

PROGRESS AND LESSONS LEARNED

1. As the Asian Development Bank (ADB) enters its 50th anniversary year, it has seen its Pacific region developing member country membership increase gradually over the decades from one country (founding member Samoa) to 14 as more independent states have emerged in the region. For some newer members, state building is an ongoing effort, while others have two or more decades of development behind them. Development in the Pacific region is, therefore, not only challenged by the unique geographic context but also by the imperative of building effective institutions for good governance and service provision.

2. As a lead development partner in the region, ADB has tapped the understanding gained from its experience to develop a succession of strategies to guide its operations in the Pacific region.¹ The most recent of these, the Pacific Approach, 2010–2014, and its extension, the Interim Pacific Approach, 2015, provided the framework for ADB's engagement in the 14 Pacific region developing member countries during 2010–2015 and has functioned as the country partnership strategy for the 10 smaller Pacific island countries since mid-2011.²

3. During the Pacific Approach, 2010–2014 period, ADB deepened and broadened its engagement in transport and became a major renewable energy project financier. There was also considerable growth in the volume of investment in water and other municipal infrastructure and services, and information and communication technology infrastructure (chiefly undersea fiber optic cables). ADB mainstreamed climate proofing throughout its infrastructure activities, and increased its support for disaster risk management. The public sector management portfolio, focusing on public financial reform, also grew strongly. A scaled-up Private Sector Development Initiative enabled ADB to improve the environment for the private sector across the Pacific region. Technical assistance (TA) supported the provision of pooled services in audit, public finance capacity building, and statistics; business environment harmonization; and regional economic, trade, finance, and labor links.³

4. ADB's Pacific portfolio expanded, sector focus broadened, and project performance strengthened. ADB almost doubled the size of its portfolio from \$0.99 billion at the end of 2009 to \$1.96 billion at the end of December 2015. The share of Asian Development Fund grants increased to 12% in 2014 from their introduction in 2005; TA provision expanded; and there was a move toward longer-term TA projects for private sector development, economic management, infrastructure, and development coordination. Closer attention to project design, faster project start-up, stronger implementation oversight, and greater in-country support for implementation led to much stronger project performance, especially for the 10 smaller Pacific island countries.⁴

¹ ADB. 2004. *A Pacific Strategy for the Asian Development Bank 2005–2009. Responding to the Priorities of the Poor*. Manila; ADB. 2009. *ADB's Approach to Assisting the Pacific (2010–2014)*. Manila; ADB. 2015. *Interim Pacific Approach, 2015*. Manila.

² The 10 smaller Pacific island countries are the Cook Islands, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Samoa, Tonga, Tuvalu, and Vanuatu. The interim approach enabled ADB to incorporate into the Pacific Approach, 2016–2020 the findings of the Pacific Approach Implementation Review, completed in November 2014, and the corporate evaluation study of ADB's Support to Small Pacific Island Countries, prepared by ADB's Independent Evaluation Department and completed in March 2015 (ADB. 2014. *Pacific Approach, 2010–2014 Implementation Review*. Manila; ADB. 2015. *Corporate Evaluation Study: ADB Support to Small Pacific Island Countries*. Manila).

³ See linked document 1.

⁴ The percentage of completed projects rated *successful* and *highly successful* in the 10 smaller Pacific island countries rose from 25% (one of four projects) in 2007–2009 to 71% (five of seven projects) in both 2010–2012 and 2013–2015. For the 14 Pacific developing member countries overall, success rates increased from 38% (5 of 13 projects) in 2007–2009 to 64% (7 of 11 projects) in 2010–2012 and 69% (9 of 13 projects) in 2013–2015. ADB-wide performance in 2013–2015 was 72%; the corporate results framework 2016 target is 80%.

5. The Pacific Approach Implementation Review and ADB's Independent Evaluation Department's corporate evaluation study on ADB Support to Small Pacific Island Countries assessed ADB's strategy and operations in the Pacific region.⁵ Their recommendations, which have been integrated into the Pacific Approach, 2016–2020, are summarized as follows:

6. **Focus.**

- (i) Maintain focus on infrastructure and plan support for health and education strategically.
- (ii) Strengthen regional partnerships within the Framework for Pacific Regionalism.
- (iii) Increase private sector engagement by pursuing public–private partnerships and greater private sector operations.
- (iv) Continue to systematically incorporate disaster risk management concerns into ADB's activities. Scale up support for climate change adaptation.
- (v) Emphasize ADB engagement in the smaller island countries in the new Pacific Approach.

7. **Implementation.**

- (i) Strengthen country strategic analysis and political economy analysis to understand the unique political, economic, and cultural context, and challenges of each Pacific region developing member country.
- (ii) Align project design and implementation arrangements with local absorptive capacity.
- (iii) Emphasize long-term engagement through the use of multitranche financing facilities, multiyear policy-based operations, and long-term regional TA to provide continuous capacity building.
- (iv) Find innovative and effective approaches for greater collaboration with development partners, including collaboration for greater field presence.
- (v) Emphasize enhanced project readiness, including through consistently applying project readiness checklists and using the project design facility.
- (vi) Provide sufficient staff resources to manage the increase in lending volume and higher minimum annual country allocation, an extra allowance for sufficient supervision and monitoring, and an effective field presence. Give development coordination officers staff status for greater authority and accountability to act on ADB's behalf. Seek greater flexibility in hiring to attract the right staff.
- (vii) Explore and use flexibilities allowed in ADB's business practices to work more effectively in fragile situations.
- (viii) Emphasize ADB engagement in the smaller island countries in the new Pacific Approach.

⁵ ADB. 2014. *Pacific Approach, 2010–2014 Implementation Review*. Manila; ADB. 2015. *Corporate Evaluation Study: ADB Support to Small Pacific Island Countries*. Manila.