

**Road to 2030: ADB's New Strategy  
Pacific Consultations  
6 April 2016, Sydney, Australia**

**VIEWS FROM SENIOR GOVERNMENT OFFICIALS**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges

- Developing member countries (DMCs) comprising the region are vulnerable, particularly to natural disasters and the impacts of climate change. They lack the ability to mitigate and respond to calamities that occur very frequently, and find it difficult to recover from the damage.
- Many DMCs rely on just a few industries, such as tourism, fishery, and agriculture that are susceptible to frequent cyclones and other natural disasters. This affects DMCs' macroeconomic stability and economic sustainability.
- Lack of connectivity, infrastructure deficit, and high transport costs make it difficult to move goods and services within the region and to the rest of Asia and beyond. Therefore, doing business in the Pacific is very challenging.
- While many DMCs receive support in strengthening the regulatory environment for private sector, businesses lack access to funds and investments are risky and unsustainable. Small and medium enterprises lack the ability to develop, deliver and sustain their operations.
- The public and private sectors' lack of capacity and limited human resources continue to stall growth and development, and slow down implementation of development projects.
- Even DMCs that are now middle-income countries (MIC) or nearing MIC status remain highly vulnerable given the special circumstances of the region. The vulnerability of countries in the region should be recognized in international fora; and development partners should customize their support based on each DMC's context.
- Sustainable development goals and climate actions are very ambitious. Pacific countries need help from development partners to attain the targets.

Strategic Priorities for ADB

- ADB's new strategy should recognize and emphasize the unique challenges and circumstances of the Pacific. The Pacific perspective should not be lost when shaping ADB's future directions.
- Inclusive and environmentally sustainable growth should be the key priority in the Pacific.
- Infrastructure remains a strong driver of growth. ADB should further support infrastructure, particularly sustainable transport and information and communications

technology (ICT). Infrastructure projects should be climate-proofed so they are more resilient to disasters; and ICT investments should help reduce the cost of doing business.

- ADB should “think out of the box” and provide innovative ways to strengthen private sector development and increase private investments. ADB may consider establishing a private sector facility to assist businesses in developing and marketing their products and services. Stronger private sector will create more jobs and make countries more competitive.
- ADB should help DMCs develop and maximize the sustainable use of their natural resources (e.g., minerals, forests, rivers, beaches) to increase the countries’ revenues.
- ADB should be ready to respond quickly when disasters hit countries in the Pacific; and help them prepare long-term solutions to environmental challenges.
- Tourism development is a key priority of many Pacific DMCs. ADB can support complementary sectors including water supply and sanitation, housing, land use and zoning, as well as capacity building for planning and implementation of tourism projects.
- ADB should also help address food security issues. Many DMCs rely on imported food, whose supplies may be affected by cyclones and typhoons.
- ADB should resume its support to agriculture, including strengthening of the agricultural value chain, in order to improve market opportunities for farmers and manufacturers.
- On the financial sector, ADB can help strengthen local banking and remittance and payment systems; increase microfinance and SME operations; and provide capacity building for financial institutions.
- ADB should continue to help DMCs develop their policies and institutions, strengthen governance, improve enabling environment for private sector development, and strengthen state-owned enterprises (SOEs) particularly those that deliver infrastructure services. The existing Pacific Private Sector Development Initiative has significantly helped all Pacific DMCs in those areas.
- ADB should also expand operations on health and education. Currently, these are being supported by other development partners.
- ADB should be able to help the Pacific turn vulnerabilities into opportunities. To do this, ADB assess the realities on the ground, prepare credible market assessments and identify opportunities for growth and development.

#### ADB's Strengths and Weakness

- Pacific DMCs have good relationship with ADB, being one of the largest development partners in the region. Frequent consultations, such as this one, are appreciated.
- ADB is very responsive to the needs of its clients. ADB has competitive advantage in providing infrastructure support and advice on improving governance.

- ADB's rules and processes are clear and transparent, compared to other development partners.
- ADB offers a good range of financing modalities including policy-based loans and multi-tranche financing facilities. It provides grants and technical assistance which are very useful in helping governments develop policies and strengthen institutions.
- ADB has the convening power, and can effectively leverage resources from other development partners.
- ADB's use of managing for development results (i.e. development effectiveness reviews) to track its own performance is well-appreciated. It shows ADB's ability to handle criticisms and address its weaknesses. Evaluation reports prepared by the Independent Evaluation Department and other knowledge products are also valued.
- ADB's procurement processes are tedious and slow, which causes delay in project implementation. ADB also spends a lot of resources on the design of every project and does not replicate good quality projects.
- ADB's support often overlaps with assistance from other development partners. There should be regular dialogue to ensure complementarity and avoid duplication.
- ADB can mobilize larger resources than other development partners.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Business Processes

- ADB should streamline and simplify all its business processes for small island countries. Requirements and financing conditions should be easier to comply with, given the DMCs' lack of capacity and human resources.
- ADB should review and improve its procurement system to speed up contracting of goods and services. It also needs to widen the use of country procurement systems.
- Because of the small market size, consultants and consulting firms do not have a strong interest in the Pacific. Good consultants with long experience in Pacific countries are rarely available. ADB should maintain a pool of qualified consultants who are capable and willing to work in the region.
- ADB should ensure that governments take ownership of projects from the design phase through implementation. It should regularly engage government officials throughout the project cycle and not rely on consultants alone.

### Technical Assistance and Knowledge Support

- ADB should continue providing grant technical assistance to Pacific DMCs.

- ADB should include longer-term capacity development programs as components in every project to ensure that DMCs' lack of capacity is continuously addressed. Aside from government officials, contractors and consultants should also be trained.
- Training programs could include procurement processes, environmental management and sanitation, disaster management and response, and skills necessary for employment.
- ADB should share good project practices and experiences from other regions and replicate them appropriately in the Pacific.
- ADB's country operations business plans should be more flexible.

#### Role of ADB Resident Missions/Institutional Arrangements

- ADB should consider deploying more staff or representatives in the DMCs to regularly engage with governments and help ensure smooth processing and implementation of projects. ADB is currently creating extended missions in some DMCs, in addition to the existing resident missions and regional offices.
- ADB staff working in the Pacific change frequently. Staff need to stay in a country long enough to understand the country. ADB should address this issue of fast turnover.
- ADB should have more staff with knowledge and expertise on aviation and air transport.

#### New Products and Modalities

- ADB should have special financing windows dedicated to small island countries in the Pacific.
- ADB should make use of its existing sovereign and non-sovereign modalities for SOEs to support these entities including power utility companies.
- ADB should continue to leverage funds from other sources and come up with a financing mix of loans and grants.
- ADB should encourage more DMCs to utilize the Green Climate Fund (GCF) to build climate resilience in infrastructure projects. Fiji's Urban Water Supply and Wastewater Management Project, which accessed the GCF, is a good example.
- ADB should review its graduation policy and carefully consider the unique circumstances of Pacific countries. Even highly-performing countries in the Pacific should still be given grants.

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**VIEWS FROM CIVIL SOCIETY, ACADEMIA AND PRIVATE SECTOR REPRESENTATIVES**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges in the Region

- Poor infrastructure and high transaction costs limit intra- and inter-regional trade. Small island countries do not seize opportunities for trade with neighboring countries due to geographical, economic and political reasons.
- Agriculture and agricultural value chain are inefficient. Countries tend to not trade with other Pacific DMCs because products are expensive.
- Cost efficiency will always be a challenge for private sector players in the Pacific.
- Most DMCs have very narrow economic base and private sector players are concerned about competition. Sometimes, public sector activities crowd out potential private sector engagement.
- Some countries have rich resources and expanding businesses. The challenge is how to sustain these given their vulnerability to natural disasters.
- Many DMCs have good legal framework (e.g. anti-money laundering) and institutional mechanisms in place but they lack the ability to implement them.
- State-owned enterprises (SOEs), particularly airlines, put a heavy strain on DMCs' budgets. They use up resources that could be allocated in other priority areas. They also limit private sector entry to the market.

Strategic Priorities

- ADB should help facilitate the development of markets with economic value, and create cooperative structures to fund the markets. It should help create a "hub" that could connect markets together. Currently, markets operate in a very fragmented manner.
- For those countries with narrow economic base, focus should be on creating a few industries or businesses that would generate employment and create big impacts for more people.
- ADB should help provide entrepreneurial education and promote transfer of innovative technologies to help private sector players sustain their operations.
- ADB should continue supporting policies and frameworks to increase private sector development and investments. The Pacific Private Sector Development Initiative has been an effective support.

- ADB should provide appropriate advice to DMCs on how to deal with SOEs. For example, governments may exit from airline business and open up the market for other players; or sell shares of SOEs to existing private sector players.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Business Processes

- To be more efficient, ADB should partner with private sector players and let them take advantage of opportunities for investments that ADB could assist with.
- In providing finance, ADB should take differentiated approaches when dealing with Pacific countries given their specific situations.
- ADB should consider moving away from providing budgetary support to governments that do not practice transparency and accountability.
- ADB and other development partners should put resources in helping ease market entry of private enterprises.

### Technical Assistance and Knowledge Support

- ADB should provide continuous technical assistance focused on capacity building to develop entrepreneurial skills and enhance competitiveness of Pacific countries.

### Engaging with Partners

- ADB needs to strengthen partnerships with agencies and organizations that have long-term presence and are aware of the realities on the ground; and use them to facilitate and implement ADB's support to Pacific DMCs.
- ADB should partner with universities and training centers and provide workshops for potential investors in the Pacific. There are a lot of companies looking for opportunities. They just need to be provided with information, particularly on the advantages and complexities of working in the region.
- ADB should consult with civil society groups including trade unions, more regularly.

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**VIEWS FROM DEVELOPMENT PARTNERS**

**I. Defining ADB's Role and Strategic Priorities**

Development Challenges in the Region

- The Pacific region is highly diverse and needs a differentiated approach. Some countries have steady economic growth but they continue to be vulnerable.
- Many small and poor developing member countries (DMCs) are extremely vulnerable to external shocks.
- Private sector growth continues to be generally weak because of various constraints including poor connectivity and high transaction costs. Strengthening private sector development and encouraging private investments are difficult.
- DMCs have limited capacity, both in public and private sectors.
- There is lack of domestic and international mobility due to poor infrastructure and lack of connectivity.
- There are huge issues on land ownership. Lack of alienable land for private sector investments and infrastructure development limit opportunities for growth.
- There are compelling reasons to promote regional cooperation and integration (RCI) but countries find it difficult to cooperate because of individual DMC's economic and political considerations.

Strategic Priorities

- ADB and development partners should collaborate on projects with large impacts including infrastructure, education and health, water and sanitation, agriculture (including value chain) and fisheries, and support for small and medium enterprises (SMEs).
- Support to policy and institutional reforms should be continued, considering that good governance is critical for success in all sectors.
- ADB should provide more capacity building and skills development to improve DMCs' competitiveness.
- ADB should continue to support projects on climate change mitigation and adaptation as well as those on mitigating disaster risk and vulnerability.

## **II. Strengthening ADB's Responsiveness, Efficiency and Effectiveness**

### Engaging with Development Partners

- Development partners should harmonize procedures and measures (e.g. safeguards and procurement) to make it simpler for DMCs to engage with them.
- The Pacific Region Infrastructure Facility (PRIF) has successfully improved donor coordination on infrastructure investments, research and technical assistance. PRIF or a similar mechanism should be used to coordinate development partners' disaster responses.
- Development partners recognize their lack of field presence in the Pacific, and they rely heavily on project management units to implement projects. Partners should help build capacity of government staff and ensure that there is a pool of good consultants that could work long-term in the region.

### Products and Modalities

- ADB should come up with new products needed to address unique challenges in the Pacific. Increased funds for climate financing is a welcome development.
- ADB should continue to provide quick-disbursing emergency loans to Pacific DMCs affected by disasters. Development partners appreciate ADB's ability to respond fast and provide critical support.
- Technical assistance will be necessary to prepare and implement projects.
- ADB should actively promote new modalities for supporting public and private sector investments. Examples of such modalities from other development partners include catastrophic risk insurance, corporate loans, and guarantees.

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