD	600.00
2. Regional Partnerships for Climate Change Adaptation and Disaster Preparedness ^a	PARD	RETA	TASF	1,000.00	TBD	0.00	1,000.00
3. Improving Trade Connections - TIM-INO	PARD	RETA/PPTA	JSF	800.00	TBD	0.00	800.00
Subtotal				2,400.00	TBD	0.00	2,400.00

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
Improving outcomes in PDMCs and regional organizations in managing for development results							
1. Leadership Enhancement and Advancement Program Phase II	PARD	RETA	JSF	1,000.00	TBD	0.00	1,000.00
2. Developing Demand for Results-Based Management in the Pacific	PARD	RETA	JSF	1,000.00	TBD	0.00	1,000.00
Subtotal				2,000.00		0.00	2,000.00
2010							
Improving outcomes in PDMCs and regional organizations in managing for development results							
1. Strengthening of Civil Society Participation in Development in the Pacific	PARD	RETA	TASF	1,000.00	TBD	0.	1,000.00
2. Strengthening Social Protection in PDMCs Through Regional Approaches	PARD	RETA	JSF	1,000.00	TBD	0.	1,000.00
Subtotal				2,000.00		0.	2,000.00
Total				15,200.00		522.00	15,722.00

ADB = Asian Development Bank, INO = Indonesia, JSF = Japan Special Fund, PARD = Pacific Department, PDMC = Pacific developing member country, PNG = Papua New Guinea, PPTA = project preparatory technical assistance, RCIF = Regional Cooperation and Integration Fund, RETA = regional technical assistance, TASF = Technical Assistance Special Fund, TBD = to be determined, TIM = Timor-Leste.

^a Activity is supportive of the *Pacific Plan* initiative.

Source: Asian Development Bank estimates.

Table A3.3: Summary Information on Proposed Indicative Nonlending Products and Services for 2007

Project Name	Description
Support for Results-Based Management in the Pacific	<p>Impact The TA is intended to improve management for development results within selected PDMCs.</p> <p>Major Components TA components will comprise (i) development and implementation of national statistics plans, and (ii) promotion of greater policy use of statistics.</p> <p>Expected Outputs and Outcomes The outcome of the project is to support Pacific Island countries in utilizing economic statistical information to inform economic and social decision making. Key outputs of the TA will be to:</p> <ul style="list-style-type: none"> (i) develop national economic statistics plans in selected Pacific Island countries and territories; (ii) assist implementation of national economic statistics plans, focussing in particular on key economic indicators (i.e., national accounts and international trade, price indexes and priority industry statistics), through the provision of technical advice, assistance and support; (iii) disseminate economic statistical outputs to key stakeholders and the wider community; (iv) promote linkages between organizations developing economic statistical information and ministries responsible for national planning and policy development; (v) promote the utilization of economic statistics in national planning and policy development, through the provision of technical advice, assistance and support; and (vi) build capacity for the use of economic statistics in managing for development results among ministers and chief executive officers of ministries.
Results-Based Project Management	<p>Impact The TA is expected to strengthen the capacity and competency of project management units (PMU) when dealing with ADB projects in the Pacific region.</p> <p>Major Components</p> <ul style="list-style-type: none"> (i) A training needs analysis for the government agencies involved in project implementation and administration. Various workshops will then be conducted, either in-country or in a regional hub, as appropriate. (ii) Gap analysis between local procurement procedures and ADB requirements for selected countries. The process will clarify the requirements for the use of local and ADB procedures by executing agencies. Support for upgrading procedures and providing legal frameworks, if requested, are also part of this component. (iii) Review ADB tools that are provided to government agencies to assist with implementation and administration. <p>Expected Outputs and Outcomes The outputs are expected to be user-friendly tools, such as a greatly improved project administration manual and self-help service.</p>

Enhancing Engagement with PDMCs	<p>Impact The TA is expected to generate economic growth through the sectors of ADB focus.</p> <p>Major Components</p> <ul style="list-style-type: none"> (i) Opening of an ADB liaison office in Honiara, Solomon Islands. (ii) Opening of joint ADB/World Bank liaison offices in Apia, Samoa and Nuku'alofa, Tonga. (iii) Review of performance of these offices. <p>Expected Outputs and Outcomes The TA has three key outcomes: (i) Enhanced relationship with host governments; (ii) Improved donor coordination; and (iii) Improved country portfolio performance. Key outputs of the TA will comprise operationalizing the three liaison offices. Mid-term and end-of-TA reviews of the function and effectiveness of the liaison offices will also be outputs of the TA.</p>
---------------------------------	---

ADB = Asian Development Bank, PDMC = Pacific developing member country, PMU = project management unit, TA = technical assistance.

Source: Asian Development Bank.

REGIONAL OPERATIONS BUSINESS PLAN RESULTS FRAMEWORK

The Pacific Region's Long-Term Development Goals, as Contained in the <i>Pacific Plan</i> ^a		ROBP Outcomes		Areas of ADB Intervention
Regional Outcomes, as Contained in the <i>Pacific Plan</i>	Key Constraints	ROBP Outcomes	Outcome Indicators	
Goal: Economic Growth <ul style="list-style-type: none"> Increased sustainable trade and investment Improved efficiency and effectiveness of infrastructure development Goal: Good Governance <ul style="list-style-type: none"> Improved transparency, accountability, equity and efficiency in the management and use of resources in the Pacific Goal: Sustainable Development <ul style="list-style-type: none"> Reduced poverty Improved education and training Improved natural resource and environmental management 	<ul style="list-style-type: none"> Failure to capture economies from regional provision of goods and services Insufficient transparency and accountability in government finances Insufficient skills/ capacity development in the public sector Government involvement in too many areas of the economy PDMCs vulnerable to natural disasters and climate change 	Effective provision of regional public goods <ul style="list-style-type: none"> Strengthened financial management capacity of the public sector Regional infrastructure services development in aviation and other priority advisory services Improved provision of basic social services 	Improved ratings on financial sector management, including <i>Pacific Plan</i> /World Bank Institute indicators, ADB country performance assessments Enhanced efficiency and cost-effectiveness of regional aviation services Improved regional approaches to basic social services and environment as measured by <i>Pacific Plan</i> indicators	Ongoing: <ul style="list-style-type: none"> 6207-REG: Pacific Regional Social Protection Systems (being closed) 6241-REG: Socioeconomic Implications of HIV/AIDS in the Pacific 6259-REG: Aviation Legislative and Regulatory Review 6281-REG: PFTAC 2005–2008 6360-REG: Strengthening Governance and Financial Management in PDMCs Loan 2183: PASO Grant 0021: HIV/AIDS Prevention and Capacity Development in the Pacific Pipeline: <ul style="list-style-type: none"> PFTAC 2009–2011 Strengthening Financial Management and Accountability Phase II Improving Trade Connections—PNG-INO and TIM-INO Regional Advisory Service for Infrastructure Regulation Implementing the Pacific Education Strategy II Regional Partnerships for Climate Change Adaptation and Disaster Preparedness Policy dialogue: <ul style="list-style-type: none"> Regular participation in FEMM, Forum leaders meeting and other key regional meetings Engagement in national level planning processes Participation in PFTAC tripartite meetings and the Pacific Islands Financial Managers' Association
Goal: Economic Growth	<ul style="list-style-type: none"> High cost and poor quality of infrastructure 	Improved environment for	Percentage increase in number of	Ongoing: <ul style="list-style-type: none"> 6162-REG: Improving the Legal Business

The Pacific Region's Long-Term Development Goals, as Contained in the <i>Pacific Plan</i> ^a		ROBP Outcomes		Areas of ADB Intervention
Regional Outcomes, as Contained in the <i>Pacific Plan</i>	Key Constraints	ROBP Outcomes	Outcome Indicators	
<ul style="list-style-type: none"> Improved efficiency and effectiveness of infrastructure development and associated service delivery Increased private sector participation in, and contribution to, development 	<p>services</p> <ul style="list-style-type: none"> Mismatch of skills development and private sector needs Outmoded legislative environment Government involved in too many areas of the economy Failure to capture economies of regional provision of goods and services 	<p>private sector development</p> <ul style="list-style-type: none"> State-owned enterprise reform and expansion of public-private partnerships Financial sector reform Strengthened institutional, legal, and regulatory business environment 	<p>registered and operating businesses</p> <p>Increased satisfaction among businesses with operating environment</p> <p>Improvements by PDMCs against World Bank's <i>Cost of Doing Business</i> indicators</p>	<p>Environment</p> <ul style="list-style-type: none"> 6166-REG Pacific Regional Transport Analysis 6202-REG: Secured Transactions Reform 6257-REG: Improving Delivery of Infrastructure Services 6268-REG: Implementation of Pacific Education Strategy: Skills Development 6353-REG: Private Sector Development Initiative <p>Pipeline:</p> <ul style="list-style-type: none"> No new assistance planned <p>Policy dialogue:</p> <ul style="list-style-type: none"> Participation in Pacific Islands Financial Managers' Association Participation in FEMM Participation in PFTAC tripartite meetings Engagement with PIPSO and others
<p>Goal: Good Governance</p> <ul style="list-style-type: none"> Improved transparency, accountability, equity and efficiency in the management and use of resources in the Pacific <p>Goal: Pacific Plan Implementation</p> <ul style="list-style-type: none"> Increased national ownership and commitment to regional approaches, plans, policies and programs Increased Pacific and international partnerships to support regionalism 	<ul style="list-style-type: none"> Limited uptake of regionalism at a practical level in PDMCs Poor statistical collection/ analysis as a basis for decision making Limited formalization of participatory/ consultative processes Weak capacity in the public sector, regional organizations, NGOs/ community groups 	<p>Improved outcomes among PDMCs and regional organizations in managing for development results</p> <ul style="list-style-type: none"> Increased national ownership of regionalism as a response to priority development challenges Use of analysis, information and data to promote managing for development results 	<p>Progress in <i>Pacific Plan</i> implementation strategy, as measured through annual reports</p> <p>Improvements in country and regional statistical information systems, databases and integration into national and regional planning processes</p> <p>Progress in implementing donor harmonization approaches, including joint programming strategies & initiatives</p>	<p>Ongoing:</p> <ul style="list-style-type: none"> 6009-REG: Capacity Building for Regional Cooperation in Economic Statistics 6157-REG Strengthening Poverty Analysis and Strategies in the Pacific 6164-REG Institutional Strengthening and Capacity Building to Handle Public Procurement (being closed) 6175-REG Making Resource Allocation Pro-poor and Participatory in the Pacific (being closed) 6204-REG: Mainstreaming Environmental Considerations in Economic and Development Planning Processes in Selected PDMCs 6222-REG: LEAP (being closed) 6245-REG: Strengthening Pro-Poor Policy in the Pacific 6258-REG: Demographic and Health Survey in Pacific Island Countries 6319-REG: Pilot strengthening of civil society

The Pacific Region's Long-Term Development Goals, as Contained in the <i>Pacific Plan</i> ^a		ROBP Outcomes		Areas of ADB Intervention
Regional Outcomes, as Contained in the <i>Pacific Plan</i>	Key Constraints	ROBP Outcomes	Outcome Indicators	
				<p>participation in development in the Pacific</p> <ul style="list-style-type: none"> • 6379-REG: Supporting Strengthened Regional Cooperation among PDMCs <p>Pipeline:</p> <ul style="list-style-type: none"> • Support for Results-Based Management in the Pacific • Results-Based Project Management • Enhanced Engagement in PDMCs • Advancing National Health Accounts in PDMCs • Strengthening Pacific Economic Analysis and Policy Development • LEAP Phase II • Developing Demand for Results-Based Management in the Pacific • Strengthening of Civil Society Participation in Development in the Pacific • Strengthening Social Protection in PDMCs Through Regional Approaches <p>Policy dialogue:</p> <ul style="list-style-type: none"> • Regular participation in Forum Leaders and PIC/Partners meetings • Engagement with private sector and NGOs • Paris Declaration implementation, including HLCs with World Bank, AusAID, NZAID, European Union and, United States • World Bank-ADB-AusAID Cooperation Agenda

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, FEMM = Forum Economic Ministers Meeting, GDP = gross domestic product, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, HLC = high level consultation, ICAO = International Civil Aviation Organization, INO = Indonesia, LEAP = Leadership Enhancement and Advancement Program, NGO = nongovernment organization, NZAID = New Zealand Agency for International Development, PDMC = Pacific developing member country, PIC = Pacific island countries, PASO = Pacific Aviation Safety Office, PIPSO = Pacific Islands Private Sector Organization, PFTAC = Pacific Financial Technical Assistance Center, PNG = Papua New Guinea, PP = Pacific Plan, REG = regional, ROBP = regional operations business plan, TIM = Timor-Leste.

^a The Pacific Plan was endorsed by 13 of the 14 PDMCs (those which are members of the Pacific Islands Forum), and so is considered to represent the Pacific's regional development strategy. In the Pacific Plan, these are expressed as objectives, rather than outcomes. Only goals and outcomes relevant to ADB's ROBP are listed in the results framework.

Source: Asian Development Bank.