



Evaluation Study

Reference Number: SES:REG 2011-41
Special Evaluation Study
November 2011

Asian Development Bank's Support for Promoting Good Governance in Pacific Developing Member Countries

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AusAID	–	Australian Agency for International Development
COSO	–	Central Operations Services Office
CPIU	–	central project implementation unit
CPS	–	country partnership strategy
CSPU	–	country strategy and program update
DMC	–	developing member country
FCAS	–	fragile and conflict-affected situations
EU	–	European Union
FIJ	–	Fiji
FSM	–	Federated States of Micronesia
GACAP II	–	Second Governance and Anticorruption Action Plan
GDP	–	gross domestic product
IED	–	Independent Evaluation Department
MDG	–	Millennium Development Goal
ODA	–	official development assistance
OECD	–	Organisation for Economic Co-operation and Development
PARD	–	Pacific Department
PEFA	–	Public Expenditure and Financial Accountability
PFM	–	public financial management
PNG	–	Papua New Guinea
PREI	–	Procurement Review for Effective Implementation
PSM	–	public sector management
RAMSI	–	Regional Assistance Mission to Solomon Islands
RMI	–	Republic of Marshall Islands
SES	–	special evaluation study
SOE	–	state-owned enterprises
TA	–	technical assistance
TIM	–	Timor-Leste
TON	–	Tonga
TUV	–	Tuvalu
UNDP	–	United Nations Development Programme
US	–	United States

NOTES

In this report, “\$” refers to US dollars unless otherwise stated.

Key Words

adb, asian development, pacific developing member country, good governance, pacific good governance, public sector management, project implementation

Director General	V. Thomas, Independent Evaluation Department (IED) H. Hettige, Officer-in-Charge, IED (until August 2011)
Director	H. Hettige, Independent Evaluation Division 2, IED
Team leaders	J. Balbosa, Senior Evaluation Specialist, IED (until August 2011) B. Graham, Senior Evaluation Specialist, IED
Team members	K. Thukral, Senior Evaluation Specialist, IED K. Mohit, Senior Evaluation Specialist, IED M.O. Nuestro, Evaluation Officer, IED F. de Guzman, Evaluation Officer, IED E. Li-Mancenido, Associate Evaluation Analyst, IED R. Isidro-Cajilig, Evaluation Assistant, IED
Independent Evaluation Department, SS-115	

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, the Independent Evaluation Department does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
A. Purpose	1
B. Scope, Methodology, and Limitations	1
II. THE CONTEXT	2
A. Macroeconomic and Development Overview	2
B. Pacific Developing Member Country Commitments to Improve Governance	6
C. ADB Strategies and Assistance in the Pacific	7
D. Development Partner Support for Good Governance in the Pacific	8
III. EVALUATION FINDINGS AND PERFORMANCE RATINGS	12
A. Strategic Positioning	13
B. Relevance	16
C. Effectiveness	18
D. Efficiency	21
E. Sustainability	22
F. Impact	24
G. Case Study: Governance Issues in the Roads Subsector in Selected Pacific Developing Member Countries	27
IV. KEY FINDINGS, LESSONS, AND RECOMMENDATIONS	30
A. Key Findings	30
B. Lessons	32
C. Recommendations	32

The guidelines formally adopted by the Independent Evaluation Department (IED) to avoid conflict of interest in its independent evaluations were observed in this report. The consultants include Benjamin Graham (prior to joining IED), international consultant; Joselito Supangco, international consultant for roads subsector case study; Rodrigo Lachica and Jose Rowell Corpuz, national consultants based in Asian Development Bank headquarters; Sinai Tuitahi, national consultant for Tonga; and Rosemary Abigail Lee Hang, national consultant for Samoa. To the knowledge of the management of IED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

APPENDIXES

1.	Public Sector Management Projects in Pacific Developing Member Countries, 2000–2010	35
2.	Macroeconomic Overview in Pacific Developing Member Countries, 2000–2010	40
3.	Millennium Development Goals Progress Report, 2011	46
4.	Pacific Developing Member Country Development Plans, their Key Strategic Priorities and/or Objectives, and Governance Linkages	47
5.	Pacific Developing Member Country Examples of Institutions, Policies and Measures to Promote Good Governance and Prevent Corruption	50
6.	Summary of ADB Governance Reform Strategies in the Pacific	52
7.	OECD-Reported Official Development Assistance Flows to Pacific Developing Member Countries, 2002–2009	56
8.	Australian Agency for International Development's Current Governance and Public Sector Management-Related Support to Pacific Developing Member Countries	57
9.	Pacific Governance: Summary of Evaluation Ratings, 2000–2010	58
10.	Summary of Technical Assistance Broad Categories: Pacific Developing Member Countries, 2000–2010	61
11.	Guide Evaluation Questions for Each Evaluation Criteria	62
12.	World Bank Control of Corruption Indicators, 2000–2009	64
13.	Governance Issues in the Roads Sector in Selected Pacific Developing Member Countries	68

EXECUTIVE SUMMARY

This special evaluation study (SES) assesses Asian Development Bank's (ADB's) support for promoting good governance in Pacific developing member countries (DMCs) from 2000 to 2010 (study period). It is an input to the forthcoming evaluation of the Pacific Approach 2010–2014 and provides lessons and recommendations for the next Pacific strategy.

ADB support for governance is included in operations for public sector management (PSM) as well as assistance for other sectors that have governance as a thematic classification (e.g., education, energy, finance, transport, among others). For the purposes of the study the evaluation covers grants, loans, and technical assistance (TA) projects classified under PSM from 2000 to 2010 and governance-related components of a non-PSM subsector where ADB is most active in the Pacific region. The roads subsector was selected as a case study as it is one of the priority subsectors in the Pacific DMCs and it draws from the Pacific region sector assistance program evaluation on transport.

From 2000 to 2010, ADB approved \$158 million for 10 loans and grants, and \$42 million for 96 advisory TA projects classified under PSM. In addition, ADB has supported numerous sector specific projects and regional TA with governance and institution building components.

Overall Assessment

ADB's overall rating for its support for governance thematic area is *partly successful*, just below the threshold for *successful*. The overall rating reflects relatively high scores on relevance and strategic positioning, and relatively low scores in all other rated areas. ADB's overall strategic positioning is assessed *satisfactory*, with room for improvement, such as in governance risk assessments. ADB support is assessed *relevant*, as loans/grants and TA projects were generally aligned with country needs and considered the country contexts. The study found PSM interventions to be *less effective*, *less efficient*, *less likely* to be sustainable, and *partly satisfactory* in impact, all of which are the second tier up in a four-tier rating system. Many projects did not achieve important stated outputs and outcomes, thus limiting their overall effectiveness and impacts. Delayed consultant recruitment, weak counterpart support, and changes in project scope were among the many factors contributing to weak effectiveness and efficiency in projects. Many project achievements were not sustained over time and a number of key institutions supported by these projects remain significantly challenged today, leading to low sustainability ratings. ADB's overall contribution to development impact with respect to PSM interventions is assessed *partly satisfactory*.

Based on the key findings and lessons, the following recommendations are summarized:

- (i) Shift emphasis from broad-scope policy lending to longer term sector development program modalities in support of priority sectors to enable lasting governance outcomes.
- (ii) Strengthen partnerships and collaboration to address national level core governance outcomes.
- (iii) Explore nontraditional approaches to enhance transparency and participation in Pacific DMCs to sustain improvements in governance efforts and their impact on development effectiveness.
- (iv) Improve capacity of institutions responsible for statistics to facilitate monitoring progress on governance efforts and other development initiatives.

Regional Context

Growth and expenditure trends in most Pacific DMCs are not sustainable without debt generation and aid, but there are limits to the sustainability of accumulating debt and availability of debt is variable. In some Pacific DMCs, the size of the public sector dominates the economy. Most Pacific DMCs are consistently in a fiscal deficit and trade deficit position during the study period, and appeared to demonstrate unsustainable consumption patterns. For these DMCs, sound macroeconomic management is a challenge and sustained economic growth remains an elusive goal. Increasing hardship is a concern and available indicators for the Millennium Development Goals suggest that the Pacific DMCs will fall short of meeting many of the targets.

Pacific Developing Member Country Commitments to Improve Governance

Pacific DMCs have made clear and explicit commitments to strengthening governance and preventing corruption. There is variability in the governance policy and institutional landscape across the countries. Good governance has also become a salient topic at the regional level and since the mid-1990s Pacific leaders have adopted numerous plans and commitments to strengthening governance. Nevertheless, there is concern over weak capacities in key governance institutions and the challenges of enforcement and implementation.

ADB Strategies and Programs

ADB's Pacific strategy has evolved, emphasizing growth, institution building, participatory approaches, and private sector development. ADB's support for PSM and governance in the Pacific has covered a wide range of areas and interventions, including: public financial management (PFM), economic and social assessments, development planning, statistics, legal sector reforms, civil service reforms, and others.

Pacific Department's 2007 midterm review of the Pacific Strategy, 2005–2009 revealed that improvements in political stability and good governance were needed to achieve good returns on public and private investment. As such, refinements to the Pacific Strategy were envisaged to focus greater attention on governance. ADB's Pacific Approach 2010–2014 categorized Pacific DMCs into three broad groups according to their potential for economic growth and capacities for good governance: (i) those that demonstrate capacity for self-sustained growth, partly resulting from good governance; (ii) those that rely on natural resource endowments as sources of growth, yet struggle to diversify their economies; and (iii) those that struggle to attain self-sustaining growth, yet have external sources of assistance that support their economies.

Development Partner Support

The Pacific's development partner landscape is characterized by major growth in total aid receipts (including governance-targeted aid) and a proliferation and diversification in entities actively engaged in various areas of development. There are more bilateral, multilateral, regional, nongovernmental, and other types of entities working in and among the Pacific DMCs than ever before. This brings new opportunities but also raises the risk of duplication and inefficiency. Against this backdrop, there is strong recognition on the need to improve coordination. For ADB, the implications of more aid from more providers reemphasize the need to strengthen working partnerships, leverage limited resources, and focus on comparative advantages.

Evaluation Findings and Performance Ratings

Strategic positioning. ADB's overall strategic positioning is *satisfactory*. Analysis of ADB's regional and country strategies for the Pacific explored whether: governance issues and binding constraints were clearly articulated in strategies; background diagnostics (including governance risk assessments) helped in the preparation of strategies; strategies identified specific interventions to strengthen institutions; ADB leveraged other development partner resources and efforts. The analysis found ADB's strategies to be generally consistent with country development challenges and aligned with development partner interventions. But country strategies sometimes lacked articulation on key governance issues. Moreover, governance risk assessments and mitigation can continue to expand.

Relevance. PSM projects are assessed *relevant*. Projects are aligned with country needs and took into consideration the country context. However, there is scope to sharpen selectivity and focus of interventions, among other areas for improvement.

Policy-based lending was the main instrument of PSM support, accompanied by TA. Public enterprise reform was the most consistent policy area to receive ADB support with the use of policy-based lending over the decade. ADB has also been consistent in supporting budget and medium term expenditure frameworks, and taxation and revenue mobilization. But some support was too little and too short and the number of committed policy actions remained too many. TA projects focused on general PFM, fiscal policy management, development of national and sectoral strategies, and civil service reforms. TA projects to improve parliamentary capacity, subnational support, civil society strengthening, debt management, and legal and justice sector reforms were generally one-off initiatives.

Effectiveness. PSM interventions are rated *less effective*. In many projects, important outputs and outcomes were not achieved, which ultimately limited these interventions' effectiveness in strengthening institutions, building capacity, and in meeting other stated objectives. Numerous factors constrained achievement of outputs, including overly ambitious objectives in project designs, weak counterpart support, scope changes, lack of qualified local staff, political transitions, policy and priority shifts, and disagreements between ADB and governments on approach. More effective projects were those that were supported over an extended period of time, were less complex, and that incorporated in their design nuances of the cultural and political economy context. Achievement of objectives was facilitated by thematic or sectoral diagnostics, dissemination of information, and two or more TA projects that build on earlier efforts.

As documented in previous evaluations, broad-scope reforms are more complex and require longer time frames to sustain success. In the context of weakly performing institutions and complex political economy dynamics in some Pacific DMCs, the challenges are multiplied. Early efforts at broad-scope reforms through policy-based lending show, in most cases, partly successful results. Support for joint diagnostics however show good results. Support for statistics offices was provided, but capacity challenges remain.

Efficiency. PSM interventions are rated *less efficient*. The reasons for inefficiencies are not new and some are linked with those that influenced effectiveness. These include project implementation delays caused by delayed recruitment of consultants, lack of counterpart staff, and changes in scope during and after inception. TA implementation issues included additional inputs and activities, changing priorities, differences between government and consultants, and political instabilities. Some TA projects were implemented more than a year after their approval,

while others were cancelled outright. While some of the factors affecting efficiency were beyond ADB's control, several generally fall within ADB influence.

Sustainability. ADB's PSM support is assessed *less likely* to be sustainable. The earlier (2001–2002) program loans are less likely to sustain target outcomes and outputs related to institution building. Assessment of the latter (2008–2010) program loans indicates significant challenges to attaining sustainability of outcomes and outputs. Challenges remain in key institutions supported by policy-based lending, but there is progress in areas in which ADB sustained its support consistently over the decade. Transparency and participation remain important; wide discussion and understanding of policy actions and reforms helped to build ownership.

Impact. ADB's contribution to development impacts with respect to public sector management interventions is *partly satisfactory*. The study assessed country achievements that were contributed to by ADB interventions. The general conclusion, drawing on different lines of evidence, suggests that ADB's contribution to improvements in PSM and good governance in the Pacific DMCs has, overall, been modest. The evaluation found some examples of ADB interventions contributing to improved quality of PSM. Nevertheless, many interventions fell short of achieving stated outputs and outcomes. This ultimately limited these interventions' contribution to strengthening institutions and capacity. Recent assessments and evaluation mission consultations point to ongoing concern about persistent weaknesses in key governance and PSM entities, including entities supported by past ADB interventions. Limited outcomes achievement dampened ADB's overall contribution to improved governance. Governance assessments by ADB and World Bank show weak performance in a number of governance and PSM areas.

Key Findings

The SES identified a number of key findings and lessons, some of which reconfirm those made in earlier evaluations. Macroeconomic management is a major challenge and sustained growth remains an elusive goal for most Pacific DMCs. Millennium Development Goals progress is mixed, and limited data remains a problem; support for statistics remains critical. While Pacific DMCs have made clear commitments to improving governance, issues of capacity, implementation, and enforcement remain key concerns. Country strategies were helped by diagnostic and joint partner work, but governance risk assessments can expand. Support for strengthening procurement has been given, but more is needed. The evaluation found significant challenges to sustaining target outcomes and outputs in most of the loans and TA projects. There was an increased emphasis in ADB projects on public consultations; this is deemed important for building consensus, which in turn should improve reform commitment and sustainability. State-owned enterprise (SOE) reform support shows possible "learning by doing" on ADB's part. SOE reform has been a consistent area of support by ADB.

Success in the roads subsector requires sector-specific governance support. The subsector case study found that improving service delivery will need sustained budgetary resources, improved PFM processes, and better roads design standards, among other important elements.

Lessons

More aid from more providers requires better coordination and capacity. For ADB, a more congested development landscape will necessitate continued partnership building with

traditional including possibly nontraditional ADB partners, more effective leveraging of available resources, and a sharper focus on areas where it has clear comparative advantages and a history of success. Follow-on support, less-complexity in policy commitments, and project designs that incorporate local culture and political economy helped effectiveness of projects. The evaluation found that broader and often more ambitious reforms, such as those embedded in many of the past program loans, were less effective.

Recommendations

Shift emphasis from broad-scope policy lending to longer term sector development programs in support of priority sectors to enable lasting governance outcomes. To enable longer term sustained engagement (rather than dispersed efforts) future PSM interventions should have a narrower and more direct link to achieving objectives of operational priorities. It would be useful to focus policy-based lending and policy actions to support ADB's priority sectors unless the country context specifically necessitates core policy reforms at the national level in some countries. Also, it is appropriate to continue to focus TA at the line-agency level, to target key weaknesses in procurement, audit, monitoring and evaluation, and to develop country systems and safeguards with a view to strengthening ADB's priority sectors and line agency service delivery. ADB must be prepared to stay engaged using appropriate PFM tools in key sectors for long periods (para. 103).

Strengthen external and internal partnerships and collaboration to address national level core governance outcomes. ADB can also widen and strengthen its partnerships to achieve development results. Externally, ADB can institutionalize joint work in key PFM areas (including Public Expenditure and Financial Accountability assessments) to build national governance capacity; continue joint work with bilateral partners on country-level economic and governance diagnostics; intensify efforts to strengthen procurement, working closer with partners such as the Commonwealth Pacific Governance Facility; and provide targeted support to key accountability institutions, partnering with entities such as the Pacific Ombudsman Alliance and the United Nations Development Program Pacific Centre. Internally, ADB can promote stakeholder access to its own knowledge products and develop a work program to identify key development and implementation issues that will be pursued jointly with service and knowledge departments. Recent joint work between Central Operations Services Office and Pacific Department on procurement review for effective implementation (PREI) is a good example of improved internal collaboration (para. 104).

Explore and apply nontraditional approaches to enhance transparency and participation in Pacific DMCs to sustain improvements in governance efforts and their impact on development effectiveness. Nontraditional approaches can include new partnerships with nontraditional ADB partners, or new modalities of providing support for governance. ADB may consider supporting more university-based research and policy study institutions to generate locally-derived knowledge and ideas in support of good governance; working with civil society groups in building expertise to monitor public service delivery; and promote institutionalization of policy forums and development partner consultative group meetings. ADB is encouraged to continue its Pacific-focused studies and analyses on important development issues (including governance-related topics), and develop strategies to more effectively manage this knowledge and improve its visibility and usefulness in Pacific policy arenas (para. 105).

Improve capacity of institutions responsible for statistics to facilitate monitoring progress on governance efforts and other development initiatives. There remains a wide

gap in information relating to development results, including Millennium Development Goal indicators. ADB has supported efforts to improve statistics capacity and is encouraged to continue its work with partners to address this long-standing challenge. A closer analysis (including perhaps a separate evaluation) may be warranted to identify more effective strategies for strengthening statistics capacity in the Pacific DMCs (para. 106).

Vinod Thomas
Director General
Independent Evaluation Department

I. INTRODUCTION

A. Purpose

1. This special evaluation study (SES), at the request of the Pacific Department (PARD) of the Asian Development Bank (ADB), assesses ADB's support for promoting good governance in Pacific developing member countries (DMCs)¹ from 2000 to 2010 (study period). It is an input to the forthcoming evaluation of the Pacific Approach 2010–2014 and provides lessons and recommendations for the next Pacific strategy. From 2000 to 2010, ADB approved 10 governance and public sector management (PSM) projects for \$158 million and 96 advisory technical assistance (TA) operations for \$42 million.

2. ADB defines governance as the manner in which power is exercised in the management of a country's economic and social resources for development. Measures to arrive at good governance include four key elements of participation, predictability, transparency, and accountability.² The Second Governance and Anticorruption Action Plan (GACAP II)³ stressed the need for a more systematic approach to implementing governance and anticorruption policies through sector assessments, in particular in sectors where ADB is most active, such as the infrastructure sector. ADB's Pacific intervention is guided by GACAP II.

B. Scope, Methodology, and Limitations

3. ADB defines good governance interventions broadly. ADB support for governance is included in operations for PSM as well as assistance for other sectors that have governance as a thematic classification (e.g., energy, education, finance, transport, among others). For the purposes of the study, the evaluation covers only approved loans, grants, and TA projects (except project preparatory TA and those supporting one-off workshops and meetings) classified under PSM in the Pacific DMCs over the period 2000–2010. PSM under the 2009 system of classification comprises economic management and management of public affairs, public expenditure and fiscal management, public administration, and decentralization.⁴ The evaluation also examined governance-related components of non-PSM subsectors where ADB is most active in the Pacific DMCs. The roads subsector was selected as a case study, as it is one of the priority subsectors in the Pacific DMCs and this area is linked to the regional sector assistance program evaluation on transport. The evaluation did not include detailed assessments of macroeconomic, legal, and judicial frameworks. The SES was guided by the following development issues and questions, which are addressed in the paragraphs noted:

- (i) **Understanding the development context and binding constraints.** The Pacific Approach indicates that the capacity for long-term growth is determined by Pacific DMCs' good governance performance and political economy context, suggesting that countries can be grouped into three broad categories based on these factors.⁵ The SES reviewed ADB country strategies for Pacific DMCs to

¹ The Pacific DMCs are Cook Islands, Fiji, Kiribati, the Marshall Islands (RMI), Federated States of Micronesia (FSM), Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

² As stated in para. 39, the evaluation follows the Independent Evaluation Department (IED) guidelines on country assistance program evaluation to assess strategic positioning, relevance, effectiveness, efficiency, sustainability, and impact. The four elements of governance are addressed in various sections of this analysis.

³ ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

⁴ The 2004 system refers to this as the Law, Economic Management, and Public Policy (LEMPP) Sector. ADB. 2009. Revised Project Classification System. *Compendium of Staff Instructions*. Manila.

⁵ ADB. 2009. *ADB's Pacific Approach 2010–2014*. Manila.

- examine whether governance interventions adequately addressed binding constraints (paras. 41–46)
- (ii) **ADB’s governance support.** The SES assessed the characteristics of ADB support for good governance in PSM and a selected subsector (i.e., roads) and assessed the relevance and effectiveness of governance interventions to strengthen institutional capacities in these areas. The SES focused on the following questions: What have been the trends in ADB support (in terms of volume and value) over the decade? Has the focus on governance increased given its prominence as a Strategy 2020 driver of change? What have been the key success or failure factors of project performance? (paras. 18–22, 38–83; Appendixes 1, 9, 10)
 - (iii) **Aid coordination.** Pacific DMCs and development partners committed, through numerous bilateral and multilateral agreements, to improve aid coordination, including in governance support, as a means to improving overall aid effectiveness. Does the recent literature and ADB’s experience in the Pacific show tangible signs of improved coordination? (paras. 34–37)
 - (iv) **Monitoring and managing development impacts.** Studies show evidence of slow progress in achieving Millennium Development Goal (MDG) targets for 2015 in Pacific DMCs, especially those considered in fragile and conflict-affected situations (FCAS).⁶ Exacerbating this slow progress is the low institutional capacities and lack of emphasis on collection of data for effective monitoring of results. Weak statistical systems constitute a critical gap in policy making, governance, and results monitoring in the region. How has ADB tried to address this critical weakness and what have been the outcomes? (paras. 12–13, 70)
 - (v) **Sustainability of good governance reforms and impact.** Governance reforms seek to strengthen the four elements of good governance: accountability, transparency, predictability, and participation. Budgetary support, existing technical skills and capacities, and the political setting are key determinants to achieving progress in these elements. To what extent have ADB’s interventions addressed these governance elements in the Pacific DMCs and what have been the general results? (paras. 41, 44, 48, 57, 78)

4. The study was conducted in three phases: (i) inception; (ii) data collection, analysis, and write-up; and (iii) field visits, consultation, review, and finalization. Field visits were conducted in selected Pacific DMCs—Fiji, Marshall Islands (RMI), Federated States of Micronesia (FSM), Papua New Guinea (PNG), Samoa, Solomon Islands, Timor-Leste, Tonga, and Vanuatu. The criteria for selection included variability in size of economy, population, and geographic representation. The draft evaluation paper was refined through peer review and interviews with ADB staff and other resource persons. Section II discusses the context for the study findings, with the relevant background information during the SES period (2000–2010); Section III focuses on evaluation findings and performance ratings; and Section IV summarizes key findings, and provides lessons and recommendations.

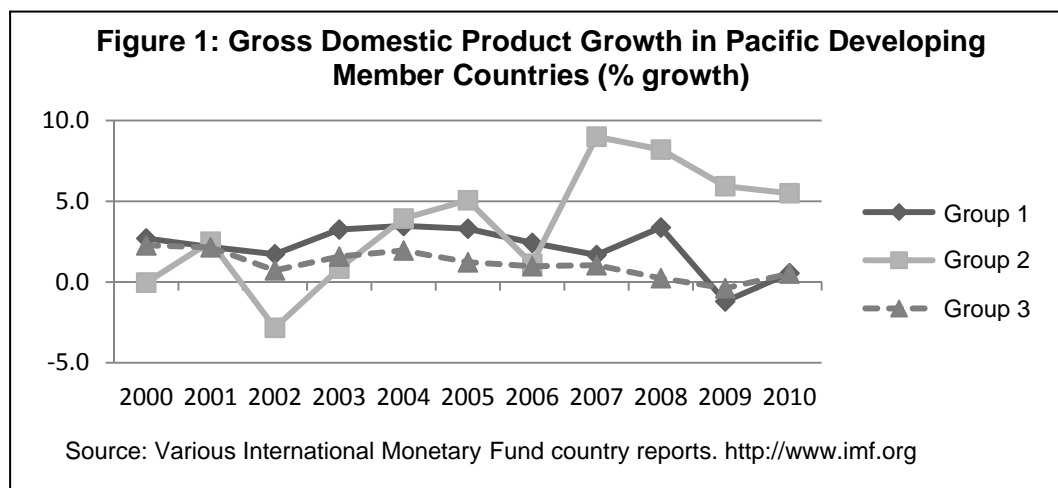
II. THE CONTEXT

A. Macroeconomic and Development Overview

5. **Macroeconomic trends.** Pacific DMCs’ growth stayed within a band of 2%–3.5% in 2000–2006, with subsequent weakening of growth around 2007 for Groups 1 and 3 (Figure 1).

⁶ ADB. 2008. *Working in Fragile Environments: A Midterm Review of the Pacific Strategy (2005–2009)*. Manila.

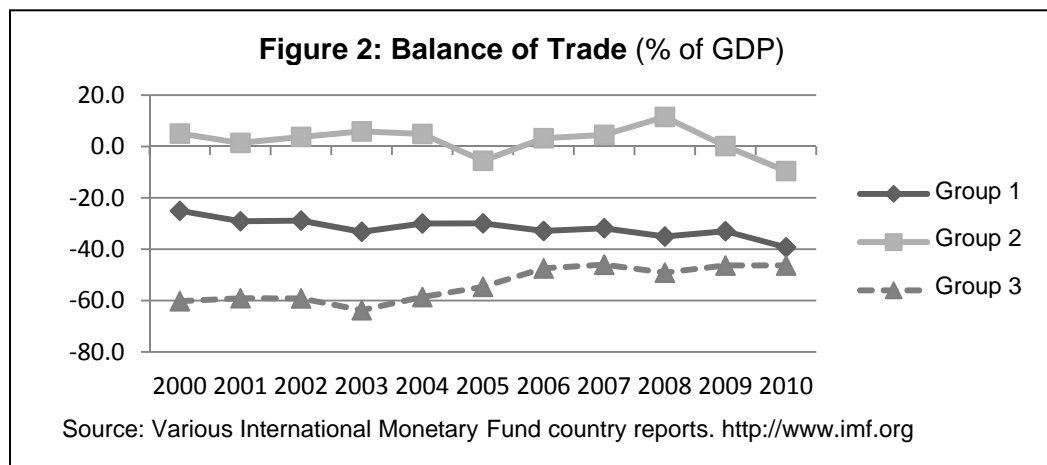
External shocks, especially the rapid rise in food and oil prices beginning in 2007–2008 had significant impacts on Pacific DMCs, with growth falling in Cook Islands, Fiji, Kiribati, RMI, Palau, and Samoa. Among Pacific DMCs, only PNG and Timor-Leste appeared to be insulated from the crisis.⁷ Their reliance on natural resource-based (e.g., petroleum) exports, instead of trade and tourism, may have shielded them from the full impact of the contagion.⁸



6. The small island economies, Group 3, owing to the scarcity of domestic resource endowments, showed the largest trade imbalance, of 60% of gross domestic product (GDP) in 2000–2002, declining to 48% in 2009–2010 (Figure 2). These economies have limited exports yet have large import requirements from both public and private sector, in the form of consumption and capital goods. Group 1 appeared steady at 30% of GDP for most of the decade, deteriorating further to 40% in 2010. The slowdown in tourism and commodity exports may have resulted in the larger deficit in recent years, while import requirements for capital and consumer goods remained steady. For Group 2 countries, where exports come largely from extractive industries (mineral resources and petroleum in PNG and Timor-Leste, and timber and mineral resources in Solomon Islands), the size of imports was at par with exports for most of the decade. From 2008 to 2010 however, there was a sharp deterioration from a surplus of 10% of GDP to a deficit of the same amount. Slowdown in timber and fishing industry exports in Solomon Islands, and increased capital goods importation may have contributed to the sharp decline.

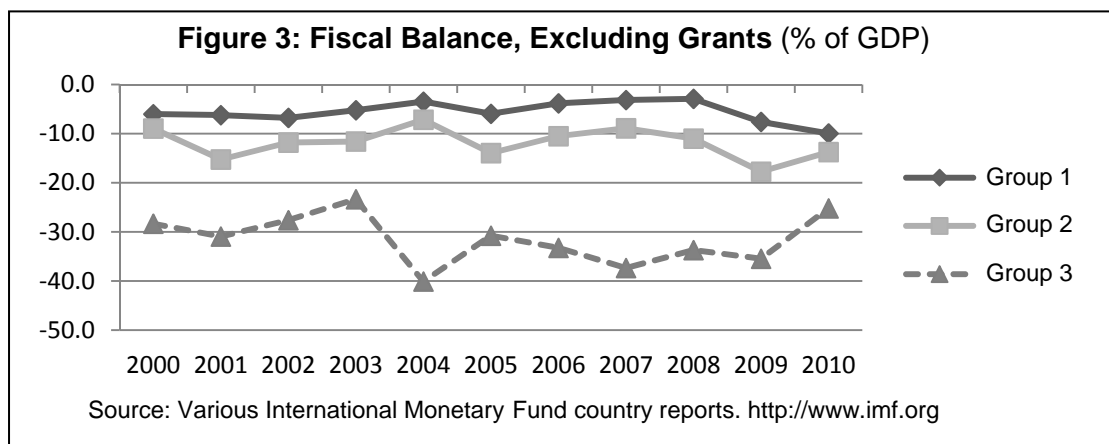
⁷ ADB. 2011. *Special Evaluation Study: Real-Time Evaluation of Asian Development Bank's Response to the Global Economic Crisis of 2008–2009*. Manila.

⁸ For ease of comparison across Pacific DMCs, the SES follows the same groupings in ADB's Pacific Approach, according to growth experiences, governance performance, and geography. Group 1, comprising the Cook Islands, Fiji, Samoa, Tonga, and Vanuatu, has exhibited capacity for self-sustained growth, exhibiting good governance practices in the past that also led to structural reforms. Group 2 comprises PNG, Solomon Islands, and Timor-Leste, and is known to achieve natural resource-based growth, with prospects for sustained growth conditioned on institutional strengthening and political stability. Group 3, Kiribati, RMI, FSM, Nauru, Palau, and Tuvalu, generally exhibits weak growth with significant external finance assistance, but has some potential for developing local sources of income, which has sustained their economies in the past (e.g., tourism, fish processing and licensing, trust fund incomes, and remittances). See Appendix 2 for detailed discussion on macroeconomic trends.



7. In some Pacific DMCs, the public sector dominates the economy, as indicated by the size of the wage bill (primarily in small island economies) and public expenditures (in particular, RMI, PNG, Solomon Islands, and Timor-Leste). Appendix 2 provides some comparisons of public sector expenditure (on wages) in Pacific DMCs to that in other ADB member countries.

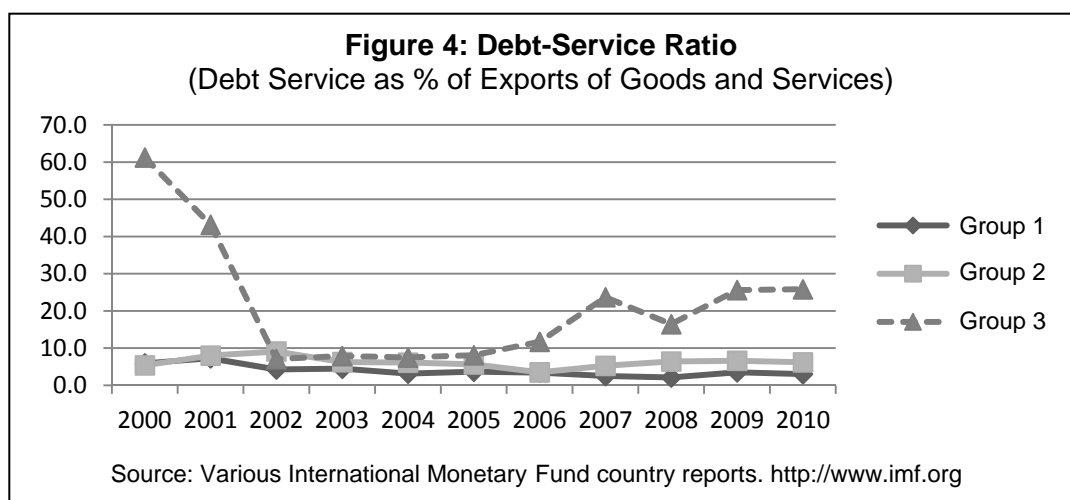
8. While public sector spending dominates, tax revenue generation appeared weak, resulting in large deficits net of external grants. All Pacific DMCs (excluding Timor-Leste) have consistently been in a fiscal deficit position since 2000 (Figure 3). Group 3 was in the worst position, with deficits of 30%–40% of GDP from 2004 to 2009, with slight improvement in 2010. Group 2 posted deficits of 10% to 20% of GDP for the decade, while Group 1's fiscal deficit worsened from about 5% of GDP in 2008 to 10% in 2010.



9. All Pacific DMCs appeared to demonstrate unsustainable consumption patterns, indicated by large fiscal and trade deficits. With the exception of Group 2, which relied primarily on natural resource extraction to support growth, the rest of the Pacific DMCs relied on external grants and borrowing to finance expenditures in the past 10 years. In some countries, such as Samoa and Tonga, remittances have become an important income source.

10. In terms of debt stock (expressed as public sector debt to GDP), Group 3 countries are the most indebted. But most have reduced their debt stock over the years through restructuring, or a shift from borrowing to grants. The RMI, for example, was able to reduce its public sector debt from a peak of 77% of GDP in 2002 to 55% in 2010, but it is suffering from increasing debt-

service burden, from 32% in 2008 to 60% in 2010.⁹ In Tuvalu, while the magnitude is not as large as in the RMI, the same pattern is seen. Group 1 countries show a mixed picture. There is a noticeable increase in the debt stock of Cook Islands, Fiji, Samoa, and Tonga; but debt-service ratios appeared to be low and manageable as of 2009 and 2010. Group 2 countries appeared to perform better than the two other groups, largely because of their natural resource revenues financing growth, and debt restructuring early in the decade, shifting from loans to pure grant financing (Figure 4).



11. In short, for most Pacific DMCs, sound macroeconomic management is a major challenge and sustained, broad-based economic growth remains an elusive goal. Growth and expenditure trends in most countries are not sustainable without debt generation and aid dependence. However, there are limits to the sustainability of accumulating debt and availability of debt is variable.

12. **Progress in achieving Millennium Development Goals.** The MDGs provide a useful framework for assessing socioeconomic progress across the 14 Pacific DMCs. An ADB assessment on MDG progress in the region indicated that most countries face considerable challenges in achieving the goals due to stagnant economic growth, a lack of employment opportunities in the formal sector, and other factors.¹⁰ The eradication of poverty is a challenge, despite relatively high per capita incomes in most of the countries. Only Cook Islands, Fiji, Palau, and Samoa reported clear progress on MDG1, while the rest were either off track or reported insufficient data (Appendix 3). The 2011 Pacific MDG Tracking Report¹¹ states that most countries are off track on halving the number of people living below the basic needs poverty line and achieving full employment. In achieving social sector (education, maternal health, child mortality and gender equality) targets, most Pacific DMCs appeared to be on track, except for the small island economies of RMI, Nauru, and Tuvalu. In combating HIV/AIDS, malaria and other diseases, Group 1 and Group 2 countries were performing well except for Fiji in Group 1 and PNG in Group 2. All Pacific DMCs appeared to be on track in ensuring environment sustainability, except for PNG. Across Pacific DMCs, PNG appeared to have the

⁹ Debt-service ratio is defined as debt service as a percent of exports of goods and services. To maintain consistency, the macro analysis utilized only International Monetary Fund data.

¹⁰ ADB. 2011. *Workshop Report: the MDGs in Pacific Island Countries, Taking Stock, Emerging Issues, and Way Forward*. Manila.

¹¹ Pacific Islands Forum. 2011. *Pacific Regional MDGs Tracking Report*. Suva.

poorest performance, while Cook Islands, Samoa, and Palau were performing relatively well overall.

13. A number of Pacific DMCs indicated insufficient information on some of the MDGs and this is symptomatic of the longstanding weakness in national statistics capacity. The 2011 Pacific MDG tracking report states that, “A major constraint to effective policy making has been a lack of consistent and reliable data on the MDG targets and indicators,” and that the Pacific DMCs, “have paid insufficient attention to the capacity of their national statistics offices, which have weak capacity and high staff turnover. Training personnel in national statistics offices is important not only for developing reliable MDG statistics but also for ensuring more informed policy responses to emerging development challenges.” This is one of the key development issues explored in this evaluation (para. 3).

B. Pacific Developing Member Country Commitments to Improve Governance

14. **Institutions, policies, and measures to promote good governance.** A review of Pacific DMC development strategies shows clear and explicit commitments to strengthening governance. Appendix 4 provides a summary of current Pacific DMC development strategies and indicates their priorities and objectives, including for governance.

15. The governance policy and institutional landscape varies across countries. Appendix 5 provides an inventory of some of the common institutions, policies, and measures Pacific DMCs have established and adopted to promote good governance and, in particular, to prevent corruption. Anticorruption agencies and committees, ombudsman offices, leadership code commissions, and public accounts committees, are examples of the types of institutions some Pacific DMCs have established to uphold accountability. Meanwhile, codes of conduct, asset disclosure requirements, and accession to and endorsement of regional and international good governance agreements are examples of the types of policies and measures Pacific DMCs have adopted to promote good governance. As the table in Appendix 5 illustrates, several countries, such as Palau, PNG, and Solomon Islands have comparatively more institutions and policies in place, while others such as RMI, FSM, and Tuvalu have fewer.

16. **Regional commitments to good governance.** Good governance has become a salient topic at the regional level, and since the mid-1990s the Pacific DMCs have adopted numerous resolutions, pledges, plans, and commitments for strengthening governance. Major regional agreements¹² with governance focus include:

- (i) 1995 Forum Economic Action Plan Eight Principles of Good Governance,
- (ii) 2000 Biketawa Declaration,
- (iii) 2003 Forum Principles of Good Leadership,
- (iv) 2004 Auckland Declaration,
- (v) 2005 Pacific Plan, and
- (vi) 2009 Cairns Compact.

17. **Capacity and implementation concerns.** While improving governance is a common pledge across the Pacific DMCs, consultations during the SES with both Pacific DMC and development partner officials found notable concern over capacity and implementation. The capacity of key organizations established to promote and uphold good governance and accountability is commonly perceived as still too weak in many Pacific DMCs. Moreover, there is

¹² Agreements (i) through (v) are accessible via the Pacific Islands Forum website: <http://www.forumsec.org>; The Cairns Compact is accessible via AusAID’s website: <http://www.ausaid.gov.au>

ongoing concern over ineffective enforcement and implementation of national laws (such as anticorruption codes) and regional commitments to good governance. Several recent country-focused assessments,¹³ including ADB's own country performance assessments, highlight these concerns.

C. ADB Strategies and Assistance in the Pacific

18. **Early strategy.** Since the 1990s, ADB's strategy toward Pacific DMCs has acknowledged the importance of good governance and the development challenges faced in these countries (see Appendix 6, Summary of Governance Reform Strategies in the Pacific). ADB's 1996–1999 Strategy for the Pacific, designed specifically for small island economies, noted the poor economic performance of ADB's Pacific island countries since the early 1980s. The strategy identified key governance issues as: (i) the difficulty of developing a strong and independent administrative arm of government and building effective accountability mechanisms; (ii) the dominance of the political process undermining policy decisions at a considerable cost to growth and development prospects; (iii) weak information flows between the government and civil society concerning the content and consequences of various policy actions; and (iv) state institutions' failure to establish an effective interface with traditional systems of governance, limiting the effectiveness of public service delivery.¹⁴

19. **Evolving focus.** Succeeding Pacific strategies focused on growth, institution building, and participatory approaches to government. Private sector development was also stressed. There was acceptance that a differentiated approach is needed and that the development process requires a longer term programmatic approach. There was also a felt need to shift ADB organizational structure in the Pacific to respond more effectively to Pacific DMC governments; e.g., headquarters-based staff focus on overall strategy and knowledge creation and dissemination, while increasing the role of field-based staff in project and program implementation and enhanced stakeholder response in countries.

20. **Midterm review of strategy.** PARD's midterm review of the Pacific Strategy, 2005–2009¹⁵ revealed that political stability and good governance were needed to achieve good returns on public and private investment. It noted that one of the primary reasons for the region's lack of growth and development was the lack of a well-functioning government apparatus.¹⁶ As such, refinements to the Pacific Strategy were envisaged to provide for a more explicit focus on governance by (i) raising the responsiveness of government to community and business needs, (ii) enhancing accountability, (iii) improving public policy formulation, and (iv) raising the quality of public expenditure.¹⁷ This focus was emphasized in the 2010–2014 Pacific Approach and manifests ADB's growing focus on governance and PSM as critical priorities in the Pacific. A key issue explored in this evaluation (para. 3) was whether ADB increased its focus on governance in the region over time; the evaluation found this to be the case.

¹³ For instance, refer to the United Nations Development Programme Pacific Centre accountability institutions reviews (working papers) and the Pacific Islands Forum's *Country Reports on Actual Leadership Practice Against the Forum Principles of Good Leadership* (2009).

¹⁴ ADB. 1996. *Strategy for the Pacific: Policies and Programs for Sustainable Growth*. Office of Pacific Operations. Manila.

¹⁵ ADB. 2005. *A Pacific Strategy for the Asian Development Bank 2005–2009: Responding to the Priorities of the Poor*. Manila.

¹⁶ Defined as including transparent and accountable rules and regulations, support for improved policy formulation and institutional development, and an overall environment that supports improved and improving public and private sector operations.

¹⁷ ADB. 2008. *Working in Fragile Environments: A Midterm Review of the Pacific Strategy (2005–2009)*. Manila.

21. **Current strategy.** Three major factors distinguish these island countries: (i) remoteness and isolation of the island countries, resulting in severe limitation to attaining scale economies; (ii) relatively low capacity of the government agencies to deliver public goods; and (iii) the lack of private enterprise as an engine of growth. In ADB's Pacific Approach 2010–2014, Pacific DMCs are categorized into three broad groups according to their potential for economic growth and capacities for good governance: (i) those that demonstrate capacity for self-sustained growth, partly resulting from good governance; (ii) those that rely on natural resource endowments as sources of growth, yet struggle to diversify their economies; and (iii) those that struggle to attain self-sustaining growth, yet have external sources of assistance that support their economies.

22. The Pacific Approach's agenda is to foster connectivity, consensus, and a greater community through inclusive and environmentally sustainable growth, good governance, and regional cooperation. It has the following operational priorities: transport, information and communications technology, energy, urban development, water supply and sanitation, and education. It considers PSM as one of the drivers of change, in line with Strategy 2020.¹⁸ Implementation of PSM interventions can be on three levels: macro, service delivery, and monitoring and evaluation.

D. Development Partner Support for Good Governance in the Pacific

23. **The development partner landscape.** The Pacific's development partner landscape evolved steadily in the recent decade. The region saw not only major growth in total aid receipts, but also proliferation and diversification (and, arguably, fragmentation) in the number of entities actively engaged in various areas of development. There are more bilateral, multilateral, regional, nongovernment, and other types of development entities working in and among the Pacific DMCs than ever before. While this has brought new opportunities and resources for cooperation and development, it also raises the risk of duplication and inefficiency.

24. Organisation for Economic Co-operation and Development (OECD) data on official development assistance (ODA) flows to the Pacific DMCs indicate that Australia, the United States (US), Japan, the European Union (EU), and New Zealand are the top five bilateral aid providers to the region. Australia is the largest donor in nine of the 14 Pacific DMCs and is expected to become even more prominent as the Australian Agency for International Development's (AusAID) budget is on course to reach approximately A\$8.0 billion (equivalent to 0.5% of gross national income) by 2015–2016, nearly double its current A\$4.8 billion budget for 2011–2012.¹⁹ Table 1 provides a summary of each Pacific DMC's top ODA providers.²⁰

25. Major multilateral and other types of ODA providers to the Pacific include ADB's Asian Development Fund (ADF), the Global Environment Facility, United Nations agencies, the Global Fund, and the World Bank (through the International Development Association). ADB (ADF funding) is the fourth largest source of overall funding in five of the Pacific DMCs and is less significant than the rest.

¹⁸ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹⁹ Australian Government. 2011. *Summary of Australia's Overseas Aid Program, 2011–2012*. Canberra.

²⁰ OECD data do not include ODA flows from the People's Republic of China and Taipei, China, both of which are active donors in the Pacific region.

Table 1: Top Official Development Assistance Providers by 2008–2009 Average Gross Disbursements (in descending order per country)

Cook Is.	Fiji	Kiribati	RMI	FSM	Nauru	Palau	PNG	Samoa	Solomon Is.	Timor-Leste	Tonga	Tuvalu	Vanuatu
NZ	AUS	AUS	USA	USA	AUS	USA	AUS	AUS	AUS	AUS	AUS	JPN	AUS
AUS	JPN	JPN	JPN	JPN	JPN	JPN	EU	JPN	NZ	PORT	JPN	AUS	USA
GEF	EU	NZ	EU	EU	EU	EU	GLF	EU	JPN	USA	NZ	NZ	JPN
AsDF	NZ	EU	AUS	AsDF	NZ	AsDF	NZ	NZ	EU	JPN	AsDF	AsDF	NZ
UNTA	UNDP	GEF	GEF	AUS	TUR	AUS	JPN	AsDF	AsDF	EU	IDA	EU	FRA
EU	GEF	AsDF	TUR	TUR	SWITZ	TUR	AsDF	IMF	IDA	SPN	USA	TUR	EU
JPN	USA	USA	AsDF	NZ	GEF	GER	IDA	IDA	GEF	IRE	GEF	GEF	GEF
UNDP	KOR	KOR	NZ	GEF	UNTA	UK	GEF	GEF	GAVI	NOR	EU	KOR	CAN
CAN	FRA	GAVI	UNTA	GER	AsDF	GEF	UNDP	USA	CAN	GER	TUR	CAN	AsDF
	UNFPA	CAN	GER	UNTA	KOR	KOR	GER	ARAB	ITA	SWED	UNTA	SWITZ	UNTA

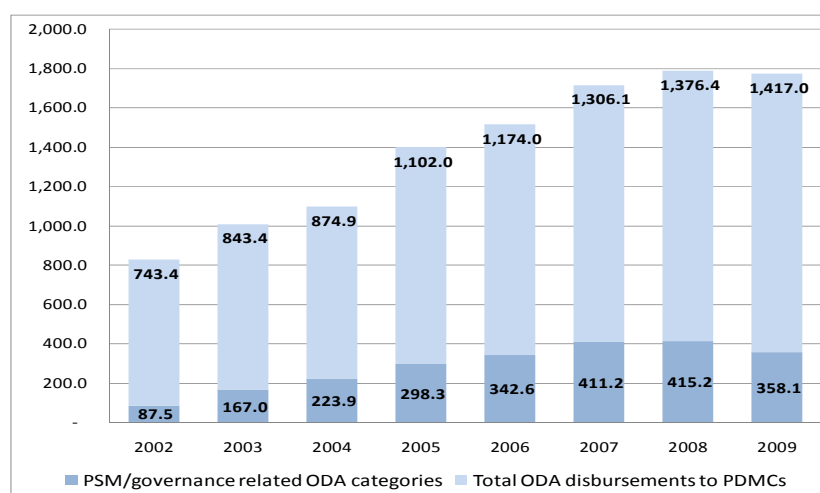
AsDF = Asian Development Fund, ARAB = Arab agencies, AUS = Australia, CAN= Canada, EU = European Union institutions, FRA = France, FSM = Federated States of Micronesia, GAVI = Global Alliance for Vaccines/Immunization, GEF = Global Environment Facility, GER = Germany, GLF = Global Fund, IDA = International Development Association, IMF = International Monetary Fund, IRE = Ireland, ITA = Italy, JPN = Japan, KOR = Republic of Korea, NOR = Norway, NZ = New Zealand, PNG = Papua New Guinea, RMI = Republic of Marshall Islands, SPN = Spain, SWED = Sweden, SWITZ = Switzerland, TUR = Turkey, UNFPA = United Nations Population Fund, UNTA = United Nations Regular Programme for Technical Assistance, USA = United States of America.

Notes: In descending order by disbursement levels; includes only those entities that are in the Organisation for Economic Co-operation and Development (OECD) Query Wizard for International Development Statistics (QWIDS) database. Only nine donors were included for Cook Islands in OECD database.

Source: OECD QWIDS. <http://stats.oecd.org/qwids/> (accessed on 10 June 2011).

26. **Total and governance-related official development assistance flows to the Pacific.** ODA flows (from OECD-recorded sources) to the Pacific DMCs nearly doubled in nominal terms from 2002 to 2009, from \$743.0 million to \$1.4 billion, as indicated in Appendix 7 and as illustrated in Figure 5. In constant 2009 dollars, ODA to the region grew at an average of 3% annually over the period. Notwithstanding the recent global economic downturn, this trend is likely to continue for the foreseeable future.

Figure 5: Official Development Assistance to the Pacific Developing Member Countries, 2002–2009 (\$ million)



DMC = developing member country, ODA = official development assistance, PSM = public sector management.

Source: Organisation for Economic Co-operation and Development Organisation for Economic Co-operation and Development (OECD) International Development Statistics (QWIDS website, accessed 10 June 2011).

27. PSM and governance-related ODA grew significantly, in both absolute and relative terms, over the period. Governance ODA grew in nominal terms from \$87.5 million in 2002 to \$358.1 million in 2009. As a percent of total ODA to the Pacific DMCs, governance ODA grew from 11.8% to 25.3%. ODA categorized as public sector policy and administration management nearly quadrupled from \$53.5 to nearly \$206.0 million, while ODA categorized as public financial management (PFM) more than doubled from just under \$10.0 million to more than \$22.0 million. Legal and judicial development ODA increased ten-fold from \$7.4 to \$74.0 million. The data also show strong growth in “demand-side”-targeted ODA. ODA for democratic participation and civil society, media, and nongovernment organizations grew from under \$6.0 million to around \$40.0 million over the period, but still represented just 3% of total ODA to Pacific DMCs.

28. **Key development partner efforts to strengthen governance.** Australia’s aid program has increasingly (and more explicitly) emphasized the importance of sound governance for effective development and AusAID has channeled significant resources to supporting governance initiatives through its bilateral and regional programs. Australia’s delivery of aid and support, including in many PSM and governance areas, has also diversified over time. Many government departments and agencies outside AusAID are now directly engaged in projects and programs in the Pacific DMCs. Appendix 8 provides more details on AusAID’s current governance priorities in each Pacific DMC.

29. The US delivers its aid to the Pacific DMCs via three primary channels: its main United States Agency for International Development (USAID) program, which is active in most of the Pacific DMCs; its Compact treaty agreements with the three north Pacific DMCs; and its Millennium Challenge Corporation, which has compacts with Timor-Leste and Vanuatu. Good governance is a central thematic focus in all three channels. Through the Millennium Challenge Corporation, the US has directly identified good governance (and related criteria) as preconditions to any support. In the north Pacific, public sector capacity development is a priority sector for use of Compact payments from the US to RMI, FSM, and Palau.

30. Governance is a priority in the EU’s and New Zealand’s aid programs. The EU has been active in supporting demand-side governance efforts, through such programs as its nonstate actors capacity development grants. The New Zealand government’s International Development Policy Statement identifies governance as a priority, indicating that leadership and governance are essential elements to effective development. Both the EU and New Zealand provide various forms of support to PSM and governance areas in Pacific DMCs.

31. Agencies such as United Nations Economic and Social Commission for Asia and the Pacific and the United Nations Development Programme (UNDP) Pacific Centre also support governance initiatives and projects in the Pacific DMCs. The UNDP Pacific Centre, in particular, has taken an active role in the region on strengthening parliamentary capacity.

32. A number of regional organizations and programs are also active, to varying degrees, in PSM and governance related work in the Pacific DMCs, including the Pacific Islands Forum; Secretariat of the Pacific Community; Secretariat for the Pacific Regional Environmental Programme; Pacific Financial Technical Assistance Centre; the University of the South Pacific School of Government, Development and International Affairs (formerly the Pacific Institute of Advanced Studies in Development and Governance), and the Pacific Island Centre for Public Administration; and the Commonwealth Pacific Governance Facility.

33. Governance is also a central and growing focus area for a number of Pacific DMC-membership associations and organizations, such as the Association of Pacific Islands

Legislatures, Association of Pacific Islands Public Auditors, Pacific Association of Supreme Audit Institutions, Pacific Ombudsman Alliance, and other regional and subregional country-member entities. Other entities such as the Pacific Institute of Public Policy and Transparency International are active in some Pacific DMCs.

34. **Coordination among Pacific developing member country development partners.** A key question explored in this evaluation (para. 3) is whether aid coordination in the region has improved. The Pacific development landscape has become more congested, with numerous entities providing various forms and modalities of assistance and support. Against this backdrop, there has been clear and explicit recognition on the need to improve coordination. This recognition is manifested by pledges and commitments at the country level, as well as through high profile regional agreements and plans such as the Pacific Plan and the Cairns Compact on Strengthening Development Coordination.

35. Pacific DMCs have endeavored to improve donor and aid coordination (including for governance support) at the country level in a number of ways. For example, in 2008 the PNG government and its main development partners agreed to a collective agreement on a localized aid effectiveness compact, called the Kavieng Declaration. With ADB support, the RMI²¹ and several other Pacific DMCs have convened donor roundtable meetings to encourage better donor-country and donor-donor communication and coordination. In Vanuatu, ADB and other resident development partner representatives have established informal monthly meetings to discuss ongoing work and to foster better coordination.

36. Notwithstanding these commitments and efforts, coordination capacity and effectiveness are still a concern. During the evaluation missions, Pacific DMC and development partner officials cited effective coordination as a key challenge. Given that total aid levels and the number of aid providers to the Pacific are likely to continue rising, the need for more effective coordination will thus also rise. This places a heavy onus on Pacific DMCs and their partners to focus more attention on improving coordination capacity at all levels.

37. **Implications for future ADB work.** ADB's ongoing efforts to strengthen coordination, through both bilateral and regional TA, are acknowledged. Looking forward, a more congested development landscape has several important implications for future interventions in the Pacific. For certain, ADB should continue to strengthen its working partnerships, including with the region's top donors. ADB could also consider forging new partnerships with nontraditional partners that are actively engaged in governance-focused efforts, such as the UNDP Pacific Center, the Pacific Ombudsman Alliance, and other entities with which ADB has had limited or no collaboration. While its resources going into the Pacific DMCs have increased, ADB remains a relatively smaller player, which suggests it should continue to leverage its limited resources. Finally, ADB can take a sharper focus on areas where it has clear comparative advantages and a history of success. For example, ADB's Pacific Studies Series and other analyses are well regarded in the region and have helped strengthen knowledge on common Pacific DMC challenges, including governance issues. Strategies to more effectively manage this knowledge and improve its visibility and usefulness in Pacific policy arenas can be considered.

²¹ For example, see RMI government's development partner meeting website: www.rmidpm.info. This meeting was cosponsored by ADB.

III. EVALUATION FINDINGS AND PERFORMANCE RATINGS

38. ADB supported 10 PSM related loan and grant projects in nine Pacific DMCs over the 2000–2010 period, worth an approval value of \$158 million. Seven of the 10 were fully assessed and rated in this evaluation, while three were not rated, since implementation is still ongoing. Ninety-six TA projects classified as PSM, worth \$42 million, were also rated. A selected number of non-PSM sector projects with governance-related components (e.g., roads projects) were reviewed but not rated to support the assessment at the sector level. Detailed project information, by country and grouping, is provided in Appendix 1. Evaluation rating details are shown in Appendix 9, including a summary of overall loan/grant and TA ratings by country and grouping. Core focus areas for the loans and grants are summarized in Table 3, and for TA in Appendix 10.

39. **Ratings and assessment methodology.** The evaluation followed Independent Evaluation Department (IED) guidelines on country assistance program evaluation to assess ADB's strategic positioning, relevance, effectiveness, efficiency, sustainability, and impact;²² these are discussed in paras. 41–83. Project-level ratings for relevance, effectiveness, efficiency and sustainability (Appendix 9) were combined with strategic positioning and impact ratings to determine an overall rating for ADB interventions (para. 40).²³ Guide questions were used for each evaluation criterion (Appendix 11). Self-evaluations and desk review of project documents, back-to-office reports plus other relevant reports and field information gathered were triangulated to arrive at the assessments based on evaluation subcriteria.²⁴ While it is acknowledged that the majority of Pacific DMCs are classified as fragile states, assessment standards and criteria were not modified for this SES; assessments and ratings were made against the stated objectives of the respective projects and TA operations.

40. **Overall assessment.** ADB's overall support for governance thematic area is rated *partly successful*, just below the threshold of *successful*. The overall rating reflects relatively high scores on relevance and strategic positioning, and relatively low scores in all other rated areas. ADB's strategic positioning is assessed *satisfactory*, but with room for improvement, such as in governance risk assessments. ADB support is *relevant*, with projects generally aligned to country needs and taking into consideration the country contexts, but with scope to sharpen selectivity and focus of interventions. The study found PSM interventions to be *less effective, less efficient, less likely* to be sustainable, and *partly satisfactory* in impact, all of which are the second tier up in a four-tier rating system (Table 2). Many projects did not achieve important stated outputs and outcomes, thus limiting their overall effectiveness and ultimate impacts. Delayed consultant recruitment, lack of government support, and changes in project scope were among the many factors contributing to weak efficiency in projects. Many project achievements were not sustained over time and a number of key institutions supported by these projects remain significantly challenged today, leading to low sustainability ratings. ADB's overall contribution to development impact with respect to PSM interventions is assessed *partly satisfactory*. Appendix 9 provides a summary of evaluation ratings for loan and grants at the project level and the following sections provide further analysis on these assessment areas.

²² ADB. 2010. *Revised Guidelines for the Preparation of Country Assistance Program Evaluations*. <http://www.adb.org/Documents/Guidelines/Evaluation/Revised-CAPE-Guidelines-2010.pdf>

²³ Rating criteria weights, as per CAPE guidelines, are: strategic positioning 10%, relevance 10%, effectiveness 20%, efficiency 20%, sustainability 20%, impact 20%.

²⁴ Appendix 9 provides details on how the evaluation ratings were determined.

Table 2: Summary of Ratings

Criteria	Rating
Strategic positioning	Satisfactory
Relevance	Relevant
Effectiveness	Less effective
Efficiency	Less efficient
Sustainability	Less likely
Impact	Partly satisfactory
Overall	Partly successful

Source: Independent Evaluation Department.

A. Strategic Positioning

41. **ADB's strategic positioning is *satisfactory*.** Detailed analysis of regional and country-specific ADB strategies for the Pacific was conducted to assess ADB's strategic positioning. This analysis was guided by several key questions, such as whether and how: key governance issues and binding constraints were clearly articulated in strategies; background diagnostics (including governance risk assessments) helped in the preparation of strategies; strategies identified specific interventions to strengthen institutions; ADB leveraged other development partner resources and efforts. The analysis found ADB's strategies to be generally consistent with country development challenges and aligned with development partner interventions. Binding constraints were articulated in a number of strategies, diagnostics strengthened strategies, and ADB leveraged its resources in some areas. The key elements of governance were given adequate attention in ADB strategies for the region. On the other hand, country strategies sometimes lacked articulation on key governance issues. Moreover, governance risk assessments and mitigation can continue to expand. This evaluation recognized the unique development challenges in Pacific DMCs and the weaknesses in institutions and capacities of individual countries.²⁵

42. **Binding constraints on good governance articulated in some country strategies.** A key question guiding this evaluation (para. 3) was whether ADB country strategies and interventions adequately addressed binding constraints. This was consistently done in some country strategies over the evaluation period. For example, Solomon Islands' country strategies consistently indicated constraints due to limited managerial capacity; in particular, the need to improve functions related to local government planning, financial and operational management, regulation, and supervision under a federal system in nine provinces.²⁶ In the case of PNG, sound fiscal management and control of corruption were considered the most critical requirements.²⁷ These constraints were also consistently identified in succeeding country strategies. Meanwhile, RMI country strategies regularly identified persistent low levels of public service productivity and weak capacity for management of public expenditure, primarily in the area of budget management and planning process.

43. In a few cases, governance issues and their underlying causes were not clearly articulated in country strategies. For example, the 2002 Samoa Country Strategy and Program Update (CSPU) for 2003–2005 indicated a number of issues requiring attention such as tariff and tax reform, and improvement in the management and governance of public sector

²⁵ Ten of 14 Pacific DMCs are classified as FCAS countries. See ADB. 2010. *Special Evaluation Study: ADB's Support to Fragile and Conflict-Affected Situations*. Manila.

²⁶ ADB. 2004. *Solomon Islands: Country Strategy and Program Update (2005–2006)*. Manila.

²⁷ ADB. 2005. *Papua New Guinea: Country Strategy and Program Update (2005–2006)*. Manila.

enterprises. However, the underlying causes behind these issues were not clearly articulated.²⁸ Similarly, Fiji's CSPU for 2006–2008 did not provide a thorough discussion on binding constraints, although the Pacific Island Economic Report and other studies were used as references in the country strategy preparation. The CSPU recognized that increased investment and higher rates of economic growth would have to require the development of complementary capabilities in PSM, as well as the implementation of necessary macroeconomic policy and public sector reforms. But there was limited analysis on the underlying issues behind these recommendations.

44. **Economic and governance diagnostics informed the preparation of country strategies.** Cook Islands' 2008 country partnership strategy (CPS) for 2008–2012 emphasized all key elements of good governance. This could be attributed largely to the thematic assessment of development opportunities and constraints that was prepared for the Cook Islands' 2007 Social and Economic Report.²⁹ As a result, a separate appendix in the CPS tackled governance assessment, which included discussion on issues pertaining to PFM, procurement systems, and anticorruption issues. Similarly, governance diagnostics in Solomon Islands' Interim CPS for 2009–2011 largely benefited from a governance summary assessment, although it drew from governance analyses previously undertaken. Nevertheless, binding constraints that impeded effective governance were identified and appropriately discussed, including issues on improving PFM, strengthening procurement systems, and combating corruption. However, the quality of discussion on key good governance elements was not at par with the one done for Cook Islands.

45. Country strategies for Samoa³⁰ and Vanuatu³¹ utilized the results of the Public Expenditure and Financial Accountability (PEFA) assessments in the discussion of binding constraints, providing rigor and depth of information relevant to the country strategy. In the case of Vanuatu, it was indicated that while budget execution and reporting were of generally sound standards, audit, planning, and transparency issues needed some further improvement. On the other hand, it was indicated that Samoa had made substantial progress in improving fiscal transparency.

46. ADB's Pacific Studies series and other regional, sectoral, and thematic reports have provided useful analysis on a range of relevant development topics in the region. Pacific Island Economic Reports and other diagnostic analyses have helped to identify country-specific challenges and opportunities.

47. **ADB leveraged its limited resources through joint work with other development partners in the areas of budget preparation, accounting, procurement systems, and anticorruption.** For example, ADB's explicit initiative on procurement in the Cook Islands was done with OECD in a joint document on the anticorruption initiative for Asia-Pacific.³² This was also the case in Vanuatu, where an anticorruption initiative was being undertaken with OECD. ADB has also participated with the AusAID and other partners in the conduct of PEFA for

²⁸ Binding constraints in Samoa's latest country strategy were better articulated as a result of utilizing the 2008 Pacific Island Economic Report and the 2007 private sector assessment in the growth diagnostic analysis.

²⁹ The report identified environmentally sustainable private sector-led development (e.g., tourism) as the key driver of economic growth. ADB. 2008. *Cook Islands 2007 Social and Economic Report, Equity in Development*. Manila.

³⁰ ADB. 2008. *Country Partnership Strategy: Samoa, 2008–2012*. Manila.

³¹ ADB. 2009. *Country Partnership Strategy: Vanuatu, 2010–2014*. Manila.

³² ADB. 2008. *Country Partnership Strategy: Cook Islands, 2008–2012*. Manila.

Tonga, PNG, and Tuvalu.³³ Cofinancing represented an estimated 5% of the approval value of all TA projects covered in this evaluation.

48. In Solomon Islands, PFM issues are focused on the budget's lack of credibility as an indicator of actual expenditure, lack of accounting and reporting on special funds and state-owned enterprises (SOEs), poor transparency in intergovernmental fiscal relations, weak adherence to budget timetables and limited policy-based budgeting in a medium-term framework, among other things. ADB works closely with the Regional Assistance Mission to Solomon Islands (RAMSI) in these areas. RAMSI, through its law and justice, economic governance, and machinery of governance pillars of engagement, has taken the lead among development partners in addressing these issues.³⁴ PNG's country strategy in 2006 recognized that ADB was "by no means the largest of PNG's development partners, strong donor partnerships have been and will continue to be a feature, making appropriate partnerships and ADB's comparative advantage prominent considerations in developing the roadmaps".³⁵ These initiatives of ADB promote harmonization among development partners and are effective in addressing joint reform agenda with governments. They also support strengthening the country-level governance elements of accountability and transparency.

49. **Governance risk assessments should expand.** Country strategies in the earlier years of the study period had limited references to country and sector level risks, relative to more recent strategies. One exception was Tonga's 2004 CSPU for 2005–2006, which indicated the risk of pushing for an increase in civil servant wages that may affect budget strategy, the effects of a rationalization program on unemployment, and two public enterprises that continued to impose financial and operational risks to public finances.³⁶

50. In the absence of country and sector risk assessments, country strategies prepared before GACAP II did not mention whether risk factors were adequately factored into the country program. However, Solomon Islands' 2004 CSPU for 2005–2006 noted that the government's debt and absorptive capacity, as well as the need for loan finance, were to be monitored closely and, if necessary, the country program was to be adjusted accordingly.³⁷

51. Recent CPSs show improvements in the identification of key country-level risks. Country-level risk assessments have been conducted for some Pacific DMCs post-GACAP II.³⁸ Sector-level risk assessments and management measures have remained limited. The exceptions were Vanuatu's 2009 CPS for 2010–2014 and PNG's CPS for 2011–2015. Expanding and deepening country- and sector-level risk assessments and management plans can help to sharpen the governance focus of country strategies, including better articulation of binding constraints and key interventions, and thus improve the prospects for better outcomes from ADB governance support.

³³ PEFA exercises are meant to (i) assess the condition of country public expenditure, procurement, and financial accountability systems; and (ii) develop a practical sequence of reform and capacity-building actions. See <http://web.worldbank.org/WBSITE/EXTERNAL/PEFA/0,menuPK:7313471~pagePK:7313134~piPK:7313172~theSitePK:7327438,00.html>

³⁴ ADB. 2009. *Interim Country Partnership Strategy: Solomon Islands, 2009–2011*. Manila.

³⁵ ADB. 2006. *Country Strategy and Program: Papua New Guinea, 2006–2010*. Manila.

³⁶ ADB. 2004. *Country Strategy and Program Update: Tonga, 2005–2006*. Manila.

³⁷ ADB. 2004. *Solomon Islands: Country Strategy and Program Update (2005–2006)*. Manila.

³⁸ CPS risk assessments and risk management plans have been prepared for Cook Islands (2007), Samoa (2007), Tonga (2007), Tuvalu (2007), Kiribati (2009), FSM (2009), and Timor-Leste (2009).

B. Relevance

52. **Public sector management projects are assessed *relevant*.** Projects are generally aligned with country needs and take into consideration country context. There was selectivity and focus in some policy actions. However, there is still scope to sharpen selectivity and focus of interventions,³⁹ some support appeared too little and too short, and the number of committed policy actions were often too many, among other areas for improvement.

53. **Policy-based lending was the main instrument of public sector management support.** Policy-based lending was adopted as the main instrument of intervention supported by TA and economic and thematic sector work.⁴⁰ Over the decade, there were two clusters of policy-based lending support: the first was over the period 2001–2002, the second in 2008–2010. Across Pacific DMCs, there was no major policy-based support over the period 2003 to 2007; there was also a reduction in PSM TA over this mid-decade period.⁴¹

54. **There was selectivity and focus on certain policy actions.** From a broad perspective of 10 years, public enterprise reform turns out to be the most consistent policy area in which ADB has supported with the use of policy-based lending instruments (Table 3). In the early 2000s, the policy matrices for RMI, FSM, and Tonga policy-based programs contained explicit mention of public enterprise reform related actions. Tonga and RMI followed through in this area in 2009 and 2010, respectively. Public enterprise reform is an important element in fostering more private sector-driven growth. Many Pacific DMCs have poorly performing public enterprises, which are a major constraint to doing business, and thus reforming these enterprises can have positive effects on the overall investment environment (Box 2). ADB has also been consistent in its support for budget and medium-term expenditure framework preparation, and taxation and revenue mobilization, with more countries committing to reforms in this area over the period 2008–2010.

55. **Support for infrastructure development.** In more recent policy-based lending programs, support for infrastructure development related measures was prominent (e.g., economic recovery support programs for the Cook Islands and Solomon Islands, and the economic support program for Tonga). This is consistent with PARD's regional approach as well as country strategies. These have been supported by TA projects with focus on procurement, PFM, and audit at the sector level.

56. **Response to the global economic crisis.** Four of the policy-based loans in 2009 and 2010 explicitly mentioned their primary purpose to be in response to the global economic crisis, (i.e., program loans for Cook Islands, Samoa, Solomon Islands, and Tonga), while the RMI Public Service Program made reference to the global economic crisis only in setting the development context. The emphasis on the response to the global economic crisis allowed these programs to support a wider range of policy actions, including support to vulnerable groups through budgetary allocation and to enhance country poverty and MDG monitoring.⁴² For

³⁹ The findings here are consistent with the ADB. 2010. *Special Evaluation Study: ADB's Support to Fragile and Conflict-Affected Situations*. Manila.

⁴⁰ Pacific DMCs, where most are ADF-only or blend countries, funding is through ADB Special Funds resources or grants, with the exception of Cook Islands, which is resourced from ordinary capital resources.

⁴¹ This observation is also noted in the ADB. 2009. *Special Evaluation Study: ADB Support for Public Sector Reforms in the Pacific*. Manila.

⁴² An IED study on ADB's response to the global economic crisis argued that there may be a need to develop new instruments for small ADF countries, and that the countercyclical support facility may not be an appropriate instrument to respond to such needs. See ADB. 2011. *IED Special Evaluation Study: Real-Time Evaluation of ADB's Response to the Global Economic Crisis of 2008–2009*. Manila.

DMCs which have availed of the policy-based loan earlier (i.e., 2009), this may have been more effective as a counter-cyclical budgetary support instrument.

57. **Communication plan stressed in recent years.** What is noteworthy is the inclusion of a communication plan as one of the committed policy actions in more recent policy-based loans. All policy-based lending from 2009 to 2010 indicated this as the final component in their matrices. This should enhance transparency and participation which are key governance elements.

Table 3: Core Policy Actions of Pacific Developing Member Country Policy-Based Lending and/or Grants, 2001–2002 and 2008–2010

2001–2002	2008–2010
1. Civil Service Reforms Papua New Guinea Public Service Program (PSP) (2001) RMI Fiscal and Financial Management Program (FFMP) (2001) FSM Private Sector Development Program (PSDP) (2001) Tonga Economic and Public Sector Support Program (EPSSP) (2002)	None
2. Budget Preparation/Medium Term Expenditure Framework Papua New Guinea PSP (2001) RMI FFMP (2001)	Cook Islands Economic Recovery Support Program (ERSP) (2009) Tonga Economic Support Program (ESP) (2009) RMI PSP(2010) Samoa ERSP (2010) Solomon Islands ERSP (2010)
3. Public Enterprise Reform RMI FFMP (2001) FSM PSDP (2001) Tonga EPSSP (2002)	Tuvalu Improved Financial Management Program (IFMP) (2008) Tonga ESP (2009) Samoa ERSP (2010) Solomon Islands ERSP (2010) RMI PSP (2010)
4. Public Financial Management (in Procurement, Audit, and Accounting) None	Tonga ESP (2009) Samoa ERSP (2010) Solomon Islands ERSP (2010)
5. Taxation and Revenue Mobilization RMI FFMP (2001)	Tuvalu IFMP (2008) Tonga ESP (2009) RMI PSP (2010) Solomon Islands ERSP (2010)
6. Debt Management FSM PSDP (2001)	Tuvalu IFMP (2008) Tonga ESP (2009)
7. Economic Planning and Monitoring RMI FFMP (2001) Tonga EPSRP (2002)	Tonga ESP (2009)
8. Land Administration and Management RMI FFMP (2001) FSM PSDP (2001)	None
9. Communication Plan for the Reform None	Cook Islands ERSP (2009) Tonga ESP (2009) RMI PSP (2010) Samoa ERSP (2010) Solomon Islands ERSP (2010)

FSM = Federated States of Micronesia, RMI = Republic of the Marshall Islands.

Source: Asian Development Bank—various reports and recommendations of the President.

58. **Some support appeared too little and too short.** Areas in which ADB appeared to provide less priority in recent years are civil service reforms, land administration and management, and to some extent support for economic planning and monitoring. In Tonga, ADB did not follow through its support to civil service reforms in the early 2000s, through the

Economic and Public Sector Reform Program (EPSRP) in 2002, such that most of the activities, especially those with the Public Service Commission, were not sustained. Performance-based budgeting was a common area of support in RMI, FSM, and Tonga in the early 2000s, but this area of reform ceased to appear in TA and policy-based lending policy actions in recent years. Given the complexity and time needed to embed performance based budgeting in the bureaucracy, the shift in focus to more sector-specific themes such as public enterprise reforms and infrastructure, and factors beyond the control of ADB such as political and counterpart instability, it is understandable that these early reform efforts were not fully followed through in recent years.

59. **The number of committed policy actions remained too many.** Examining individual policy-based lending across Pacific DMCs, there remain too many and too dispersed committed policy actions.⁴³ While there seems to be consistency in supporting priority areas such as infrastructure, public enterprise, and budget preparation over the review period, there were other components in which ADB may have minimal comparative advantage. Except for Tuvalu, program loan policy matrixes had about 30–40 committed policy actions. Common components of policy actions include targeted poverty reduction measures, support for the vulnerable sectors, tax mobilization, and strengthening local government decentralization. In contrast, Tuvalu's Improved Financial Management Program (2008) appeared to be successful in narrowing policy actions to a few key areas (debt and risk management, tax reform, and oversight of public enterprises).

60. It is understood that formulating a policy matrix is a complex exercise and requires a wide range of stakeholders' views to consider; building a consensus and incorporating a unified view from government and development partners is a challenge. But it is important that committed policy actions must be narrowed, focused, and feasible. While ADB may not be taking the lead in some of these components and therefore has little or no control, the programs' credibility gets eroded if in the near future development results in these areas are not forthcoming.

61. **Technical assistance projects supported the policy-based loan agenda, but there is room for consolidation.** Over the review period, TA projects have focused on general PFM, fiscal policy management, development of national and sectoral strategies, and civil service reforms (Appendixes 1 and 10). Most of these are in line with the policy action in various program loans, both at the preparation stage and in following through reforms in specific areas. But reforms to improve parliamentary capacity, subnational support, civil society strengthening, debt management, and legal and justice sector reforms were generally one-off initiatives.

C. Effectiveness

62. **The study finds public sector management interventions less effective.** In many projects, stated outputs and outcomes were not achieved, which ultimately limited these interventions' effectiveness in strengthening institutions, developing capacity, and meeting other stated objectives. Numerous factors constrained achievement of outputs, including overly ambitious objectives in project designs, weak counterpart support, scope changes, consultant recruitment delays, lack of qualified local staff, political transitions, policy and priority shifts, and disagreements between ADB and governments on approach. More effective projects were

⁴³ For example, lessons from PNG's Public Service Program (2001) point to an overambitiously designed policy reform agenda; thus this was rated partly relevant and less effective in achieving outcomes. ADB. 2008. *Program Performance Evaluation Report: Public Service Program in Papua New Guinea*. Manila.

those that were supported over an extended period of time, were less complex, and incorporated in their design nuances of the cultural and political economy context.

63. A package of support sustained over a long period promotes likely success. Project objectives are likely to be achieved with the support of various measures that includes thematic or sectoral diagnostics, dissemination of information, and two or more TA projects that follow through earlier efforts. Public enterprise reform in Solomon Islands is a good example (para. 74, Table 3). Shortly after the arrival of the RAMSI in 2003, ADB conducted a joint mission with the World Bank to assess reengagement with Solomon Islands. Enterprise development within the broader investment climate reform was one of the key reform directions identified.⁴⁴ This provided the underpinning for subsequent TA for private sector development, in particular the regional TA to support the Private Sector Development Initiative (PSDI), cofinanced by AusAID.⁴⁵ Legislation to support reforms in public enterprises and strengthening the investment climate were promulgated with the help of ADB assistance. In 2010, the ERSP emphasized public enterprise reforms as one of the key policy actions committed to by the government. In addition to the PSDI, the public enterprise diagnostics entitled Finding Balance, one in 2009, then in 2011, provided a comprehensive and in-depth look at the progress and challenges in public enterprise reforms in Fiji, RMI, Samoa, Solomon Islands, and Tonga. ADB's dialogue on the Finding Balance studies with key stakeholders enhances ownership of the reform process and supports policy action commitments in RMI, Samoa, Solomon Islands, Tonga, and Tuvalu. In the Pacific, public enterprise reform is an important way to foster greater private sector involvement in the economy.

64. Broad-scope reforms were less successful. Broad-targeted reforms in PSM are more complex and require much longer time frames to sustain success. In the context of weakly performing institutions and the complex political economy dynamics in some Pacific DMCs, the challenges are multiplied. These are the common themes arising from ADB's policy-based lending experience over the period 2000–2002 in the Pacific, where of the four program loans, three were assessed partly successful, with only one successful rating. For example, Tonga's 2002 EPSRP key actions included the establishment of performance contracts with key agency officials, moving towards a merit-based system in the civil service. However, evaluating performance contracts at the end of the agreed upon period is complex and can easily be challenged in cases where agreed upon assumptions break down. The IED evaluation mission to Tonga found that shortfalls in targets were ignored when budget allocations fell short of agreed amounts and when manpower resources were inadequate to execute the agreed tasks. Repeated accommodation by oversight agencies on target shortfalls resulted in erosion of credibility of the performance contracts. Thus, to make performance contracts work, progress must also be achieved in other reform areas such as ensuring adequate budgetary allocations to line agencies, increased revenue to support expenditures, and appropriate and adequate manpower skills to implement agency mandates.

65. Other critical reforms in Tonga's EPSRP that were not sustained were the downsizing of the public service and restructuring of public enterprises. However, these reforms are likely to succeed in a more favorable macroeconomic environment, where the government has financial strength and alternative employment opportunities exist in the private sector.⁴⁶

⁴⁴ PARD Back to Office Report: Joint ADB-World Bank Country Assessment Mission, Solomon Islands, 16–31 October 2003; and Donor Coordination Meeting, Sydney, 3 November 2003.

⁴⁵ ADB. 2008. *Pacific Private Sector Development Initiative. Annual Progress Report 2008*. Manila.

⁴⁶ ADB. 2005. *Program Completion Report: Tonga Economic and Public Sector Reform Program*. Manila.

66. In RMI and FSM, performance-based budgeting was a common feature in the policy matrixes in both policy loans in 2001. This was also supported by TA. For performance-based budgeting to be successful, the national budget must be transformed into an outcome-oriented and multi-year expenditure plan with clear, measurable, verifiable performance indicators and targets committed to be delivered by line agencies. Line agency outcomes are commonly aligned with MDG indicators depending on the mandate of the agencies. The evaluation mission to RMI found that the budgetary process has fallen short of objectives set out in the TA supporting performance-based budgeting. Findings also note that there was no mention of performance-based budgeting reforms in the recent cluster of TA projects over the period 2007–2010.

67. **Sector-specific interventions appear to have had more success.** In Solomon Islands, the TA to strengthen the Ministry of Infrastructure and Development in 2004 paved the way for the development of the country's infrastructure plan and enhanced development partner coordination through a possible sector-wide approach. In another case, a small-scale TA in Fiji for debt management in 2000 has been appreciated by the debt management agency up to the present. The agency, however, expressed dissatisfaction over lack of follow-through in this area.⁴⁷

68. **Support for joint development partner diagnostics show results.** ADB country or regional TA provides flexible instruments to support joint development partner diagnostics in areas such as PFM, including PEFA initiatives. This joint work promotes alignment and improved coordination with other donors as well as with governments. It was also instrumental in supporting the cluster of policy-based lending in 2008–2010. Support in this area helps build harmonized country systems in procurement, audit, and PFM; a key commitment in the Paris Declaration for Aid Effectiveness and Harmonization.⁴⁸

69. Partnership within ADB is also worth noting, for example, joint work with Central Operations Services Office (COSO) and PARD on procurement processes such as the procurement review for effective implementation (PREI, Box 1). While PARD has generated a significant number of knowledge products over the years, it has also tapped into knowledge resources from the Regional and Sustainable Development Department, Strategy and Policy Department, the Community of Practice, and the ADB FCAS focal point.

70. **Support for statistical offices provided, but capacity challenges remain.** One of the key questions guiding this evaluation (para. 3) is how ADB has tried to address long-standing weaknesses in statistical capacity in the Pacific. Over the decade, ADB supported at least 10 statistics-focused projects in six Pacific DMCs. The projects supported both data collection activities, such as surveys, as well as improvements in statistics capacity. While short-term data collection outputs were achieved (e.g., demographic and health survey in PNG, poverty profiles in RMI and Tonga), capacity development support was less effective. In addition to country-focused TA, ADB has also provided regional TA resources and has collaborated regionally with other development partners on statistics projects; this regional cooperation is ongoing and new approaches to capacity building are being explored. Nevertheless, statistical agencies continue to face major capacity challenges. Thus, results and performance monitoring of key indicators, such as the MDGs and major economic data, continue to be a challenge in most Pacific DMCs.

⁴⁷ IED evaluation mission findings, March 2011. The mission finds demand for ADB's technical support in governance reform and PSM in Fiji, but ADB's PSM support is constrained by the conditions of the reengagement approach. See ADB. May 2007. *Fiji Islands: Reengagement Approach*. Manila.

⁴⁸ See http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

Box 1: Procurement in the Pacific Developing Member Countries

Procurement processes are highly prone to corruption and mismanagement of resources. The Asian Development Bank's (ADB) Second Governance and Anticorruption Action Plan, approved in 2006, identifies procurement as one of three priority governance themes and prioritizes it as an area for ADB focus and support. ADB has made various efforts to strengthen procurement processes in its financed projects, to gather and share knowledge about good procurement practices, to better assess procurement capacity and risks in developing member countries (DMCs), and to support improvements to their procurement systems.

ADB's Procurement Review for Effective Implementation (PREI),^a a Central Operations Services Office-led initiative that began in 2010, reflects ADB's more proactive role in monitoring and evaluating procurement risks and performance. PREI uses indicators to assess and monitor an executing agency and/or implementing agency's procurement practices, activities, systems, and institutional arrangements; and to identify and address procurement-related risks and vulnerabilities, thereby strengthening project implementation and management of development objectives. Among the Pacific DMCs, the Federated States of Micronesia is the first to have completed a pilot PREI assessment.

Since 2009, ADB's Asia Pacific Procurement Partnership Initiative (a regional TA) has aimed to strengthen the capacity of public procurement policy bodies through cross-country sharing of knowledge of effective procurement systems (via conferences and meetings, a website, and a newsletter).

Through the ADB/Organisation for Economic Co-operation and Development Anti-Corruption Initiative for Asia and the Pacific, ADB conducted a 2006 thematic review of procurement challenges in 25 of its DMCs, including six Pacific DMCs (Cook Islands, Fiji, Palau, Papua New Guinea, Samoa, and Vanuatu).^b The review's main findings, which remain generally relevant today, were that, while progress had been made in several key areas, many countries still had rudimentary, fragmented, or ambiguous frameworks, and faced serious challenges in applying better procurement practices.

A more recent review on procurement in the Pacific found that, "very few studies have been carried out into government procurement... undoubtedly due to donor and government sensitivity. This has been a worrying trend since non-transparent procurement systems and the inconsistent application of procurement rules and processes intensify public suspicion about the integrity of government procurement systems."^c The report summarizes that the majority of procurement regimes in the Pacific are rudimentary, with many lacking: clear regulatory and enforcement mechanisms, transparency, and accountability, and adequate capacity. As such, many procurement processes and procedures remain generally ineffective.

Aid resources flowing into the Pacific DMCs are almost certain to continue growing; this puts significant onus on ADB and other major development partners to step up efforts to support improvements in procurement policy and practices in the Pacific.

^a ADB. 2011. *Procurement Review for Effective Implementation*. Manila.

^b ADB. 2006. *Curbing Corruption in Public Procurement in Asia and the Pacific*. Manila.

^c Pacific Economic Development Agency. 2010. *Study on Procurement Policies and Practices in Forum Island Countries and Recommendations on the inclusion of Government Procurement in the Pacific Island Countries Trade Agreement*. Suva.

Source: Independent Evaluation Department.

D. Efficiency

71. **Public sector management interventions are rated as *less efficient*.** The reasons for inefficiencies are not new; they have been documented in previous evaluation findings of IED⁴⁹ and are similar to those that influenced project effectiveness. Some factors were exogenous to ADB. Political changes, for example, are often unforeseen by anyone, including Pacific DMC

⁴⁹ ADB. 2010. *Special Evaluation Study: ADB's Support to Fragile and Conflict-Affected Situations*. Manila; ADB. 2009. *Special Evaluation Study: ADB's Support for Public Sector Reforms in the Pacific*. Manila.

counterparts. Nevertheless, some factors that delayed and disrupted projects were within ADB's scope of influence, such as delayed consultant recruitment and overestimation of counterpart capacities. Average efficiency ratings for all TA showed slight improvement from the earlier to the latter half of the decade. Major reasons for inefficiencies are summarized below.

- (i) The most common reasons for project implementation delays in the Pacific region are (a) delayed recruitment of consultants, largely due to lack of appropriate and available experts; (b) lack of counterpart staff; and (c) changes in scope by the government during and after inception missions. A common response to implementation delays is to revise the completion date early on in anticipation of further delays. For example, in the case of Fiji, completion dates of most of the TA projects (e.g., Fiji's Strengthening Public Sector Banking and Cash Management, Supporting Economic Management and Development Policies, and Private Sector Development Roadmaps) were revised to accommodate the difficulties encountered in the recruitment of consultants. In Timor-Leste, the reason for delays is the evolving nature of a new government (TA for East Timor's Community Empowerment Program), pending support from major stakeholders (TA for East Timor's Capacity Building to Develop Public Sector Management and Governance Skills), weak government capacities, and political crisis (TA for Timor-Leste's Strengthening Financial Management Capacity).
- (ii) TA implementation issues include (a) additional inputs and activities, (b) changing priorities, (c) differences between government and consultants, and (d) political instabilities. In some cases, lack of counterpart readiness or availability of consultants hindered ADB's ability to field implementation missions (e.g., TA for Vanuatu's Institutional Strengthening of the Parliament).
- (iii) Some TA projects (e.g., in Fiji, Timor-Leste, and Tonga) were implemented more than a year after their approval and signing dates.
- (iv) Some TA projects (e.g., in Cook Islands and PNG) were cancelled due to unresolved counterpart issues despite several discussions and extensions.
- (v) One PSM loan (PNG Loan 1875: Public Service Program) was delayed (by 24 months) due to a change in government.

E. Sustainability

72. **ADB's public sector management support is assessed *less likely to be sustainable*.** The 2001–2002 program loans are less likely to sustain target outcomes and outputs related to institution building. Assessment of the 2008–2010 program loans indicates significant challenges to attaining sustainability of outcomes and outputs. While these ratings suggest limited sustainability of ADB support, some qualifications should be made, including factors that affect sustainability but are beyond ADB control (para. 71) and the degree of difficulty of working in fragile environments (para. 83).

73. **Challenges remain in key institutions supported by policy-based lending.** In Tonga's Economic and Public Sector Support Program, the establishment of the Public Service Commission (PSC) was a core policy action. Examples of issues faced by PSC in pursuing its mandates include (i) strengthening performance contracts was hampered by inadequate manpower and budgetary resources for line agencies to fully function; and (ii) development of the Human Resource Management Information System, derailed by failures to sustain the technical development of its information system (i.e., Micropay). In the RMI's Fiscal and Financial Management Program, the Economic Policy, Planning and Statistics Office was envisioned as an economic advisory body as well as a statistics office. With shortages in

manpower and budgetary resources, it can sustain only one feasible function, i.e., statistics. This raises a concern about an important need of government: policy advice and strategic planning. In PNG's PSP, the introduction of a Service Improvement Program (SIP) was a key reform to bring together key decision makers at the national and provincial levels in developing improvement plans with a focus on better service delivery performance. However, the program was not successful for the following reasons: (i) lack of leadership and support from political leaders, (ii) confusion about its role, (iii) insufficient funding for implementation of SIP training and projects, and (iv) high turnover of SIP staff among others.

74. **There is progress in areas in which ADB sustained its support.** As cited earlier, ADB support for public enterprise reforms has been sustained since the early 2000s, and through various instruments: policy-based lending, country-level and regional TA and diagnostic work (see Box 2). In Tonga, the government has recognized ADB's support for public enterprise reforms since 2002. In Solomon Islands, ADB supported the financial restructuring of Solomon Airlines and Solomon Islands Electricity Authority, lowering the drain on government resources to support these public enterprises.

75. The case of Fiji is unique. All TA projects in PSM from 2000 to 2005, except for one, showed success in achieving outputs and outcome. Thereafter, no ADB PSM support was given to Fiji. The political instability in 2006, leading to the formulation of ADB's Reengagement Approach in May 2007, constrained ADB support to the country. Key areas of ADB support in Fiji include debt management, public expenditure management, medium-term planning, and private sector development. Without follow-through for this support, the evaluation mission finds target outcomes earlier envisioned will not be sustained.

76. **Strategic interventions in key sectors support service delivery improvements.** Policy-based lending in Cook Islands (ERSP 2009), Tonga (ESP 2009) and Solomon Islands (ERSP 2010) specified policy actions to support an infrastructure master plan, an infrastructure investment plan, and establishment of a national transport fund, respectively. Bringing these sector-specific development issues to the national level (i.e., the budgetary allocation process) signals the strong commitment of government in these sectors for the medium term.

77. **Transparency and participation.** The SES notes the inclusion of a communication plan as a major component in five policy-based loans/grants from 2009 to 2010 (para. 57). The objective is to discuss policy actions and reforms undertaken by the government and to build ownership to as widely among stakeholders as possible. Formulation of a plan is a common policy action; however, what remains to be seen is the execution of the plan supported by adequate and recurring budgetary resources, building an institutional venue to conduct regular policy dialogue, and identifying champions to pursue such policy dialogues. The evaluation mission finds evidence of progress mixed. In Fiji and RMI, there were recent initiatives by the government to conduct development partners' forums, something that has not been done in many years. While there was good attendance in the forums, getting clarity on who is doing what, and following through agreed upon activities remain a challenge. Moreover, development of results indicators for joint monitoring was not clearly discussed. In the FSM, the decentralized practices among the four states (Chuuk, Kosrae, Pohnpei, and Yap) make coordination and communication on policy issues a challenge. In PNG, a university-based governance research group wanted more interaction with development partners and government in discussing corruption-related issues.

Box 2: ADB'S Support for State-owned Enterprise Reform in Pacific Developing Member Countries

State-owned enterprises (SOEs) absorb significant public resources and have a large “footprint” in Pacific developing member country (DMC) economies. However, SOE performance is typically weak, with many enterprises imposing major costs and risks on already-fragile fiscal systems and economies. As such, increasing attention has been given to strengthening SOE governance and performance.

From 2000 to 2010, SOE reform was a major component of ADB-supported public sector management (PSM), governance, and private sector development projects in the Pacific DMCs. Over the decade, at least 13 technical assistance (TA) projects (totaling \$6.4 million) in eight Pacific DMCs had SOE reform components and activities. Most major program loans also included SOE reform components. Of the 13 SOE-related TA projects, 10 were fully evaluated during this special evaluation study (SES); half were rated partly successful and the other half successful. The TA projects were considered relevant and responsive to Pacific DMC priorities, with an average relevance rating of 2.2. Nonetheless, effectiveness, efficiency, and sustainability were generally weak, with average ratings of 1.5, 1.5, and 1.3, respectively. The overall weighted average rating for the 10 evaluated TA projects was 1.6, a borderline partly satisfactory/satisfactory rating.

A number of factors contributed to poor SOE reform outcomes. Some projects underestimated the complexity of SOE reforms and the amount of time needed to fully implement activities and achieve outputs (e.g., Rationalization of Public Enterprises Phase III for Tonga). Some reform efforts suffered due to lack of ADB follow-on support (such as the early SOE reform efforts in the RMI during the 2001 Fiscal and Financial Management Program). Lack of political support and ownership was a commonly cited factor (e.g., Privatization Support for Samoa and State-Owned Enterprise Reforms and Private Sector Participation for Solomon Islands). Some projects were affected by delays in consultant recruitment (e.g. Public Utilities Corporate Governance for FSM) and by political changes and/or instability.

Several important lessons emerge from ADB's experience in supporting SOE reform. Reform objectives need to be clear, realistic, demand-driven, and flexible to unforeseen changes. An SOE reform champion in government is a critical ingredient that was often missing. ADB should be willing to accept longer timeframes and provide follow-on and more hands-on implementation support. As stated in the SES on Public Sector Reforms in the Pacific DMCs, “too much was expected too quickly, with a narrow idea of alternative solutions. There was also limited capacity and experience as to how to privatize SOEs.”^a Moreover, an integrated approach is important, targeting SOE-specific constraints as well as SOE sector policy, regulatory, and governance reforms.

Recent ADB-supported SOE reform efforts show possible evidence that these lessons are being taken into consideration. While most (four of six) of the SOE-related TA projects in the first half of the decade were rated partly successful, most (three of four) of those in the latter half were rated successful. This general improvement over time might suggest some “learning by doing” improvements on ADB's part. Moreover, ADB's Finding Balance regional SOE analyses (and related activities) have emphasized knowledge sharing, interaction, and good practices and are helping to raise awareness of the importance of continued reforms in this still-critical area of PSM and governance in the Pacific.^b

^a ADB. 2009. *Special Evaluation Study: ADB Support for Public Sector Reforms in the Pacific: Enhance Results through Ownership, Capacity, and Continuity*. Manila.

^b ADB. 2011. *Finding Balance: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga*. Manila.

Source: Independent Evaluation Department.

F. Impact

78. **ADB's contribution to development impacts with respect to public sector management interventions is *partly satisfactory*.** In evaluating impact, the study assessed

country achievements that were likely contributed to by ADB interventions.⁵⁰ The general conclusion, drawing on different lines of evidence, suggests that ADB's contribution to improvements in PSM and good governance in the Pacific DMCs has, overall, been modest. While there have been some project-level successes, and signs of improvement in some areas of assistance, the evidence gathered during this evaluation, drawn from project-level analyses, country and regional background research (including ADB assessments), in-country consultations, and review of various governance and development indicators and assessments, altogether suggests substantial room for improvement in public sector management and in key elements of governance for the majority of Pacific DMCs.

79. **Mixed and generally weak outcome impacts.** Over the decade, ADB interventions targeted a broad range of areas, sought to strengthen many aspects and functions of PSM, and supported capacity development of numerous public sector entities.⁵¹ The effectiveness of these interventions, in terms of projects meeting their stated outputs and outcomes, was mixed and generally weak, leading to the *less effective* rating (para. 62).

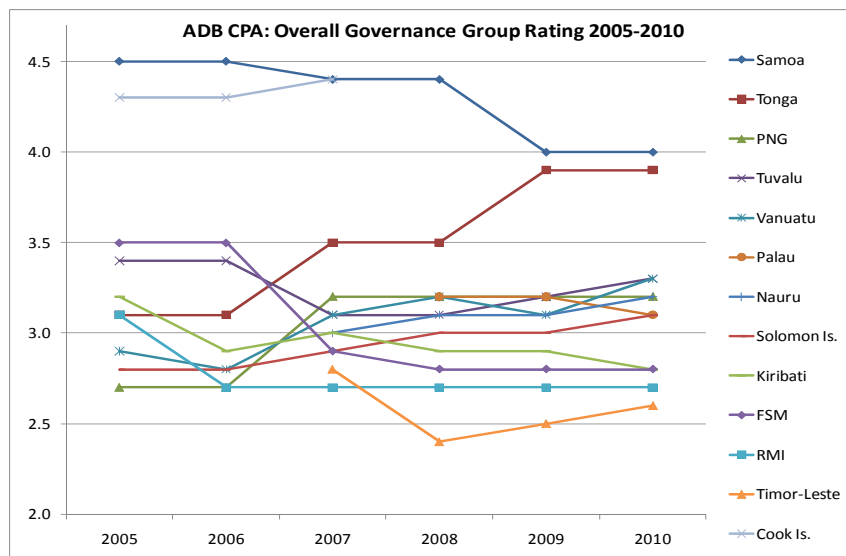
80. There are some examples from across the region where ADB-supported interventions achieved their stated objectives (paras. 63, 67, 74). In these cases, ADB support made clear contributions to improved quality of PSM. Nevertheless, the evaluation also found other evidence that many interventions fell short of achieving stated outputs and outcomes, and for a variety of reasons (paras. 62, 64, 66, 70, and Box 2). Some interventions were too little and too short (para. 58), others tried to achieve too many objectives (para. 59), and others appeared to be one-off initiatives (para. 61). This ultimately limited these interventions' contribution to strengthening institutions and capacity. Recent assessments and evaluation mission consultations point to ongoing concern about persistent weaknesses in key governance and PSM entities, including entities supported by past ADB interventions (para. 73). Limited outcomes achievement dampened ADB's overall contribution to improved governance.

81. **Governance assessments show room for improvement.** ADB and World Bank governance assessments and indicators paint a mixed picture, but generally suggest room for improvement across the Pacific DMCs in key areas of PSM and governance. ADB's annual country performance assessment (CPA) exercise includes a focus on governance (PSM and institutions). CPA ratings for governance over the 2005–2010 period show overall weak performance with little change over time for most countries (Figure 6). These ratings suggest that in ADB's own assessment, PSM and institutional capacity and performance are not improving in most Pacific DMCs.

⁵⁰ In assessing impact, the evaluation aims to determine the *contribution* (i.e., plausible links between ADB intervention outcomes and country impacts), rather than *attribution* (i.e., the extent to which impact is caused by ADB outcomes).

⁵¹ As detailed in Appendix 10, ADB TA projects (including those supporting loans) targeted numerous areas.

Figure 6: ADB Country Performance Assessment Governance Ratings for Pacific Developing Member Countries, 2005–2010



ADB = Asian Development Bank, CPA = country performance assessment, FSM = Federated States of Micronesia, PNG = Papua New Guinea, RMI = Republic of Marshall Islands
 Source: Asian Development Bank annual country performance assessment reports. Fiji excluded in CPA reports.

82. Indicators from the World Bank on different dimensions of governance show that for 2010, the majority of Pacific DMCs ranked above the 50th percentile (not taking into consideration confidence intervals) on Voice and Accountability, Rule of Law, and Political Stability, although political instability and civil unrest are common occurrences in several countries. But the majority of countries also ranked below the 50th percentile on Government Effectiveness, Regulatory Quality, and Control of Corruption. Ratings trends for Control of Corruption (Appendix 12) suggest that this is a major and, in some cases, growing challenge for some Pacific DMCs. Figure 7 indicates relative positions and trends on this aspect of governance. Cook Islands, Kiribati, Samoa and Vanuatu rate relatively higher than the other countries. PNG, Timor-Leste, and Tonga ratings place them below all other countries, with PNG and Timor-Leste ratings steadily declining.

Figure 7: Control of Corruption Ratings in Pacific Developing Member Countries

		Control of Corruption: Recent Rating Trend (2007–2009)		
		Declining	Mixed/Unchanged	Increasing
Control of Corruption: Relative Rating (Average 2007–2009)	Higher	Kiribati Cook Islands Samoa		Vanuatu
	Middle	Nauru Fiji	Palau FSM RMI Tuvalu	Solomon Islands
	Lower	Papua New Guinea Timor-Leste	Tonga	

FSM = Federated States of Micronesia, RMI = Republic of Marshall Islands.
 Source: World Bank Governance Indicators. <http://info.worldbank.org/governance/wgi/index.asp>

83. The general conclusion on the limited contribution of ADB to country achievements in good governance should be qualified. In most Pacific DMCs the scale of ADB governance support, in absolute terms and relative to other donors, has been limited (para. 25, Table 1). It should also be acknowledged that governance reforms, by their very nature, are incremental and require significant time, even when support is of high quality and especially in FCAS environments. This evaluation acknowledges the degree of difficulty of working in the Pacific.

G. Case Study: Governance Issues in the Roads Subsector in Selected Pacific Developing Member Countries

84. **Importance of the road subsector.** For interisland travel, maritime transport is the dominant mode for both freight and passenger traffic. For intra-island travel, land transport dominates, providing most, if not all, of both freight and passenger transport. Table A14.1 in Appendix 13 shows the coverage and quality of roads in the Pacific DMCs. Of 40,200 kilometers (km) of Pacific DMC roads, 52.7% are in PNG and 15.0% in Timor-Leste. For road coverage per square kilometer (km²) of land area, the RMI has the highest at 11.2 km/km² followed by Nauru at 3.29 km/km². For paved roads, Tuvalu had the highest at 100%, followed by Cook Islands at 90.65%, while for unpaved roads, Solomon Islands and RMI have the highest at 96.3%, followed by Kiribati at 94.9%. Except for Cook Islands and Tuvalu, the low road coverage and high proportion of unpaved roads show that a large portion of Pacific DMCs have poor road infrastructure (Appendix 13).

85. **ADB activities in the road subsector.** ADB transport assistance during the case study review period amounted to \$910.38 million in loans and grants, and \$48.1 million in TA.⁵² ADB assistance was focused on a few recipients, in particular, Fiji, PNG, Solomon Islands, and Timor-Leste. Table 4 shows the beneficiaries of ADB loans/grants and TA for the roads subsector in the Pacific DMCs. Total transport sector loans/grants to Pacific DMCs amounted to \$910.38 million, of which \$524.59 or 57.6% went to the roads subsector. Six Pacific DMCs were extended loans/grants for roads, of which PNG comprised 54.7%, Fiji 19.5%, Timor-Leste 11.2%, and Solomon Islands 10.3%. Total transport sector TA for Pacific DMCs amounted to \$48.1 million, of which \$13.8 million (or 28.7% went to the roads subsector). Five Pacific DMCs were beneficiaries of the roads subsector TA, with PNG receiving 53.0%, Fiji 24.4%, and Solomon Islands 10.5%.

⁵² The road subsector case study review period covers projects from 1995 to 2010, in line with ADB. 2011. *Regional Sector Assistance Program Evaluation: Transport Sector in the Pacific Developing Member Countries (1995–2010)*. Manila.

Table 4: Total Amount of Loans, Grants, and Technical Assistance to Pacific Developing Member Countries, 1995–2010

Country	Loans and Grants		Technical Assistance	
	Amount (\$ million)	%	Amount (\$ '000)	%
Total Transport Sector	910.38		48,098	
Total – Roads	524.59	57.6	13,826	28.7
Fiji	102.36	19.5	3,370	24.4
Kiribati	12.00	2.3	0	0.0
Federated States of Micronesia	0.00	0.0	650	4.7
Papua New Guinea	287.00	54.7	7,331	53.0
Solomon Islands	54.23	10.3	1,450	10.5
Timor-Leste	59.00	11.2	1,025	7.4
Tonga	10.00	1.9	0	0.0

Source: ADB. 2011. *Regional Sector Assistance Program Evaluation: Transport Sector in the Pacific Developing Member Countries (1995–2010)*. Manila.

86. **Case study findings.** ADB project level evaluations have yielded lessons for future operations, including (i) the importance of participation and effective development of human capacity; (ii) the need for more effective and efficient institutions for the management of infrastructure; and (iii) the need for strengthening project preparation, including appropriate modalities, capacity of implementing agencies, a realistic time frame for project implementation, and the right match between project design and country needs and capabilities.

87. For the roads subsector, the deficiency in governance can be attributed to the absence of critical elements including (i) clear and updated strategies to serve as the roadmap for attaining the road agency missions; (ii) adequate participation of beneficiaries/stakeholders in key activities such as planning, project prioritization, etc.; (iii) sufficient financial resources to sustain the quality of roads and adoption of policy measures for raising funds, i.e., users charges cannot provide all funding requirements for road maintenance due to the limited volume of vehicles; (iv) trained staff and adequate capacity of remaining staff, i.e., staff problems frequently result in a vacuum in institutional memory and the need for continuous capacity development; and (v) appropriate standards and measures to ensure optimum use of resources. Such measures include: (i) road design standards suitable to the geology, topography, climate, and material resources available; (ii) procurement system; (iii) financial and management reporting system; and (iv) project monitoring and control systems, among others.

88. To strengthen governance in the road sector, Pacific DMCs need to: (i) continually update and cascade country road development strategies/plans to roads agency staff and stakeholders to solicit their commitment and achieve progress towards attaining the agency mission; (ii) involve beneficiaries and private contractors in the maintenance of roads through equipment-supported labor-intensive methods commensurate with local capabilities; (iii) develop and adopt region-wide standards and procedures in such areas as road design, procurement, financial management and reporting system, and project monitoring and control systems; and (iv) institute uniform and continuing region-wide capacity development programs in road design, contract management, procurement, monitoring and evaluation, and other areas to provide a stable supply of enabled technical staff. The University of the South Pacific, given its location in Pacific countries, can serve as the host institution for such a program through which bilateral and multilateral assistance could be channeled on a sustainable basis.

Box 3: ADB's Governance Support in the Road Sector

The strategic objectives of the road subsector have been to improve access to support economic growth, while ensuring connectivity between resources, people and markets. Road projects are prioritized based on plans prepared usually with Asian Development Bank (ADB) technical assistance (TA) or bilateral assistance. ADB TA was provided for the Vanuatu National Transport Development Plan completed in 1989;^a validation and updating of Palau's National Master Development Plan, including sector-specific policies;^b formulation of the Strategy for the Development of Samoa;^c Solomon Islands National Transport Plan;^d Tonga's Strategic Development Plan 8;^e Cook Island's Infrastructure Master Plan (IMP),^f an integral part of the National Sustainable Development Plan 2007–2010; the draft Transport Sector Development Plan, which was accepted as a guiding compendium for transport sector development in Timor-Leste,^g and Papua New Guinea's successor National Transport Development Plan 2011–2020.

ADB has assisted some Pacific DMCs in establishing a "road-users pay" system to generate funding for road or infrastructure maintenance. In Fiji, ADB assistance funded the initial study for establishing a Fiji Roads Authority (FRA) and a road fund, including initial operations of the FRA.^h In the Solomon Islands, the National Transport Fund was established with ADB support, to serve as a sustainable mechanism to fund rehabilitation and maintenance of infrastructure as well as support maritime transport service provision to uneconomic destinations.ⁱ

The PNG government established the National Roads Authority (NRA) in 2003 to take over the responsibility for maintaining the national road network, starting with the roads in the Highlands region and including a road fund financed from road user charges. ADB is providing capacity development assistance to strengthen NRA's capacity to plan and manage road maintenance works and to seek more financing for the road fund by rationalizing road user charges.^j

As a first step towards private sector participation in road maintenance, governments have to first restore the roads to good condition before tendering to the private sector under specific maintenance contracting schemes. ADB is assisting the PNG government to improve about 1,400 km of the Highlands Core Road Network (HCRN) and in the preparation and administration of long-term road maintenance contracts for the entire 2,500 km of the HCRN.^k

The frequent change in government institutions, staff turnover, and changes in government procedures and processes, such as public financial management and procurement, have caused delays in project processing, contracting, and implementation. The creation of new institutions such as PNG's NRA required the development of new processes and procedures, and institution building and capacity development. ADB provided initial assistance for the operational and financial management system.

In Fiji, ADB provided TA for institutional development, which assessed the current status of the Department of National Roads and helped Ministry of Works and Energy in institutional development, financial and management reporting systems, outsourcing arrangements and procedures, and staffing requirements of the planned FRA. The assistance further recommended a road subsector cost-recovery policy and user charges for road maintenance funding, including the creation of a road fund, and prepared the legal framework and drafting instructions to establish the FRA.^h In the Solomon Islands, ADB technical assistance has identified capacity constraints, inappropriate institutional structures, and sporadic capacity development as hindering the government's ability to develop and implement transport sector policies and plans effectively.^m ADB will assist Ministry of Infrastructure Development in establishing a consolidated central project implementation unit within its existing Transport Infrastructure Management Services Department. This is intended to implement and manage all transport sector activities, whether funded by the project or other resources.ⁿ In Timor-Leste, ADB is assisting the Ministry of Infrastructure in the implementation of its capital budget under Timor-Leste's Technical Assistance for Infrastructure Project Management. Consultants have been hired to assist Ministry of Infrastructure in preparing and tendering contracts for consultant services, goods, and works in line with annual capital development work plans, and in managing the implementation of these contracts. The TA is also assisting in developing project management capacity to strengthen processes, systems, and staff competencies for project management.^o

- ^a ADB. 1988. *Technical Assistance to Vanuatu for the Preparation of a National Transport Development Plan*. Manila.
- ^b ADB. 2007. *Technical Assistance to Palau for the Facility for Economic and Infrastructure Management*. Manila.
- ^c ADB. 2007. *Technical Assistance to Samoa for Support for the Formulation and Implementation of the Strategy for the Development of Samoa*. Manila.
- ^d ADB. 2004. *Technical Assistance to Solomon Islands for Institutional Strengthening of the Ministry of Infrastructure and Development*. Manila.
- ^e ADB. 2004. *Technical Assistance to Tonga for Integrated Strategic Planning, Medium Term Fiscal Framework and Budgeting*. Manila.
- ^f ADB. 2005. *Technical Assistance to Cook Islands for Strengthening Disaster Management and Mitigation*. Manila.
- ^g ADB. 2000. *Technical Assistance to East-Timor for Transport Sector Restoration*. Manila.
- ^h ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Fiji Islands for the Third Road Upgrading (Sector) Project*. Manila. (Loan No. 1530-FIJ for \$40 million, and TA No. 2850).
- ⁱ ADB. 2007. *Technical Assistance to Solomon Islands for Preparing the Domestic Maritime Support Project and Technical Support Program*. Manila.
- ^j ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility Papua New Guinea: Highlands Region Road Improvement Investment Program*. Manila.
- ^k ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility Papua New Guinea: Highlands Region Road Improvement Investment Program*. Manila.
- ^l ADB. 2004. *Technical Assistance (Financed by the Japan Special Fund) to the Republic of the Fiji Islands for Preparing the Fourth Road Upgrading (Sector) Project*. Manila.
- ^m Footnote i.
- ⁿ ADB. 2010. *Proposed Grant and Administration of Technical Assistance Grant Solomon Islands: Transport Sector Development Project*. Manila.
- ^o ADB. 2007. *Technical Assistance to Timor-Leste for Infrastructure Project Management*. Manila.
- Source: Independent Evaluation Department.

IV. KEY FINDINGS, LESSONS, AND RECOMMENDATIONS

A. Key Findings

89. **Macroeconomic management and sustained growth remain as challenges.** The SES finds that growth and expenditure trends in most Pacific DMCs are not sustainable without debt generation and aid dependence, however there are limits to the sustainability of accumulating debt and availability of debt is variable. For most countries, sound macroeconomic management is a major challenge, and sustained and broad-based economic growth remains an elusive goal (paras. 5–11).

90. **Millennium Development Goal progress is mixed, but limited data is still a problem.** Available MDG progress indicators show wide gaps between targets and performance in many Pacific DMCs, with only a few countries performing well across all the goals. The paucity of MDG indicators is symptomatic of weak national statistics systems, a long-standing challenge in the Pacific DMCs (paras. 12–13, see specific finding on statistics support below).

91. **There is strong commitment among Pacific developing member countries to better governance, but capacity and implementation remain major concerns.** While Pacific DMCs have made explicit commitments to better governance, and while it is now firmly entrenched as the central theme in regional forums and cooperation efforts, capacity and implementation remain major concerns. Key good governance and accountability institutions are perceived as being weak in many Pacific DMCs, and enforcement and implementation of laws and commitments can significantly improve (paras. 14–17). Strengthening governance in the Pacific DMCs will necessarily require strengthening of the national institutions set up to promote and uphold good governance.

92. **Country strategies helped by diagnostic and joint partner work, but governance assessments can expand.** A review of all ADB Pacific DMC strategies over the decade found that ADB's overall strategic positioning was satisfactory. Binding constraints to good governance were recognized and articulated in most strategies. Economic and governance diagnostic work as well as joint work with other development partners, on such initiatives as PEFA, greatly benefitted and underpinned the preparation of country strategies. Country and sector level risk assessments and management plans prioritized by GACAP II, should expand, as these assessments can sharpen governance focus of country strategies (paras. 49–51).

93. **Support for statistics still critical.** TA in this area, including from ADB, has had limited effectiveness and impact over the decade, and there is widespread acknowledgement of the continued weakness of Pacific DMC statistics offices. Improvement in the frequency and reliability of social, economic, and other indicators remains critical, if monitoring and evaluation are to be more effective (para. 70).

94. **Although procurement support is being given, more is needed.** ADB has supported efforts to strengthen procurement in some Pacific DMCs, including through its PREI initiative, but recent assessments find that procurement in the region remains a major problem area. The majority of procurement regimes in the Pacific DMCs are found to be rudimentary and ineffective. With more aid flowing into the Pacific DMCs, it is critical that ADB and other partners step-up efforts to support improvements in procurement policies and practices (Box 1).

95. **There are significant challenges to sustainability.** The evaluation found significant challenges to sustaining target outcomes and outputs in most of the loans and TA projects. A number of institutions that were to be strengthened through policy loans and TA remain significantly challenged today. Some early successes were not sustained due to reasons such as lack of support from government, insufficient funding, or lack of follow-on support. The analysis found an increasing emphasis in ADB projects on public consultations; this is deemed important for building consensus, which in turn should improve reform commitment and sustainability. But in many Pacific DMCs there remains an absence of institutionalized processes or avenues for open, locally driven policy dialogue and debate (paras. 72–77).

96. **State-owned enterprise reform support shows possible “learning by doing.”** SOE reform was a key focus area of ADB support over the decade. A review of ADB interventions in this area suggests that projects are more likely to succeed if their objectives are clear, realistic, demand driven, and championed by a leader. Because SOE reforms are often technically complex and politically sensitive, hands-on (“how to”) implementation support and longer reform timeframes are also important. Over time, project ratings for SOE support have generally improved, suggesting some possible “learning by doing” on ADB's part (Box 2).

97. **Roads success requires sector-specific governance support.** The case study for the roads subsector illustrates that to improve service delivery, there is a need to sustain budgetary resources; improve PFM processes, including project management monitoring and evaluation systems; establish the basic domestic road design standards and property expropriation mechanisms for right of way acquisition; and have the right mix of manpower resources at the technical and managerial levels. Success in this ADB priority area requires long-term commitment in developing good governance designed specifically for this subsector. PSM support for infrastructure projects in PNG is an example of this strategic direction (paras. 84–88 and Box 3).

B. Lessons

98. **More aid from more providers requires better coordination and capacity.** While growing inflows of aid from more donors brings additional resources for development, it also leads to higher risk of poor coordination and fragmentation. Pacific DMCs and their key development partners have made some efforts to improve coordination, but many consider this as still a major weakness. For ADB, a more congested development landscape will necessitate continued partnership building with traditional including possibly nontraditional ADB partners, more effective leveraging of its limited resources, and a sharper focus on areas where it has clear comparative advantages and a history of success. One area where ADB has a known comparative advantage, and where it has added value, has been in its conduct and publication of investigative studies into important development issues affecting the Pacific DMCs. Strategies to more effectively manage this knowledge and improve its visibility and usefulness in Pacific policy arenas can be considered (paras. 34–37).

99. **Follow-on support, less complexity, and project designs that incorporate nuances of local culture and political economy help effectiveness of projects.** While the evaluation found ADB's support, overall, to be less effective, there were clear examples of projects achieving their objectives. Projects that were supported over an extended period, which were less complex, and which took into consideration local cultural and political-economy factors were generally more effective. Thematic or sectoral diagnostics helped to identify and achieve project objectives, as did dissemination of information and follow-on TA (paras. 62–63).

100. **Broad-target reforms are less effective.** The evaluation found that broader and often more ambitious reforms, such as those embedded in many of program loans, were less effective. Weak institutions, shifting priorities, and myriad other factors complicated and challenged efforts to bring about broader, systemic improvements in governance (para. 64).

101. **Joint diagnostics are useful.** Collaborative work with other development partners, through regional TA and other modalities, promoted harmonization and improved coordination and was found by the evaluation to be helpful in improving effectiveness. Collaboration within ADB was also found to be useful (paras. 68–69).

C. Recommendations

102. The following recommendations, some of which echo and reconfirm findings and recommendations made in earlier ADB evaluations and analyses,⁵³ are presented for Management consideration in the preparation of future Pacific strategies or country strategies and to sharpen the development effectiveness of interventions.

103. **Shift emphasis from broad-scope policy lending to longer term sector development programs in support of priority sectors to enable lasting governance outcomes.** To enable longer term sustained engagement (rather than dispersed efforts), future PSM interventions could have a narrower and more direct link to achieving the objectives of operational priorities (in transport, information and communications technology, energy, urban development, water supply and sanitation, and education). It would be useful to focus policy-based lending and policy actions to support ADB's priority sectors, unless the country context

⁵³ Including recommendations in the forthcoming ADB publication, "Working Differently in Fragile and Conflict-Affected Situations: A Staff Handbook."

specifically necessitates core policy reforms at the national level. Some specific options to consider in program and project design include:

- (i) In policy-based lending, focus policy actions on ADB's priority sectors, for example, formulation of sector plans (e.g., in transport and energy); in budget preparation, ensure priority allocation to key sectors and recurrent expenditures, such as operation and maintenance and expenditures for infrastructure projects, and counterpart funding allocations.
- (ii) Continue to focus TA at the line agency level; supporting key weaknesses in procurement, audit, monitoring, and evaluation, developing country systems and safeguards, with a view to strengthening ADB's priority sectors and line agency service delivery.
- (iii) Be prepared to stay engaged using appropriate PFM tools in the identified priority sectors for a long period of time.

104. Strengthen external and internal (within ADB) partnerships and collaboration to address national level governance outcomes. ADB can widen and strengthen its partnerships, both externally and internally, to achieve development results. Strengthening and leveraging partnerships will help to optimize ADB's limited resources. Options to consider include:

- (i) Seek to institutionalize joint work in key areas of PFM, in particular the PEFA exercise, a critical input for PSM-related project design and interventions. Continue to strengthen joint work with major bilateral partners in country-level economic and governance diagnostics; this will allow ADB to leverage its limited resources to work on broader macroeconomic issues while not losing its focus on its priority sectors. Step up existing efforts to strengthen procurement, including more support for procurement assessments and targeted capacity development of procurement agencies; this will likely require follow-on support for implementing and monitoring procurement reforms identified in earlier assessments, as well as joint work with other partners focused on procurement, such as the Commonwealth Pacific Governance Facility. Sharpen the focus of diagnostics to sector-specific issues in governance; for macroeconomic monitoring and broader economic and fiscal reforms, rely more closely on development partners, such as the International Monetary Fund and the World Bank where they operate, and with major development partners such as Australia, the EU, Japan, New Zealand, and the US. Provide targeted support to key accountability institutions; this support should take into consideration and, where possible, partner with existing support from other entities, such as the Pacific Ombudsman Alliance and the UNDP Pacific Centre.
- (ii) Maximize access to knowledge products from within ADB, in particular, with the Regional and Sustainable Development Department, the community of practice for PFM and governance, the FCAS focal point, and COSO. Develop a work program to identify key development and implementation issues that will be explored and pursued jointly with the service and knowledge departments. For example, recent joint work with COSO and PARD on PREI implementation is encouraging.

105. Explore and apply nontraditional approaches to enhance transparency and participation in Pacific DMCs to sustain improvements in governance efforts and their impact on development effectiveness. Nontraditional approaches can include new partnerships with nontraditional ADB partners, or new modalities of providing support for governance. Sharing knowledge and information on development issues is the key to change in

the Pacific. ADB has built a good reputation for its many Pacific-focused studies and analyses, but has been less effective in getting this knowledge into the local dialogue. Options include:

- (i) Support university-based research and policy study institutions to generate locally derived knowledge and ideas in support of good governance.
- (ii) Work with civil society groups to build expertise to monitor public service delivery (e.g., monitoring quality of roads, developing report cards for public accountability).
- (iii) Together with other development partners, promote the institutionalization of policy forums and dialogue with representation from a wide spectrum of stakeholders, including continued support or development partner consultative group arrangements.
- (iv) Coordinate support for knowledge generation with research institutions, academe, and civil society closely with appropriate knowledge groups in ADB so as not to duplicate efforts and to leverage limited ADB resources in this area.
- (v) Continue its Pacific DMC-focused studies and analyses of important development issues (including governance-related topics), but to also develop strategies to more effectively manage this knowledge and to improve its visibility and usefulness in Pacific DMC policy arenas.

106. Improve the capacity of institutions responsible for collecting and reporting statistics to facilitate monitoring progress on governance efforts and other development initiatives. There remains a wide gap in information relating to development results, including MDG indicators. ADB has actively supported regional efforts to improve statistics capacity, and it is encouraged to continue working closely with development partners to address this longstanding challenge, particularly with UN agencies for the MDGs and with major development partners for key economic statistics. Given that previous statistics-focused support has had limited impacts to date, a closer analysis (including perhaps a separate evaluation) of this type of capacity development may be warranted to identify more effective strategies for the future.

PUBLIC SECTOR MANAGEMENT PROJECTS IN PACIFIC DEVELOPING MEMBER COUNTRIES, 2000–2010

Table A1.1: Loan and Grants

Item	Loan/Grant No.	Project Title		Amount (\$ million)	Date Approved
Group 1					
1	L2565-COO	Economic Recovery Support Program		10.00	13-Oct-09
2	L2625-SAM	Economic Recovery Support Program (Subprogram 1)		16.00	14-Apr-10
3	L1904-TON	Economic and Public Sector Reform Program		10.00	28-May-02
4	G0185-TON	Economic Support Program (grant)		10.00	3-Dec-09
	Subtotal (Group 1)		4	46.00	
Group 2					
5	L1875-PNG	Public Service Program		70.00	12-Dec-01
6	G0197-SOL	Economic Recovery Support Program (Subprogram 1)		5.00	16-Mar-10
	Subtotal (Group 2)		2	75.00	
Group 3					
7	L1828-RMI	Fiscal and Financial Management Program		12.00	7-Jun-01
8	L2659-RMI	Public Sector Program (Subprogram 1)		10.00	17-Aug-10
9	L1873/1874-FSM	Private Sector Development Program (Program Loan)		11.57	12-Dec-01
10	G0139-TUV	Improved Financial Management Program		3.24	16-Dec-08
	Subtotal (Group 3)		4	36.81	
	Grand Total		10	157.81	

COO = Cook Islands, FSM = Federated States of Micronesia, G = grant, L = loan, PNG = Papua New Guinea, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TON = Tonga, TUV = Tuvalu.

Source: Asian Development Bank.

Table A1.2: Technical Assistance

Item	TA No.	TA Title	Amount (\$ million)	Date Approved
Group 1				
Cook Islands				
1	3509	Preparing an Economic Report	180,000	27-Sep-00
2	3815	Improving Corporate Management in Government Services	250,000	19-Dec-01
3	4234	Strengthening Economic and Development Planning Capacity	300,000	3-Dec-03
4	4605	Strengthening Disaster Management and Mitigation	600,000	30-Jun-05
5	7149	Public Sector Review and Improvement	225,000	16-Oct-08
6	7646	Public Finance Management and Public Sector Performance Review	300,000	12-Nov-10
	Subtotal		6	1,855,000
Fiji				
7	3391	Strengthening Debt Management	150,000	14-Jan-00
8	3408	Preparation of a Medium-Term National Development Plan	150,000	2-Mar-00
9	3960	Supporting Economic Management and Development Policies	250,000	31-Oct-02
10	4157	Strengthening Public Sector Financial Governance	460,000	8-Aug-03
11	4330	Strengthening Public Sector Banking and Cash Management	145,000	28-Apr-04
12	4704	Private Sector Development Roadmaps	300,000	29-Nov-05
	Subtotal		6	1,455,000
Samoa				
13	3623	Household Income and Expenditure Survey for Socioeconomic Equity Assessment	150,000	19-Jan-01
14	3768	Implementation of State-Owned Enterprise Reforms	500,000	13-Nov-01
15	3936	Strengthening of Economic Sectors Planning and Management	300,000	2-Oct-02
16	4134	Implementation of the Public Finance Management Act of 2001	375,000	30-Jun-03
17	4417	Privatization Support	150,000	20-Oct-04
18	4513	Strengthening State-Owned Enterprise Corporate Governance	400,000	20-Dec-04
19	4712	Promoting Economic Use of Customary Land	300,000	5-Dec-05
20	7033	Support for the Formulation and Implementation of the Strategy for the Development of Samoa	500,000	17-Dec-07
21	7387	Promoting Economic Use of Customary Land, Phase II	500,000	23-Nov-09
	Subtotal		9	3,175,000
Tonga				
22	3430	Preparation of an Economic Report	124,000	24-Apr-00
23	3432	Poverty Assessment	147,000	25-Apr-00
24	3705	Economic and Public Sector Reform Program	650,000	22-Aug-01
25	3873	Building a Performance-Based Public Service	700,000	28-May-02
26	4510	Integrated Strategic Planning, Medium-Term Fiscal Framework and Budgeting	300,000	20-Dec-04
27	4514	Rationalization of Public Enterprises (Phase 2)	150,000	20-Dec-04

Item	TA No.	TA Title	Amount (\$ million)	Date Approved
28	4865	Support for the Implementation of the Strategic Development Plan 2006/07–2008/09	510,000	10-Nov-06
29	4899	Rationalization of Public Enterprises, Phase III	400,000	18-Dec-06
30	7271	Reforming Public Enterprises	500,000	14-Apr-09
31	7475	Support for Economic and Strategic Management	500,000	18-Dec-09
Subtotal			10	3,981,000
Vanuatu				
32	3427	Institutional Strengthening of the Vanuatu National Council for Women	150,000	13-Apr-00
33	3449	Institutional Support to Central Agencies for the Comprehensive Reform Program-Phase III	700,000	26-May-00
34	3666	Strengthening Development Policies	200,000	6-Jun-01
35	3613	Capacity Building of the Legal Sector	330,000	21-Dec-00
36	3816	Institutional Strengthening of the Parliament	200,000	19-Dec-01
37	3833	Institutional Strengthening of the National Statistics Office	200,000	1-Feb-02
38	4362	Development of a Medium-Term Strategic Framework	500,000	21-Jul-04
39	7588	State-Owned Enterprise Rationalization Program	500,000	1-Sep-10
Subtotal			8	2,780,000
Group 1 Total			39	13,246,000
Group 2				
Papua New Guinea				
40	3444	Review of Mining and Hydrocarbon Tax Regime	325,000	19-May-00
41	3667	Poverty Analyses for Socioeconomic Development Strategies	650,000	6-Jun-01
42	3812	Strengthening Public Sector Management	850,000	18-Dec-01
43	3946	Improving Economic and Social Statistics	800,000	24-Oct-02
44	4388	Strengthening the Capacity of the Parliamentary Accounts Committee	500,000	10-Sep-04
45	4947	Support for Public Expenditure Review and Rationalization	500,000	29-Jun-07
46	7205	Support for Development Planning	225,000	11-Dec-08
47	7427	Supporting Public Financial Management	1,000,000	10-Dec-09
Subtotal			8	4,850,000
Solomon Islands				
48	3419	Strengthening Public Sector Management (Phase 2)	550,000	23-Mar-00
49	4482	State-Owned Enterprise Reforms and Private Sector Participation	800,000	15-Dec-04
50	4494	Institutional Strengthening of the Ministry of Infrastructure and Development	700,000	17-Dec-04
51	4700	Supporting Business Law Reform	600,000	25-Nov-05
52	7616	Support for the Formulation of a National Strategic Plan	200,000	8-Oct-10
Subtotal			5	2,850,000
Timor-Leste				
53	3400	Community Empowerment Program	990,000	9-Feb-00
54	3515	Capacity Building for Local Government	150,000	10-Oct-00

Item	TA No.	TA Title	Amount (\$ million)	Date Approved
55	3412	Capacity Building for Governance and Public Sector Management	1,000,000	9-Mar-00
56	3425	Poverty Assessment and Statistics in East Timor - Phase I	53,900	8-Apr-00
57	3512	Formulating Strategies for Economic and Social Development	650,000	4-Oct-00
58	3592	Economic Policy Forum	150,000	18-Dec-00
59	3654	Exclusive Economic Zone Demarcation	120,000	17-May-01
60	3803	Economic Policies and Strategies for Development Planning	950,000	14-Dec-01
61	3839	Capacity Building to Develop Public Sector Management and Governance Skills	688,000	5-Mar-02
62	4272	Capacity Building to Strengthen Public Sector Management and Governance Skills (Phase II)	550,000	18-Dec-03
63	4329	Capacity Building in the Ministry of Planning and Finance to Monitor the National Development Plan	150,000	22-Apr-04
64	4519	Strengthening Financial Management Capacity	250,000	21-Dec-04
65	7401	Statistical and Macroeconomic Capacity Building	560,000	1-Dec-09
66	7120	Capacity Building to Strengthen Public Sector Management and Governance Skills Phase III	500,000	3-Sep-08
	Subtotal		14	6,761,000
	Group 2 Total		27	14,461,000
		Group 3		
	Kiribati			
67	3404	Public Service Reform	150,000	18-Feb-00
68	3786	Strengthening Development Strategies and Supporting Poverty Reduction	500,000	4-Dec-01
69	3912	Capacity Building to Support the Outer Island Development Program	350,000	29-Aug-02
70	7166	Economic Management and Public Sector Reform	800,000	7-Nov-08
	Subtotal		4	1,800,000
	Marshall Islands			
71	3418	Strengthening the Capacity of the Ministry of Finance	150,000	21-Mar-00
72	3668	Fiscal, Financial, and Economy Advisory Services	950,000	7-Jun-01
73	3941	Mobilizing Land	420,000	16-Oct-02
74	4199	Strengthening the Economic Policy, Planning, and Statistics Office	500,000	17-Oct-03
75	4883	Building Capacity for Independent Country Partnership Strategy (CPS) and Country Performance Assessment (CPA) Results Management - A Pacific Pilot	150,000	5-Dec-06
76	7578	Supporting the Public Sector Program	600,000	17-Aug-10
	Subtotal		6	2,770,000
	Federated States of Micronesia			
77	3431	Improving Capacity in Performance-Based Public Finance Management Implementation	500,000	25-Apr-00
78	3510	Improving Access to Laws	300,000	29-Sep-00
79	3765	Implementation of Performance-Based Budget Management	350,000	13-Nov-01
80	3783	Economic Policy Reform and Capacity Building, Phase I	883,000	29-Nov-01

Item	TA No.	TA Title	Amount (\$ million)	Date Approved
81	3962	Capacity Building in Public Sector Financial Management	360,000	30-Oct-02
82	4171	National Strategic Development Plan	150,000	5-Sep-03
83	4258	Strengthening of Public Sector Management and Administration	833,000	16-Dec-03
84	4266	Preparation of a Country Economic Report	250,000	17-Dec-03
85	4426	Public Utilities Corporate Governance	400,000	5-Nov-04
86	4464	Strengthening Public Sector Audit Function	300,000	3-Dec-04
87	4789	Implementation of the Public Sector Capacity Building Road Map	600,000	16-May-06
88	4961	Strengthening Economic Management and Planning	400,000	17-Aug-07
89	7213	Strengthening Public Sector Performance	750,000	11-Dec-08
	Subtotal		13	6,076,000
	Nauru			
90	3584	Strengthening the Ministry of Finance and Supporting the Bureau of Statistics	300,000	14-Dec-00
	Subtotal		1	300,000
	Palau			
91	4929	Facility for Economic and Infrastructure Management	1,000,000	14-May-07
92	7421	Implementing a Medium-Term Budget Framework	500,000	8-Dec-09
	Subtotal		2	1,500,000
	Tuvalu			
93	3735	Country Economic Study and Strategy Development	300,000	9-Oct-01
94	4253	Improving Public Expenditure Management and Accountability	300,000	13-Dec-03
95	4902	Capacity Building for Taxation Reforms	570,000	18-Dec-06
96	7161	Capacity Development for Public Financial Management	857,750	3-Nov-08
	Subtotal		4	2,027,750
	Group 3 Total		30	14,473,750
	GRAND TOTAL		96	42,180,650

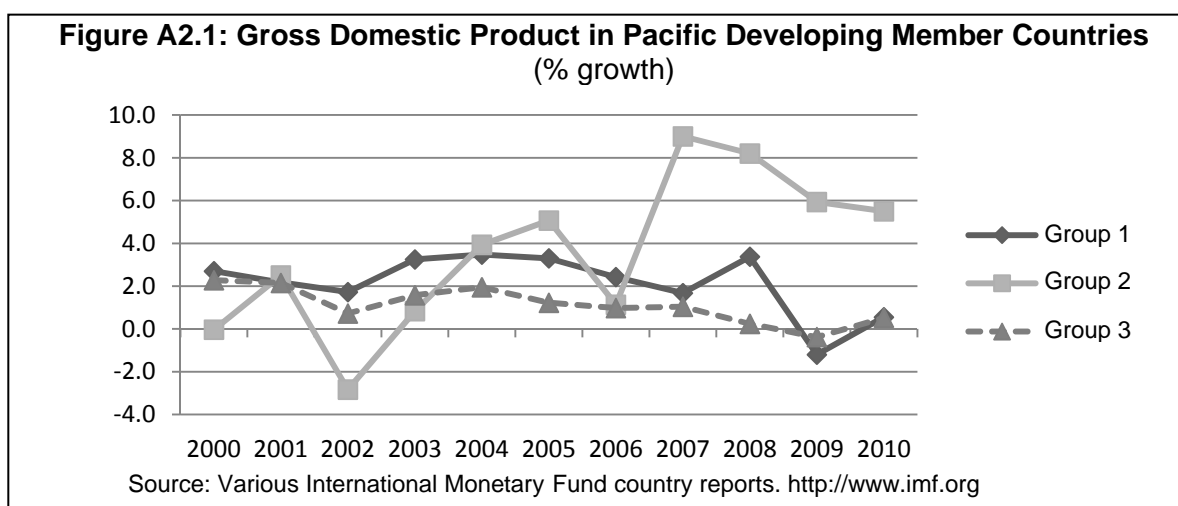
TA = technical assistance.

Source: Asian Development Bank database.

MACROECONOMIC OVERVIEW IN PACIFIC DEVELOPING MEMBER COUNTRIES, 2000–2010

1. This appendix highlights key macroeconomic issues in Pacific developing member countries (DMCs). For ease of comparison across the 14 Pacific DMCs, it follows the Asian Development Bank (ADB) Pacific approach's three categories of growth experiences, as follows: Group 1 countries—Cook Islands, Fiji, Samoa, Tonga, and Vanuatu—which have exhibited capacity for self-sustained growth, exhibiting good governance practices in the past that also led to structural reforms. Group 2 countries, Papua New Guinea (PNG), Solomon Islands, and Timor-Leste—have achieved resource-based growth, with prospects for sustained growth conditioned on institutional strengthening and political stability. And Group 3 countries—Kiribati, Republic of Marshall Islands (RMI), Federated States of Micronesia (FSM), Nauru, Palau, and Tuvalu—generally exhibit weak growth with significant external finance assistance, but with some potential for developing local sources of income that have sustained their economies in the past (e.g., tourism, fish processing and licensing, trust fund incomes, and remittances).¹ The quality and availability of macroeconomic data in Pacific DMCs are uneven and to some extent inadequate. Data from the International Monetary Fund's (IMF) Article IV reports are used here for consistency and comparability across countries. Information from the ADB statistical database was also used to supplement IMF statistics.

2. **Growth patterns.** Pacific DMCs grew within a band of 2% to 3.5% over the period 2000–2006, with subsequent overall deterioration beginning in 2007. Group 2 countries, those that rely mainly on mineral resources for growth, show the most erratic growth patterns, contracting in 2002, peaking in 2007, then slowing down to around 5% to 6% in 2009 and 2010 (Figure A2.1). While erratic, Group 2 growth remains generally higher than that in the rest of the Pacific DMCs. Production of oil in Timor-Leste, the discovery of natural gas, gold, and other mineral resources in PNG, and gold and copper in Solomon Islands propelled growth in Group 2. Groups 1 and 3 Pacific DMCs suffered from the global economic crisis in 2008–2009, as these economies are more reliant on external demand, such as tourism and commodity exports.

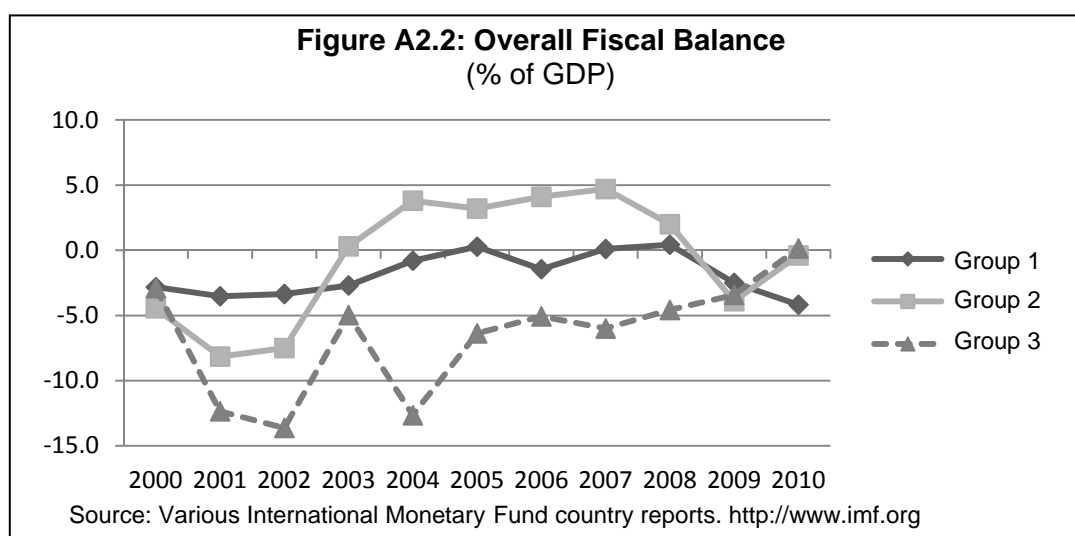


3. **Fiscal balance.** Consideration of revenues from mineral resources in overall fiscal balance complicates the computation of nontax revenue. This raises the issue of comparability, especially in Group 2 countries vis-à-vis other Pacific DMCs with an insignificant or nonexistent

¹ ADB. 2005. *ADB's Pacific Approach 2010–2014*. Manila.

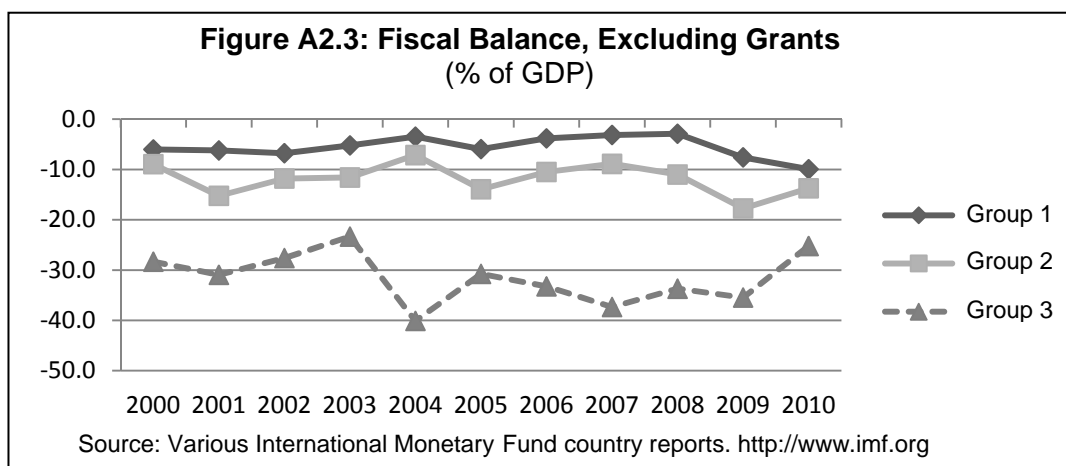
mineral resource bases. The large windfall in mineral-based industry revenues for the government resulted in a major increase in fiscal balances for Timor-Leste, peaking at 431% of gross domestic product (GDP) in 2008 according to IMF data. This was not observed in PNG and Solomon Islands.²

4. Group 1 countries showed a steady fiscal balance position for most of the decade, slightly improving from 3.5% of GDP average deficit to a balanced fiscal position in 2007 and 2008. However, in 2009 there was noticeable deterioration in the fiscal balance, led by Samoa, which posted a slight surplus of 0.6% in 2007 to a large deficit of 9.7% in 2010. Fiji and Tonga also moved from a surplus in 2007 to a deficit of 3.5% and 3.9%, respectively, in 2010. Countercyclical public expenditures in response to the global economic crisis might have caused governments in Group 1 to resort to deficit spending. Group 2 countries (i.e., PNG and Solomon Islands) maintained a fiscal surplus from 2003 to 2008, but this deteriorated to a deficit in 2009 and recovered in 2010 (Figure A2.2). Nontax revenue from mineral resources may have contributed significantly to the rebound.

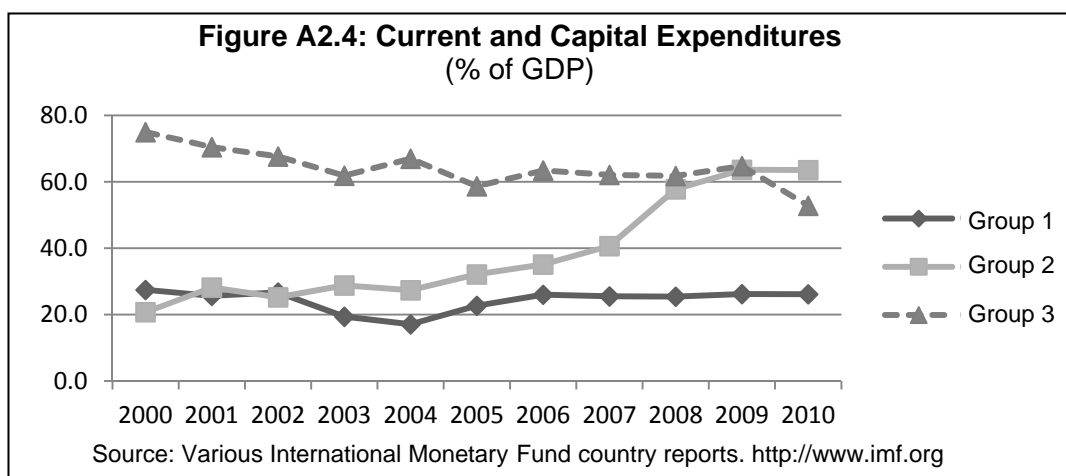


5. Typically, the overall fiscal balance statistics include nontax revenue from grants (Figure A2.3). Discounting revenues from grants to examine more clearly the sustainability of the fiscal position, it appears that all Pacific DMCs (excluding Timor-Leste) were consistently in a fiscal deficit position since 2000. Group 3 was in the worst position with deficits of 30% to 40% of GDP from 2004 to 2009, with slight improvement in 2010. Group 2 posted deficits of 10%–20% of GDP for the decade, while Group 1 appeared to have declined from about 5% of GDP deficit to 10% in 2010.

² Timor-Leste fiscal balance figures are excluded for Group 2 average in Figure A2.2.



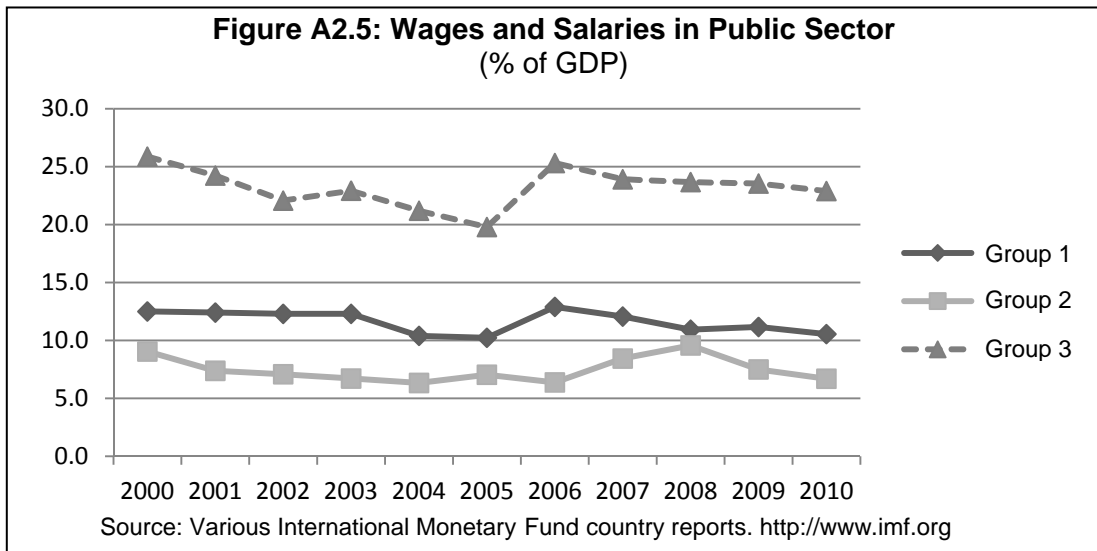
6. **Size of public sector.** To examine the dominance of the public sector in the economies, the current and capital expenditures of central governments were consolidated as a share of GDP (Figure A2.4).³ For Group 1 countries, there was a drop from about 25% of GDP in 2000–2002, to 18% in 2004. But then it returned to around 25% of GDP until 2010. Group 2 showed a remarkable increase in the size of the public sector, from 20% of GDP in 2000 to 64% in 2009–2010. Large spending for infrastructure accounts for the large increases in capital expenditures in Group 2 Pacific DMCs, in Timor-Leste, from an average trend of 3% of GDP in early 2000, expenditure increased to 38% in 2010. Solomon Islands followed the same trend, increasing expenditures to a quarter of GDP in the last 3 years. PNG began with double digit figures early in the decade, at 10%–12% of GDP from 2001 to 2006, reaching a peak of 17% in 2009, and returning to 11% in 2010. In Group 3, there was a steady decline from 75% of GDP in 2000 to an average of 63% in 2005–2009, falling further to 53% in 2010.



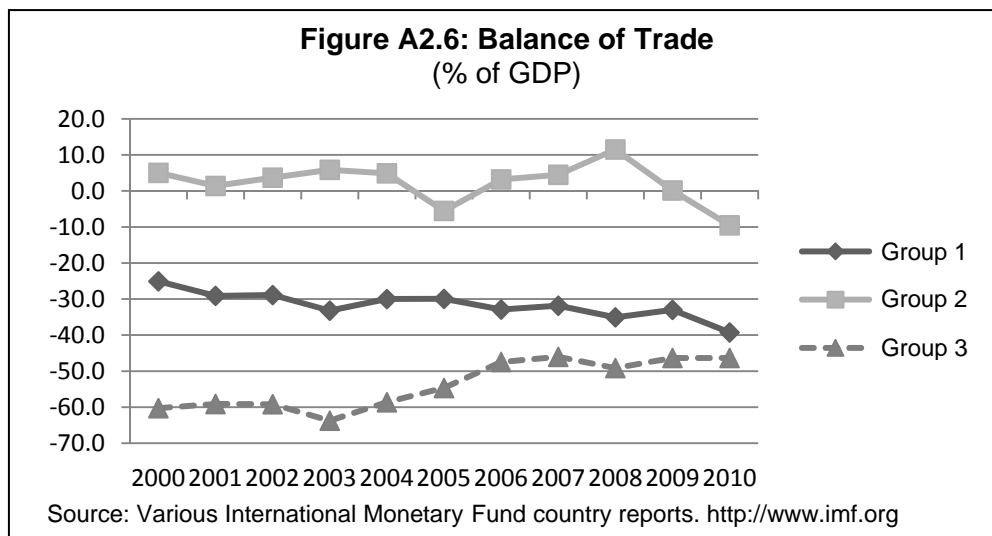
7. **Wage bill.** The size of the wage bill (salaries and benefits of civil servants) is another determinant of the dominance of the public sector in the economies. Group 3 countries appeared to have the largest wage bill as a share of GDP among Pacific DMCs, averaging 23% over the decade, with slight variation (Figure A2.5). Group 1 countries averaged 12% of GDP over the decade. Group 2 countries averaged only 7.5% of GDP. These figures are larger when compared with other ADB countries, such as Cambodia (4.5%), Lao People's Democratic

³ Note that the public sector includes state owned enterprises, public pension institutions, and local government; these were not included in the computation due to lack of data.

Republic (5.5% of GDP), and Philippines (5.5%), but roughly equivalent to the Maldives, another island country (19% of GDP). A noticeable trend is that for Groups 1 and 3 countries, there has been a steady decline in the size of the wage bill since 2006, while for Group 2, the decline began in 2008.

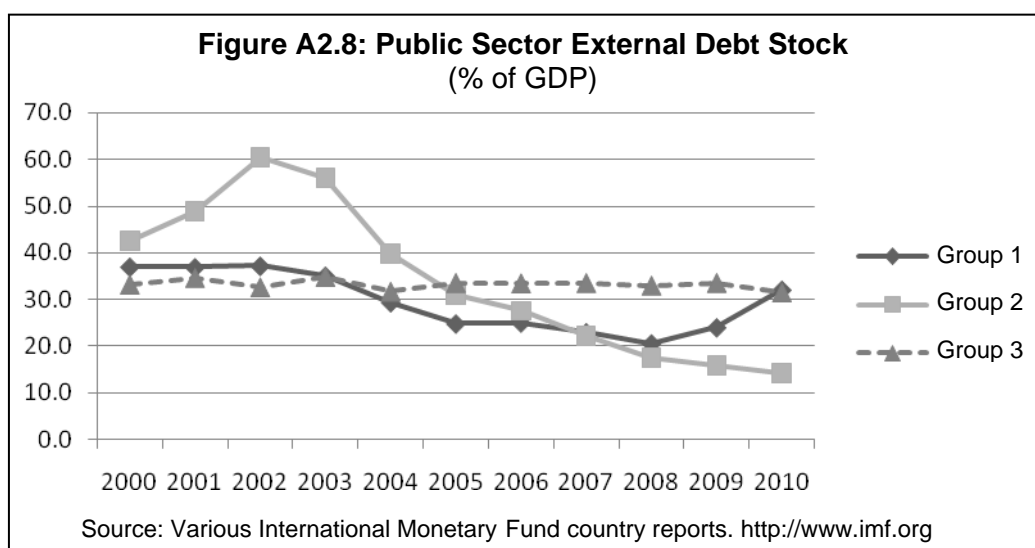
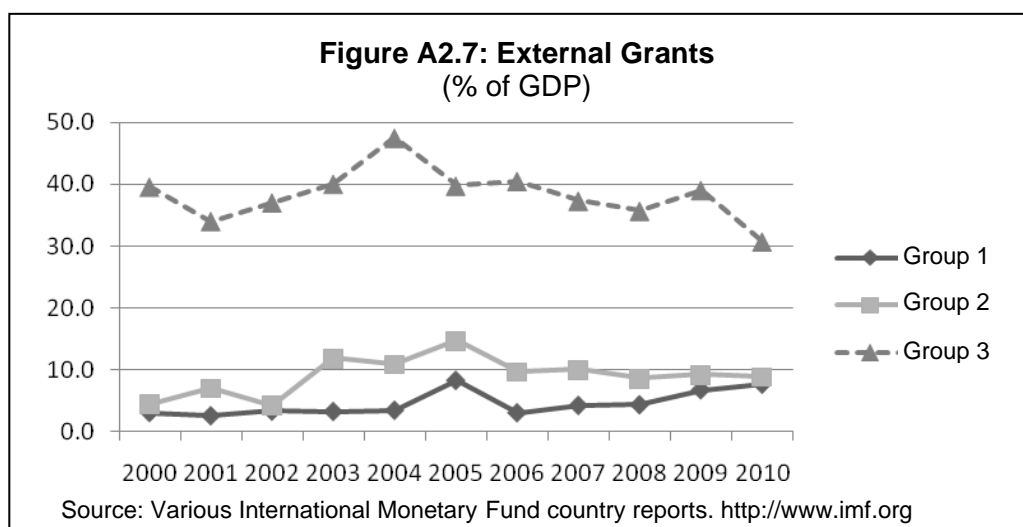


8. **Import dependence.** Pacific DMCs are broadly import dependent and have limited exports, resulting in large trade deficits. The small island economies, Group 3, owing to the scarcity of domestic resource endowments, showed the largest trade imbalances of 60% of GDP in 2000–2002, declining to 48% in 2009–2010 (Figure A2.6). Group 1 deficits appeared steady at 30% of GDP for most of the decade, deteriorating further to 40% in 2010. The slowdown in tourism and commodity exports may have resulted in the larger deficits in recent years. For Group 2 countries, where exports come largely from extractive industries, imports were at par with exports for most of the decade. From 2008 to 2010, however, there was a sharp deterioration from a surplus of 10% of GDP to a deficit of the same amount. Slowdown in timber and fishing industry exports in Solomon Islands, and increased capital goods importation may have contributed to the decline. Group 2 average figures do not include Timor-Leste due to unavailability of data.

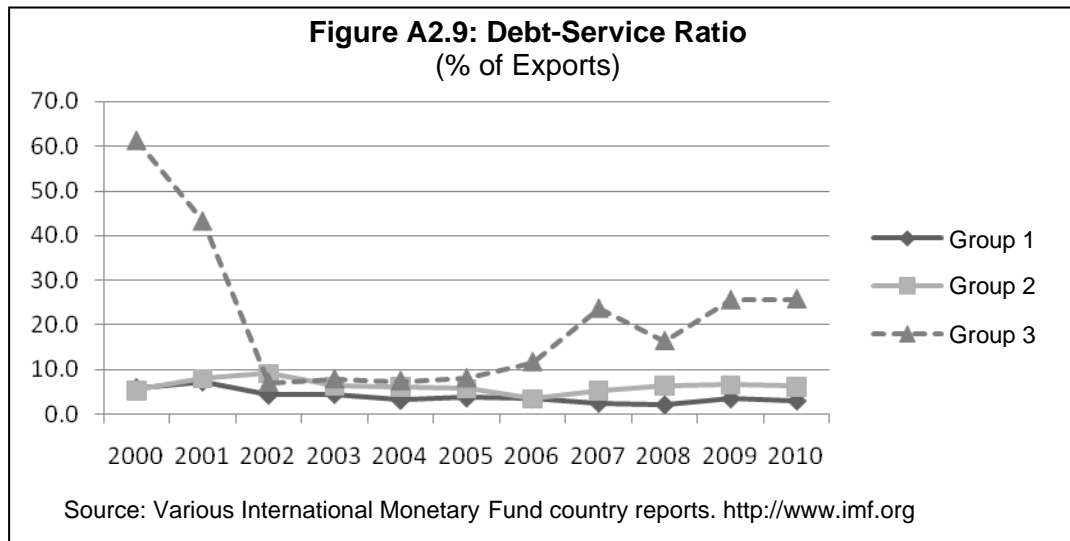


9. **Financing the deficit.** Financing trade and fiscal deficits is a major issue in Pacific DMCs. In balance of payments accounting, the trade deficit should ideally be covered by export earnings, transfers (i.e., overseas workers' remittances), foreign direct investments, equity investments, and borrowing. With limited resources and isolation from global markets, exports are limited; without scale economies, foreign direct investments are also limited, and equity investments are nonexistent; thus, these economies rely more on grants and borrowing to finance their deficits.

10. In Group 1, there was an increase in the size of external grants to GDP, from 3.5% to 4% in 2002–2004, to 8% of GDP in 2010 (Figure A2.7). Their debt stock has also increased from 21% of GDP in 2008 to 32% in 2010 (Figure A2.8). In Group 2 countries, external grants as a share of GDP were steady at 6% on average. These countries also made headway in reducing their debt stock, from a peak of 60% of GDP in 2002 to 14% in 2010, by a combination of increased availability of grant resources (in the case of Solomon Islands) and reduced borrowing coupled with higher growth levels (in the case of PNG).



11. **Debt-service burden.** While the debt-service ratios⁴ of Group 1 and 2 countries appeared steady and manageable, averaging 3% and 6% of GDP, respectively, the Group 3 debt-service ratio showed a sharp increase from 8% in 2005 to 26% in 2010 (Figure A2.9). Not all Group 3 countries are in the same situation; RMI (60% of GDP) and Tuvalu (39%) are the most heavily burdened, compared with Kiribati (10.5%) and FSM (7.2%). The sharp reduction in average debt-service ratio for Group 3 countries over the period 2000–2003 is attributed to the debt restructuring in RMI and FSM. While the debt-service ratio for FSM appeared steady at about 6% to 7% of GDP in recent years, RMI was increasing at a significant rate, from 15% of GDP in 2002 to 60% in 2010.



⁴ Debt-service ratio is defined as debt service as a percent of exports of goods and services.

MILLENNIUM DEVELOPMENT GOALS PROGRESS REPORT, 2011

Rank	Pacific DMCs	Eradicate Extreme Poverty	Achieve Universal Primary Education	Promote Gender Equality and Empower Women	Reduce Child Mortality	Improve Maternal Health	Combat HIV/AIDS, Malaria and Other Diseases	Ensure Environment Sustainability	Develop a Global Partnership for Development
Group A									
1	Cook Islands	A	B	B	A	A	B	B	D
6	Fiji	B	B	B	B	B	C	D	D
1	Samoa	B	B	A	A	A	B	B	D
4	Tonga	C	B	B	B	B	B	B	B
9	Vanuatu	C	B	C	B	C	B	B	B
Group B									
10	Papua New Guinea	C	C	C	C	C	C	C	D
3	Solomon Islands	C	B	B	B	B	A	B	B
3	Timor-Leste	D	B	B	B	B	D	B	D
Group C									
4	Kiribati	C	B	B	B	C	A	B	B
5	RMI	D	C	B	B	C	A	B	B
2	FSM	D	D	B	B	B	A	B	B
1	Palau	D	B	B	B	A	A	A	B
8	Nauru	D	B	C	C	D	B	B	B
7	Tuvalu	D	C	C	B	B	B	B	B

A = achieved; B = very likely to be achieved, on track and/or possible to achieve if some changes are made; C = off track; D = insufficient information; DMC = developing member country, FSM = Federated States of Micronesia; MDG = Millennium Development Goal; RMI = Republic of Marshall Islands.

Sources: MDG Monitor. Tracking the Millennium Development Goals. <http://www.mdgmonitor.org> (accessed: 7 July 2011); United Nations. MDG Indicators. <http://unstats.un.org/unsd/mdg/Data.aspx> (accessed 7 July 2011).

PACIFIC DEVELOPING MEMBER COUNTRY DEVELOPMENT PLANS, THEIR KEY STRATEGIC PRIORITIES AND/OR OBJECTIVES, AND GOVERNANCE LINKAGES

Country	Current/Recent Development Strategy	Key Strategic and Development Priorities and/or Objectives
Cook Islands	Te Kaveinga Nui - the National Sustainable Development Plan (NSDP), 2007–2010	The NSDP has eight strategic goals that cover: governance, law and order, macroeconomic stability, education and health services, infrastructure, agriculture, outer island development, maritime resources and tourism.
Fiji	Strategic Development Plan (SDP), 2007–2011	The SDP identifies two overarching sets of medium-term strategic priorities. To maintain stability, the priorities are promoting peace and harmony, enhancing security and law and order, alleviating poverty, strengthening good governance, reviewing the constitution, resolving the agricultural land lease issue, and implementing affirmative action. To sustain growth, the priorities are maintaining macroeconomic stability, restructuring to promote competition and efficiency, raising export earnings, raising investment levels for jobs and growth, and rural and outer island development.
Kiribati	Kiribati Development Plan: Enhancing Economic Growth for Sustainable Development, 2008–2011	The plan sets out a broad reform and development agenda that includes a technical assistance facility to improve public sector performance; managing, motivating and training the public service; establishing a multiyear budgeting framework; improving financial accounting systems; reforming the tax administration system; and ministerial strategic and operational planning. The plan recognizes good governance as a guiding instrument to achieve growth and economic stability.
Republic of Marshall Islands (RMI)	Vision 2018 Strategic Development Plan Framework, 2003–2018	Vision 2018, referred to as the development “roadmap” articulates broad vision statements related to international relations and interdependence, socioeconomic self-reliance, education, health, productivity, human rights, culture and traditions, environmental sustainability, macroeconomic and fiscal management, productive sector development, and infrastructure. The plan recognizes that good governance requires transparent, accountable, and predictable decision making and policy implementation.
Federated States of Micronesia (FSM)	FSM Strategic Development Plan (SDP), 2004–2023	The SDP commits to a “sustained growth strategy” with six priorities macroeconomic stability, good governance, developing an outward-oriented and private sector-led economy, investing in human resource development, investing in infrastructure, and long-term sustainability (environmental, sociocultural, and financial).
Nauru	Nauru National Sustainable Development Strategy (NSDS), 2005–2025	The NSDS serves as the country’s blueprint for reform, recovery, and development; it articulates five overarching goals: to establish a stable and fiscally responsible government, to improve infrastructure and basic services, to diversify and grow the economy, to rehabilitate mined lands for livelihood sustainability, and to improve domestic food production. The NSDS identifies strengthening governance as a major priority.

Country	Current/Recent Development Strategy	Key Strategic and Development Priorities and/or Objectives
Palau	National Master Development Plan 2020 (NMDP) and Medium Term Development Strategy (MTDS): Actions for Palau's Future, 2009–2014	The NMDP (adopted in 1996) articulates Palau's overarching development strategies; it aims to transform Palau's economy to one that is more private sector driven, to strengthen and streamline government institutions and activities, and to pursue strategies to help finance development goals. The MTDS (developed in 2008 but yet to be officially adopted) articulates three thematic priorities: paying the "right price" (an emphasis on cost recovery and well defined, targeted, transparent subsidies), reducing costs and ensuring conservation, and generating income opportunities. Improved governance is identified throughout the MTDS as an essential element for progress in many sectors.
Papua New Guinea (PNG)	PNG Vision 2050, 2010–2050; Development Strategic Plan (DSP), 2010–2030; and Medium Term Development Strategy, 2005–2010	Vision 2050 is a 40-year strategy for human, economic, institutional, environmental, and community development. The DSP introduces more specific economic and public policies and sector interventions. The MTDS (with the Medium Term Expenditure Framework) provides a framework to guide the government's development expenditure and serves as a guide for resource allocation and mobilization. The MTDS is based on export-driven growth, rural development, and poverty reduction by means of promoting good governance and promoting key industries in which PNG has a comparative advantage on a sustainable basis. It identifies seven expenditure priority areas: transport rehabilitation and maintenance, promotion of income earning opportunities, primary and preventive health, basic education, HIV/AIDS prevention, law and justice, and development-oriented adult education.
Samoa	Strategy for the Development of Samoa (SDS): Ensuring Sustainable Economic and Social Progress, 2008–2012	The SDS sets the country's seven national development goals: sustained macroeconomic stability; private sector-led economic growth and employment creation; improved education outcomes; improved health outcomes; community development: improved economic and social wellbeing and improved village governance; improved governance; and environmental sustainability and disaster risk reduction.
Solomon Islands	Medium-Term Development Strategy, 2008–2010	The MTDS identifies national development priorities including addressing the basic needs of people in health and food security; improving rural economic production; promoting the sustainable use and management of the environment and natural resources; reconciliation and rehabilitation; strengthening the role of chiefs; delivering free basic education, and developing tertiary and vocational educational opportunities; shifting the economy toward the development of tourism, fisheries, and marine resources; and strengthening public sector management. The MTDS is based on the government's program for recovery and development, which comprises good governance; export-driven economic growth; and rural development, poverty reduction, and empowerment through human resource development.

Country	Current/Recent Development Strategy	Key Strategic and Development Priorities and/or Objectives
Timor-Leste	National Development Plan, 2002	The plan identifies seven major challenges and responds with corresponding strategies for poverty reduction; gender mainstreaming and empowerment of women; human resources development; language and communication; transforming subsistence production into a market-based economy; improving productivity and modernizing production; creating an enabling environment for the private sector to flourish; managing public finances; and administration of oil and gas revenues. The plan also prioritizes strategies for governance and macroeconomic management.
Tonga	National Strategic Planning Framework (2009), 5–10 year framework	The framework focuses on seven key outcome objectives: facilitate community development by involving district/village communities in meeting their service needs; support private sector growth through better engagement with government, appropriate incentives, and streamlining of rules and regulations; facilitate continuation of constitutional reform; maintain and develop infrastructure to improve the everyday lives of the people; increase performance of technical vocational education and training to meet the challenges of maintaining and developing services and infrastructure; improve the health of the people by minimizing the impact of noncommunicable diseases; and integrate environmental sustainability and climate change into all planning and executing of programs. The framework is based on the national vision, which is to create a society in which all Tongans enjoy higher living standards and a better quality of life through good governance, equitable and environmentally sustainable private sector-led economic growth, improved education and health standards, and cultural development.
Tuvalu	Te Kakeega II National Strategy for Sustainable Development (NSSD), 2005–2015	The NSSD is the overarching strategic framework that covers (i) good governance; (ii) macroeconomic growth and stability; (iii) social development (health, welfare, youth, gender, housing, and poverty reduction); (iv) outer island and falekaupule (local island council) development; (v) employment and private sector development; (vi) human resource development; (vii) natural resources (agriculture, fisheries, tourism, and environmental management); and (viii) infrastructure and support services.
Vanuatu	Priorities and Action Agenda (PAA): An Educated, Healthy and Wealthy Vanuatu, 2006–2015	The PAA lists seven strategic priorities: private sector development and employment creation; macroeconomic stability and equitable growth; good governance and public sector reform; primary sector development; provision of better basic services, especially in rural areas; education and human resource development; and economic infrastructure and support services.

Source: Pacific Institute of Public Policy governance and public sector profiles for the Pacific and Pacific DMC national strategic and development plans.

PACIFIC DEVELOPING MEMBER COUNTRY EXAMPLES OF INSTITUTIONS, POLICIES AND MEASURES TO PROMOTE GOOD GOVERNANCE AND PREVENT CORRUPTION

	PNG	Solomon Islands	Palau	Samoa	Vanuatu	Fiji	Cook Islands	Timor-Leste	Tonga	Kiribati	Nauru	RMI	Tuvalu	FSM
Institutions, Policies, and Measures														
Anti-corruption Agency									note 7.1					
Anti-corruption Committee/Workgroup														
Special Prosecutor														note 10.1
Ombudsman			note 2.1			note 4.1			note 7.2				note 9.1	
Leadership Code Commission	note 1.1				note 3.1									
National Human Rights Institution	note 1.2						note 5.1	note 6.1						
Parliamentary Accounts Committee (specific oversight of executive PFM)			note 2.2			note 4.2		note 6.2						note 10.2
Code of Conduct/Ethics for elected officials/leaders (or equivalent)												note 8.1	note 9.1	note 10.3
Code of Conduct/Ethics for public servants (or equivalent)												note 8.1	note 9.1	note 10.3
Asset Disclosure requirements													note 9.1	note 10.4
Pacific Islands Forum Principles of Good Leadership endorsement								n/a						
UNCAC ratification														
ADB-OECD Anti-Corruption Initiative for Asia and the Pacific endorsement														

Sources: UNDP Pacific Centre Accountability Institutions Reviews (working papers); Pacific Institute of Public Policy country profiles.

Notes:

Shaded box indicates existence of institution policy or measure.

1.1 The PNG Ombudsman is also responsible for overseeing the Leadership Code.

1.2 While there is no official Human Rights Commission, the PNG Ombudsman has dealt directly with some human rights issues.

2.1 Ombudsman established by Executive Order but not currently operational.

2.2 Ways and Means and other committees have some oversight duties, but no committee specifically charged with oversight of PFM in the executive.

3.1 The Vanuatu Ombudsman is also responsible for overseeing the Leadership Code.

4.1 Ombudsman Act 1998 passed but no Ombudsman currently in place.

- 4.2 Parliamentary Public Accounts Committee replaced by Executive PAC.
- 5.1 The Ombudsman has responsibilities for dealing with human rights issues.
- 6.1 The Provedor (ombudsman) focuses on human rights.
- 6.2 The Committee on Economy, Finance and Anti-Corruption has oversight responsibilities.
- 7.1 Anti-Corruption Act passed in 2007, Commissioner and Deputy Commissioner posts advertised but not filled.
- 7.2 Commissioner for Public Relations established under Commissioner for Public Relations Act 2001 (operates similar to an Ombudsman).
- 8.1 Ethics in Government Act sets general parameters for ethical conduct of elected leaders and public servants.
- 9.1 No ombudsman or anti-corruption commission in place; Leadership Code Act 2006 calls for Ombudsman and asset disclosure (not yet established).
- 10.1 Some states have a Special Prosecutor.
- 10.2 Legislatures have Ways and Means committees, but no committees specifically charged with oversight of PFM in the executive.
- 10.3 No national leadership code, but some states have Codes of Conduct.
- 10.4 Judges of Supreme Courts are required to disclose assets.

Sources: United Nations Development Programme Pacific Centre—accountability institutions reviews (working papers); Pacific Institute of Public Policy country profiles.

SUMMARY OF ADB GOVERNANCE REFORM STRATEGIES IN THE PACIFIC

Item	Strategy for the Pacific (1996–1999)	Pacific Strategy for the Millennium (2000–2004)	Pacific Strategy 2005–2009 Responding to the Priorities of the Poor	Pacific Approach 2010–2014
Developing member countries	10 Pacific DMCs: Cook Islands, Fiji, Kiribati, RMI, FSM, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.	12 Pacific DMCs: Cook Islands, Fiji, Kiribati, RMI, FSM, Nauru, PNG, Samoa, Solomon Islands, Tuvalu, Tonga, and Vanuatu.	14 Pacific DMCs: The 12 Pacific DMCs in the previous strategy plus Palau and Timor-Leste.	14 Pacific DMCs, same as in 2005 Strategy
Development context	<p>Pacific DMCs enjoy relatively high standards of living owing to generous foreign aid, large inflows of foreign remittances, and generally favorable resources for subsistence living.</p> <p>However, economic performance since the early 1980s has been disappointing. There are emerging pockets of poverty; environmental problems in overcrowded central atolls are worsening; and population growth rates in some of the islands are high.</p>	<p>Increasing poverty, especially in Melanesian countries (Fiji, PNG, Solomon Islands, and Vanuatu).</p> <p>Differentiation of development issues in small states, such as remoteness and isolation, openness, susceptibility to natural disasters, limited diversification, poverty, and limited capacity.</p> <p>Worrisome rate of population growth, putting pressure on the labor market and capacities of the islands.</p>	<p>Minimal progress in development noted in many Pacific DMCs, and measurable decline in key economic and social indicators in some.</p> <p>A small number of Pacific DMCs experienced conflict and severe pressure on the rule of law.</p> <p>International concern over money laundering and terrorism financing in some Pacific DMCs.</p> <p>In many Pacific DMCs, there is lack of evidence of the capacity to deal with an increasing range of emerging social and economic challenges.</p> <p>The smallest and most resource-poor Pacific DMCs have limited development options and marginal viability without significant external assistance.</p>	<p>Most exhibit conditions of fragility contributing to a complex development environment. Characteristics of fragility include:</p> <ol style="list-style-type: none"> 1. Isolation – both geographic and knowledge sharing 2. Limited economies of scale 3. Limited natural resources 4. Rapid population growth in some countries that outstrips job creation and welfare services 5. Weak core state functions 6. Volatility and unpredictability of international assistance 7. High vulnerability to climate change and risks of natural disaster <p>Such fragility helps explain the weak development effectiveness despite years of comparatively high levels of international assistance.</p>
Key governance challenges identified	<p>Lack of institutional capacity to provide clear and consistent policy directives, limiting effectiveness of the delivery of services to the public.</p> <p>Difficulty in developing a strong and independent</p>	<p>There is no systematic documentation of poverty and key development indicators in most Pacific DMCs.</p> <p>Political instability in some Pacific DMCs threatened sustained recovery.</p>	<p>Leadership is a difficult and complex task in the Pacific, with traditional loyalties to family and clan mixing uneasily with Western-style economic systems and structures of government. In most Pacific DMCs, tribal allegiances remain strong and national loyalties are often of secondary importance.</p>	<p>Pacific DMC governments suffer from weak public sector management and overall governance, including weak decision making in the public interest.</p> <p>The midterm review of the 2005–2009 strategy pointed to</p>

	<p>administrative arm of government and effective systems of accountability.</p> <p>Policy decisions subsumed by the political process at considerable cost to the development prospects.</p> <p>Weak information flows between the government and the general public.</p>	<p>Many Pacific cultures are substantially tribal based, adhering to a value system that elevates tribal and family allegiances above all else. Policy and reform tensions arise as they modernize and adopt global trends and practices.</p> <p>The Strategy noted that that the 1996 Strategy remained broadly relevant, now with emphasis on an “explicit poverty dimension to targeted development outcomes.”</p>	<p>Appropriateness of current institutions, often legacies of colonial systems and supported by development partners, may also be an issue: ill-suited to very small countries, coexisting uncomfortably with traditional institutions, or unable to adapt to modern realities. This is exacerbated by “brain drain” of capable human resource.</p> <p>Policy formulation and implementation processes often follow a top-down approach, with little participation or recognition that stakeholders beyond senior levels of government, may have valuable experience or perspectives to add.</p> <p>Policy is too infrequently developed on the basis of careful data gathering and analysis.</p> <p>The strategy noted the relatively better performance of the judiciary, promoting accountability and transparency of government actions.</p>	<p>shortcomings in governance as the deepest constraint to growth and development in the region.</p> <p>The means to improve civil service performance within the small, close, and personal confines of the Pacific DMCs remains elusive despite decades of assistance.</p>
<p>ADB intervention—main principles</p>	<p>Support for policy reforms and capacity building; and addressing key factors contributing to economic growth.</p> <p>Priority to interventions that enhance regional cooperation among the Pacific DMCs.</p>	<p>Key lessons for ADB interventions:</p> <ol style="list-style-type: none"> 1. Ensure political commitment. 2. Involve key stakeholders 3. Account for local culture 4. Focus on outcomes and impacts 5. Design within local capacity 6. Keep it simple 7. Use consultants carefully 8. Maintain continuing ADB support <p>Differentiated approach developed, classifying Pacific DMCs into three categories</p>	<p>Goals:</p> <ol style="list-style-type: none"> 1. Access of the poor to cash income opportunities through efficient markets. 2. Improved social service outcomes for the poor <p>Strategic Objectives</p> <ol style="list-style-type: none"> 1. Support a conducive environment for the private sector. 2. Enhance the supply of, and demand for, quality basic social services. 3. Promote effective development processes. 	<p>Based on midterm review, actions taken to improve good governance are:</p> <ol style="list-style-type: none"> 1. Raise responsiveness of government to community and business needs 2. Enhance accountability 3. Improve public policy formulation 4. Raise quality of public expenditure 5. Strengthen further development partner coordination <p>In line with GACAP II, continue implementation of risk-based approaches to strengthen</p>

		depending on size and prospects for development.		anticorruption and accountability systems, including specific support for reforms and capacity building in public procurement to ensure efficient and effective use of public resources.
Selectivity and focus	<p>Strengthening analytical and evaluation capacities to help improve the capacity, understanding, and incentives of the bureaucracy, and politicians to undertake reforms.</p> <p>Proactive role in involving regional agencies, e.g., Forum Secretariat, IMF regional team in Fiji, among others.</p> <p>Reform areas: Public financial and economic management, planning and budgeting, public enterprises.</p>	<p>ADB assistance will focus on building public awareness and support for reforms through dialogue with government, and promoting stronger government linkages with the private sector, NGOs, and community organizations that have vested interests in the reforms.</p> <p>In line with ADB's Governance Policy (2000), emphasis on demand-driven assistance; with priority to awareness raising, coalition building, and public information activities, where local support for governance reforms is weak.</p> <p>Support for enhancing efficiency and effectiveness of public service delivery.</p> <p>Private Sector Development Strategy objectives: (i) promote enabling environments for private sector development; (ii) identify and support business opportunities, and (iii) facilitate private investments.</p>	<p>The third strategic objective outlines key governance interventions:</p> <ol style="list-style-type: none"> 1. increased community participation and ownership in development programs 2. increased public demand for good governance 3. strengthened government transparency and accountability 4. improved availability of quality development data 5. mainstreamed gender and environmental considerations 6. enhanced development partner coordination 7. enhanced impact of regional cooperation 	<p>The Approach is in line with the 2007 approach paper on fragile and conflict affected situations. Based on the FCAS approach, the strategy called for a differentiated engagement based on specific Pacific DMC characteristics.</p>
Staffing	<p>Acknowledgement that current level of staff strength at the OPO is not adequate to meet operational program requirements.</p> <p>Proposals to augment OPO include: (i) posting of resident advisers in selected</p>	<p>ADB review of role of resident missions in Pacific DMCs, to generate optimum development impact through strong local ownership, and to increase responsiveness by ADB.</p> <p>Upgrade of PNG extended mission to a resident mission.</p>	<p>Move to a new structure to increase accessibility and responsiveness of ADB to clients in Pacific DMCs, with one third of Pacific Department professional staff located in field offices.</p> <p>Establishment of new offices in Port Moresby, PNG; Suva, Fiji; and</p>	<p>No mention.</p>

	<p>countries; (ii) use of umbrella technical assistance; (iii) integrated country reports; and (iv) providing OPO with larger staff consultancy budget, utilizing ADB-Australia Channel Financing Facility.</p>	<p>Finding optimal configuration by creating subregional missions, mindful of the costs and benefits of having a large office with broader mix of staff skills and range of functions in a central location, against the option of smaller offices with a more limited range of staff skills and operations.</p>	<p>Sydney, Australia. The field offices provide greater capacity for outreach, policy dialogue, and problem solving in project administration.</p> <p>Headquarters role will focus on policy and strategy, knowledge management, sector and thematic expertise, coordination, and quality assurance.</p> <p>General principle will be to devolve programming and project administration to staff in the field offices, with sector and thematic specialists based mainly in headquarters.</p> <p>Most staff may need to upgrade skills and knowledge in the areas of participatory approaches, effective capacity development, political economy, and reform process facilitation.</p> <p>Effective knowledge management is a key to how effectively ADB delivers the Pacific Strategy.</p>	
--	---	--	---	--

ADB = Asian Development Bank, DMC = developing member country, FSM = Federated States of Micronesia, GACAP II = Second Governance and Anticorruption Action Plan, IMF = International Monetary Fund, NGO = nongovernment organization, OPO = Office of Pacific Operation, PARD = Pacific Department, PNG = Papua New Guinea, RMI = Marshall Islands.

Source: Independent Evaluation Department special evaluation study team.

**OECD-REPORTED OFFICIAL DEVELOPMENT ASSISTANCE FLOWS TO PACIFIC DEVELOPING MEMBER COUNTRIES,
2002–2009**

56

Appendix 7

Summary Data (\$ million)	2002	2003	2004	2005	2006	2007	2008	2009
Total ODA disbursements to Pacific DMCs	743.42	843.42	874.91	1,102.03	1,174.02	1,306.10	1,376.36	1,417.02
annual change		13.5%	3.7%	26.0%	6.5%	11.3%	5.4%	3.0%
in constant 2009 dollars	1,177.97	1,151.41	1,068.46	1,280.86	1,332.54	1,333.0	1,338.37	1,417.02
annual change		-2.3%	-7.2%	19.9%	4.0%	0.0%	0.4%	5.9%
PSM/Governance Related ODA categories								
Public sector policy and adm. management (15110)	53.54	114.64	135.69	169.28	169.13	135.32	224.02	205.89
Public finance management (15111)	9.84	10.41	18.82	20.17	20.32	45.27	47.78	22.44
Decentralization and support to subnational govt. (15112)	0.00	0.00	0.00	0.00	0.01	0.02	0.16	6.01
Legal and judicial development (15130)	7.38	17.95	39.13	65.81	102.12	195.83	81.34	73.55
Statistical capacity development (16062)	0.03	1.63	1.41	1.54	1.45	0.75	0.17	1.94
Elections (15151)	2.44	1.47	2.80	4.20	10.23	10.38	17.13	6.76
Human rights (15160)	8.40	1.64	1.79	3.02	3.15	1.12	1.68	2.10
Democratic participation and civil society (15150)	4.36	6.15	11.70	13.91	23.22	12.35	27.77	23.68
Media and free flow of information (15153)	0.00	0.05	0.26	0.59	1.56	0.24	2.30	1.75
Support to NGOs (92010, 92020, 92030)	1.50	13.03	12.33	19.74	11.39	9.90	12.89	14.02
Total of selected categories	87.50	166.96	223.93	298.25	342.58	411.19	415.24	358.13
as percent of total ODA	11.8%	19.8%	25.6%	27.1%	29.2%	31.5%	30.2%	25.3%
PFM support as percent of total ODA	1.3%	1.2%	2.2%	1.8%	1.7%	3.5%	3.5%	1.6%
"Demand side" support (15150, 15153, 92010, 92020, 92030)	5.86	19.23	24.29	34.24	36.18	22.49	42.96	39.44
as percent of total ODA	0.8%	2.3%	2.8%	3.1%	3.1%	1.7%	3.1%	2.8%
Other Categories of ODA								
General budget support	174.47	148.08	27.57	40.35	31.41	0.48	15.65	30.50

DMC = developing member country, NGO = nongovernment organization, ODA = official development assistance, OECD = Organisation for Economic Co-operation and Development, PSM = public sector management.

Notes:

- Total official development assistance (ODA) flows to the Pacific developing member countries doubled from 2002 to 2009 in nominal terms.
- In constant 2009 dollars, ODA has grown at an average of 3% annually.
- Public sector management and governance related ODA has grown significantly over the period.
- As a percent of total ODA, public sector management/governance-related ODA has grown from 11.8% to 25.3%.
- ODA categorized as PFM increased from under \$10 million to \$22 million over the period (and was over \$40 million in 2007 and 2008). But in percentage terms, PFM ODA on average still makes up 2%–3% of total ODA flows.
- "Demand side" ODA support grew from under \$6 million to around \$40 million annually, now representing around 3% of total ODA.
- General budget support ODA has not grown significantly.
- Donors include only those bilateral/multilateral entities included in the QWIDS database; prior to 2002 not available; 2010/2011 not yet published. Category codes are shown in parentheses.

Source: OECD International Development Statistics (QWIDS website, accessed 10 June 2011).

AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT'S CURRENT GOVERNANCE AND PUBLIC SECTOR MANAGEMENT-RELATED SUPPORT TO PACIFIC DEVELOPING MEMBER COUNTRIES

Country	Governance and Public Sector Management-Related Support in 2011–2012
Kiribati	Supporting public enterprise reforms.
Micronesia	Financial and budgetary reforms and other measures to achieve greater financial self-reliance. Tax administration reforms, including the introduction of a value-added tax. Technical adviser to help improve the management, coordination, and utilization of external funds at the national and state level.
Nauru	Directly funding key public service positions, including in finance, budget and debt management, public expenditure oversight, and economic policy.
Palau	Will help Palau's Procurement and Asset Management Office to review asset management data and develop good-practice procurement policy and procedures.
Papua New Guinea	Support to public sector systems and institutions, strengthen financial management and increase public accountability. Improve service delivery through programs including the Strongim Gavman Program, the Economic and Public Sector Program and the Sub-National Program. Support law and justice agencies and communities to deliver services in crime prevention, policing, courts, legal aid, prisons, restorative justice and the Ombudsman.
Samoa	Provide incentive funding to continue public financial management improvements. Train public sector agencies on key management and governance skills. Improve access to justice services through training of prosecutors, funding of legislative reform, and improved records management.
Solomon Islands	Directly supporting "demand side" programs and projects, focused on nongovernment organization and communities, in a range of areas including health, sanitation, vocational training, financial literacy training, building savings and accessing finance. Program will help disenfranchised Solomon Islanders to identify their community strengths, ask for better services from government, and meet their current development needs.
Timor-Leste	Assist to prepare and spend a credible budget that supports service delivery in the districts. Support civil service reform and improvements. Support management of 2012 elections.
Tonga	Support the development of an economic and fiscal recovery plan to improve public expenditure management, and inform policy decisions. Updating key economic data for planning and economic forecasting; assisting in procurement management and tax audit and compliance. Supporting further economic and public sector reforms and trial of staff performance management system.
Tuvalu	Making contributions to the Tuvalu Trust Fund, which supports the country's longer term economic viability. Funding advisers to strengthen key central economic and oversight institutions.
Vanuatu	Supporting the Vanuatu Police Force to recruit and train new officers and engage in corporate and financial reform, and construct and maintain key policing infrastructure and critical equipment. New legal sector project to develop capacity and performance of the State Law Office and the offices of the public prosecutor, public solicitor, and state prosecutor.
Regional programs	Fund the appointment of professional staff to the new Pacific Islands Centre for Public Administration in the University of South Pacific to improve regional cooperation on public sector management, human resource management, public financial management and performance assessment. Supporting region's 10-year Pacific Statistics Strategy through technical support for PICs conducting censuses and other major surveys; assist with the development of a long-term training and professional development program to improve skills in national statistics offices. Supporting Pacific Regional Audit Initiative to strengthen audits of public accounts.

AusAID = Australian Agency for International Development.

Source: AusAID 2011–2012 Budget Report.

PACIFIC GOVERNANCE: SUMMARY OF EVALUATION RATINGS, 2000–2010

Table A9.1: Summary of Evaluation Ratings for Public Sector Management Loans and Grants (2000–2010)

No.	14 Pacific Developing Member Countries	No. of Loans/ Grants	Amount (\$ million)	Overall Rating (Loan/ Grant Projects)		Relevance ^c	Effectiveness ^d	Efficiency ^e	Sustainability ^f
				WA ^a	Rating ^b				
Group 1			46.00						
1	Cook Islands	1	10.00	2.0	S	2.0	2.0	2.0	2.0
2	Fiji	0	NA	NA	NA	NA	NA	NA	NA
3	Samoa	1	16.00	NA	NA	NA	NA	NA	NA
4	Tonga	2	20.00	1.5	PS	2.0	1.0	2.0	1.0
5	Vanuatu	0	NA	NA	NA	NA	NA	NA	NA
Average				1.8	S	2.0	1.5	2.0	1.5
No. of Projects		4							
Group 2			75.00						
6	Papua New Guinea	1	70.00	1.5	PS	2.0	2.0	1.0	1.0
7	Solomon Islands	1	5.00	2.0	S	2.0	2.0	2.0	2.0
8	Timor-Leste	0	NA	NA	NA	NA	NA	NA	NA
Average				1.8	S	2.0	2.0	1.5	1.5
No. of Projects		2							
Group 3			36.81						
9	Kiribati	0	NA	NA	NA	NA	NA	NA	NA
10	Republic of Marshall Islands	2	22.00	1.9	S	2.5	1.5	2.0	1.5
11	Federated States of Micronesia	1	11.57	1.2	PS	2.0	1.0	1.0	1.0
12	Nauru	0	NA	NA	NA	NA	NA	NA	NA
13	Palau	0	NA	NA	NA	NA	NA	NA	NA
14	Tuvalu	1	3.24	1.4	PS	3.0	1.0	1.0	1.0
Average				1.5	PS	2.5	1.2	1.3	1.2
No. of Projects		4							
Total Amount			157.81						
Overall Average				1.7	(note g)	2.2	1.6	1.6	1.4
Total No. of Loan/Grant Projects		10							

NA = not applicable; no public sector management loan/grant for the period; no evaluation ratings.

^a WA = weighted average (relevance = 20%, effectiveness = 30%, efficiency = 30%, sustainability = 20%).

^b Highly Successful (HS) = overall weighted average is greater than or equal to 2.7; Successful (S) = overall weighted average is greater than or equal to 1.6 and less than 2.7; Partly successful (PS) = overall weighted average is greater than or equal to 0.8 and less than 1.6; Unsuccessful (U) = overall weighted average is less than 0.8.

^c Ratings for relevance: 3 = highly relevant; 2 = relevant; 1 = less relevant.

^d Ratings for effectiveness: 3 = highly effective; 2 = effective; 1 = less effective.

^e Ratings for efficiency: 3 = highly efficient; 2 = efficient; 1 = less efficient.

^f Ratings for sustainability: 3 = likely sustainable, 2 = less likely sustainable, 1 = unlikely to be sustainable.

^g Project-level ratings for Relevance, Effectiveness, Efficiency and Sustainability are combined with qualitative ratings for Strategic Positioning and Impact to determine an overall rating (Table A9.4)

Sources: Asian Development Bank project completion reports (PCR, TCR), PCR validation reports, back-to-office reports, evaluation study assessment sheets.

Table A9.2: Summary of Evaluation Ratings for Public Sector Management Technical Assistance (2000–2010)

No.	14 Pacific Developing Member Countries	No. of TA	Amount (\$ million)	Overall Rating (TA Projects)		Relevance ^c	Effectiveness ^d	Efficiency ^e	Sustainability ^f
				WA ^a	Rating ^b				
Group 1			13.26						
1	Cook Islands	6	1.86	1.8	S	2.2	2.0	1.5	1.5
2	Fiji	6	1.46	1.9	S	2.5	2.2	1.7	1.0
3	Samoa	9	3.18	1.6	S	2.0	1.8	1.6	1.2
4	Tonga	10	3.98	1.8	S	2.2	1.9	1.7	1.3
5	Vanuatu	8	2.78	1.7	S	2.1	1.6	1.7	1.3
	Average			1.7	S	2.2	1.9	1.6	1.3
	No. of Projects	39							
Group 2			14.26						
6	Papua New Guinea	8	4.85	1.5	PS	2.4	1.4	1.3	1.3
7	Solomon Islands	5	2.85	1.8	S	2.0	2.0	1.6	1.4
8	Timor-Leste	14	6.76	1.7	S	2.1	2.0	1.3	1.5
	Average			1.7	S	2.2	1.8	1.4	1.4
	No. of Projects	27							
Group 3			14.48						
9	Kiribati	4	1.80	1.8	S	2.0	1.8	1.8	1.5
10	Republic of Marshall Islands	6	2.77	1.4	PS	2.2	1.8	1.0	0.8
11	Federated States of Micronesia	13	6.08	1.2	PS	1.8	1.2	1.0	0.8
12	Nauru	1	0.30	0.5	US	1.0	0.0	1.0	0.0
13	Palau	2	1.50	2.4	S	3.0	2.0	2.5	2.0
14	Tuvalu	4	2.03	1.8	S	2.5	2.0	1.5	1.3
	Average			1.5	PS	2.1	1.5	1.5	1.1
	No. of Projects	30							
	Total Amount		42.20						
	Overall Average			1.6	(note g)	2.1	1.7	1.5	1.2
	Total No. of TA Projects	96							

NA = not applicable; no public sector management; technical assistance for the period; no evaluation ratings; TA = technical assistance.

^a WA = weighted average (relevance=20%, effectiveness=30%, efficiency=30%, sustainability=20%).

^b Highly Successful (HS) = Overall weighted average is greater than or equal to 2.7, Successful (S) = Overall weighted average is greater than or equal to 1.6 and less than 2.7, Partly Successful (PS) = Overall weighted average is greater than or equal to 0.8 and less than 1.6, Unsuccessful (U) = Overall weighted average is less than 0.8.

^c Ratings for relevance: 3 = highly relevant; 2 = relevant; 1 = less relevant.

^d Ratings for effectiveness: 3 = highly effective; 2 = effective; 1 = less effective.

^e Ratings for efficiency: 3 = highly efficient; 2 = efficient; 1 = less efficient.

^f Ratings for sustainability: 3 = likely sustainable, 2 = less likely sustainable, 1 = unlikely to be sustainable.

^g Project-level ratings for Relevance, Effectiveness, Efficiency and Sustainability are combined with qualitative ratings for Strategic Positioning and Impact to determine an overall rating (Table A9.4).

Sources: Asian Development Bank project completion reports (PCR, TCR), PCR validation reports, back-to-office reports, special evaluation study assessment sheets.

Table A9.3: Weighted Ratings for Relevance, Effectiveness, Efficiency and Sustainability

Criteria	Average Ratings		Weights		Weighted Ratings
	Loans and Grants	TA	Loans and Grants	TA	
Relevance	2.2	2.1	0.8	0.2	2.18
Effectiveness	1.6	1.7	0.8	0.2	1.62
Efficiency	1.6	1.5	0.8	0.2	1.58
Sustainability	1.4	1.2	0.8	0.2	1.36

TA = technical assistance.

Notes:

1. Average ratings for Loans/grants and TA drawn from summary of ratings (Tables A9.1 and A9.2)
2. Loans/grants and TA were assigned respective weights of 80% and 20% to determine the weighted ratings.

Table A9.4: Aggregate/Overall Rating Calculation

Evaluation Criteria	Criteria		Weighted Score
	Weights	Ratings	
Strategic Positioning	0.1	2.00	0.20
Relevance	0.1	2.18	0.22
Effectiveness	0.2	1.62	0.32
Efficiency	0.2	1.58	0.32
Sustainability	0.2	1.36	0.27
Impact	0.2	1.00	0.20
All criteria combined	1.0		1.53

Notes:

1. Criteria weights are defined in CAPE guidelines
2. Project level ratings for Relevance, Effectiveness, Efficiency, and Sustainability from Table A9.3
3. Qualitative assessments of Strategic Positioning (rated "Satisfactory") and Impact (rated "Partly Satisfactory") translate numerically to 2.0 and 1.0, respectively, as per CAPE rating guidelines
4. Aggregated score of 1.53 reflects *partly successful* rating, just below the threshold of *successful* (1.6), as per CAPE guidelines for overall ratings.

**SUMMARY OF TECHNICAL ASSISTANCE BROAD CATEGORIES:
PACIFIC DEVELOPING MEMBER COUNTRIES, 2000–2010**

Types of TA Projects (Broad Categories)	Cook Islands		Fiji	Kiribati	RMI	FSM	Nauru	Palau	Papua New Guinea		Solomo n Island	Timor-Leste	Tonga	Tuvalu	Vanuatu	No. of TA Projects
	Islands								Guinea	Samoa						
Strengthening Public Finance Management																
General PFM and reform support	7149, 7646	4157, 4330	7166	3418, 3668, 7578	3783, 3962	3584	7421	4829, 4947, 7427	4134	7616	3803, 4329, 4519	3705	7161, 4253, 4902	3449	25	
Budgeting (including performance based)	3815		7166		3431, 3765	3584					3803		4253		7	
Debt management		3391													1	
Economic/fiscal policy/management		3960	3786		4961		7421, 4929	3946, 7205	3936	4700, 7616	3592, 3803, 4329, 4519, 7401	7475	7161	3666, 4362	19	
Tax related (policy, reform, administration)					4789			3444					4902		3	
Strengthening audit offices/functions					4464										1	
Preparation of economic/social reports	3509		3786		4266								3430	3735	3666	6
Develop/support national or sectoral strategies/plans	4234, 4605	3408	3786, 3912		4171		4929	7205	7033	4494, 7616	3512, 3803, 4329, 4519	4510, 4865	3735	4362	19	
Strengthening statistics capacity				4199, 4883		3584		3946			3425, 3512, 7401		3735, 4253	3833	10	
Strengthening/reforming public service performance, civil service management	3815, 7149, 7646		3404	7578	4258, 4789, 7213			3280, 3812			3412, 7120	3873			13	
SOE reforms			7166	7578	4426				3768, 4417, 4513	4482		7271, 4514, 4899	7161, 4253	7588	12	
Private sector development support		4704	3786, 7166		3783				4417	4482, 4700	3412				8	
Land reform support				3941					4712, 7387						3	
Supporting legal sector reforms, access to laws, justice organizations					3510					4700	3412			3613	4	
Poverty assessments/surveys/analyses			3786, 3912					3667	3623		3425, 3512	3432	3735		8	
Supporting civil society/nonstate actors														3427	1	
Supporting parliamentary capacity	3815							4388			3412			3816	4	
Supporting subnational/local government											3400, 3515, 3839, 4272				4	
Others										4494	3412, 3592, 3654				4	
No. of TA Projects	6	6	4	6	13	1	2	8	9	5	14	10	4	8	96	

FSM = Federated States of Micronesia, PFM = public financial management, RMI = Republic of Marshall Islands, SOE = state-owned enterprise, TA = technical assistance.

Notes: Technical assistance projects with more than one area of focus listed in two or more categories. Excludes loans, grants, and regional TA projects.

Sources: Asian Development Bank various public sector management TA reports.

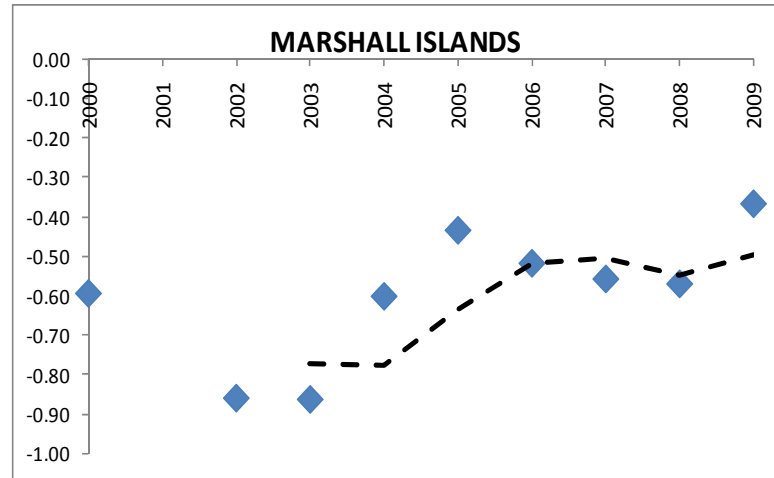
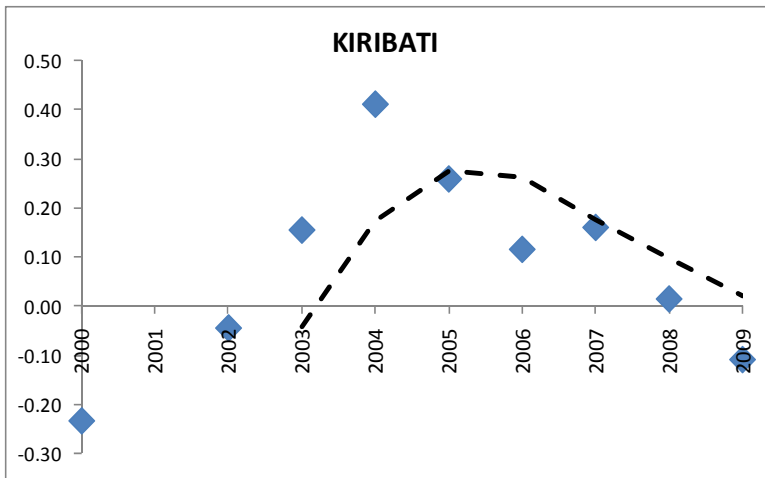
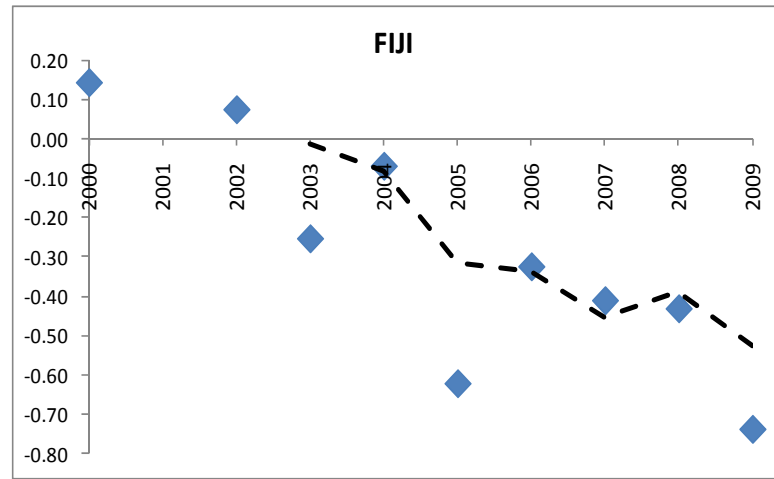
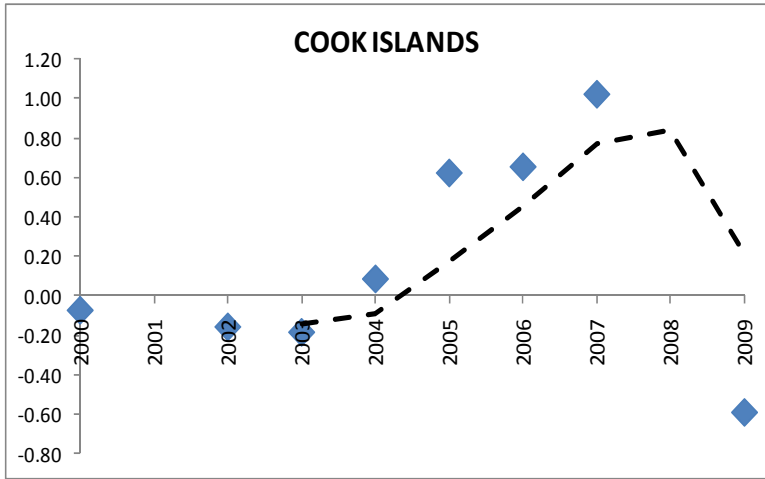
GUIDE EVALUATION QUESTIONS FOR EACH EVALUATION CRITERIA

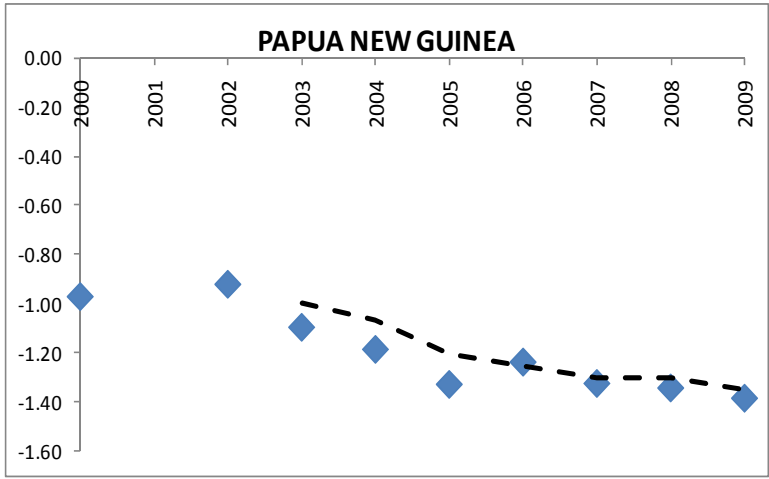
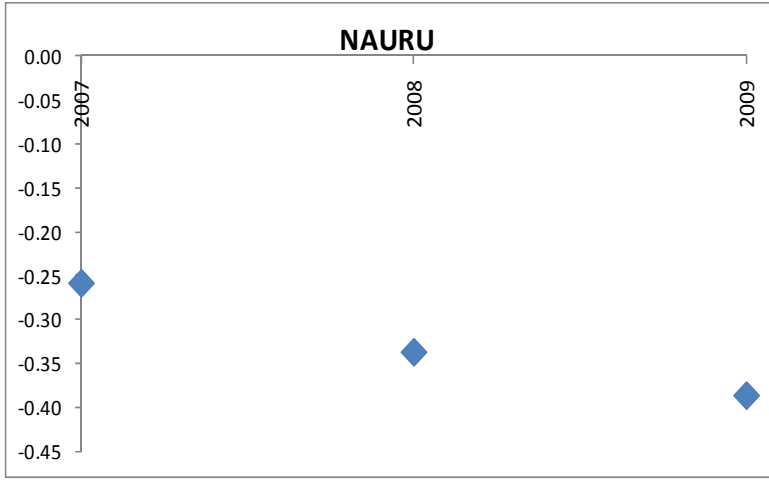
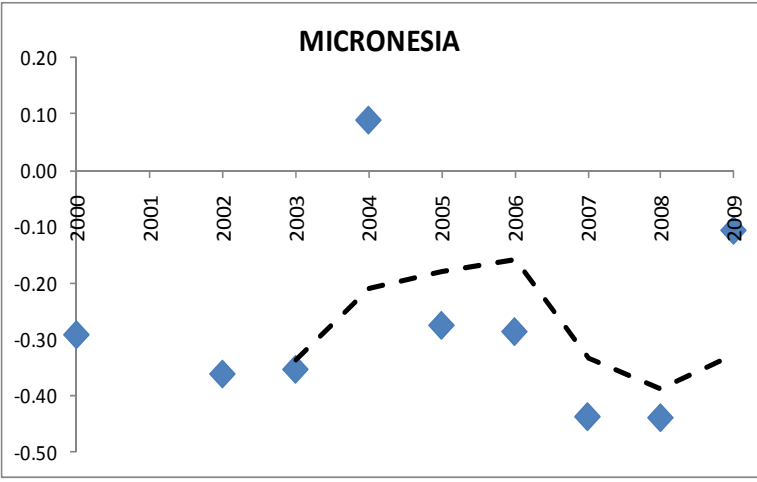
Key Questions	Methodology	Data Requirement and Sources
<p>1. Strategic Positioning</p> <p>1.1 Has the country partnership strategy (CPS) adequately discussed governance issues and themes, with assessments on performance of key principles of accountability, participation, predictability and transparency?</p> <p>1.2 Is the governance strategy consistent with the country's development challenges?</p> <p>1.3 Is the governance strategy focused and selective?</p> <p>1.4 Is the governance strategy harmonized and aligned with development partners intervention?</p>	<p>Desk review Discussions with Asian Development Bank (ADB) staff, Pacific developing member country (DMC) government officials, and development partners</p>	<p>Pacific Approach 2010-2014 Strategy 2020 Pacific DMCs country operations business plans, country strategy and program updates, CPSs Pacific DMCs development plans Regional cooperation plans</p>
<p>2. Relevance</p> <p>2.1 Are project objectives to promote good governance consistent with the country's priorities, capacities, and ADB's CPS?</p> <p>2.2 Are the projects and programs in good governance aligned with ADB's comparative advantage?</p> <p>2.3 Are they selective and supportive of key priority sectors of ADB? Are they consistent over a long period of time?</p> <p>2.4 In those sectors where ADB is found most active, are these interventions providing critical support to selected agencies/institutions of government?</p> <p>2.5 Are they harmonized and aligned with development partner interventions?</p>	<p>Desk review Discussions with ADB staff, Pacific DMC government officials, and development partners</p>	<p>Loan, grant, technical assistance documents Project completion reports, validations, evaluation reviews Key informant interviews Focused group discussions</p>
<p>3. Effectiveness</p> <p>3.1 Are projects, technical assistance contributing to achieving outputs and outcomes?</p> <p>3.2 Have outcomes, defined in the design and monitoring frameworks of individual projects and technical assistance, been achieved?</p> <p>3.3 Are outputs likely to result in strengthening any elements of good governance; i.e., accountability, predictability, participation, and transparency?</p> <p>3.4 Have governance component objectives of selected projects (e.g., infrastructure, water and sanitation) been achieved? What are the shortcomings? What are the success stories?</p>	<p>Desk review Discussions with ADB staff, Pacific DMC government officials, and development partners</p>	<p>Loan, grant, technical assistance documents Project completion reports, validations, evaluation reviews Key informant interviews Focused group discussions</p>
<p>4. Efficiency</p> <p>4.1 What is the portfolio performance of individual governance projects and</p>	<p>Desk review Discussions with ADB</p>	<p>Loan, grant, technical assistance documents</p>

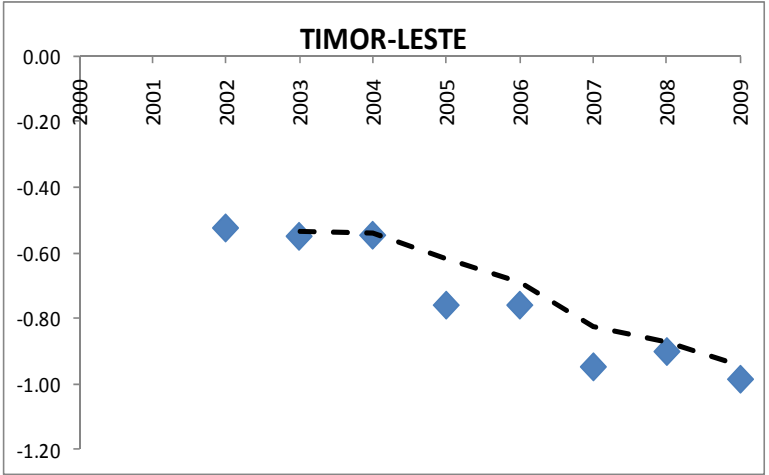
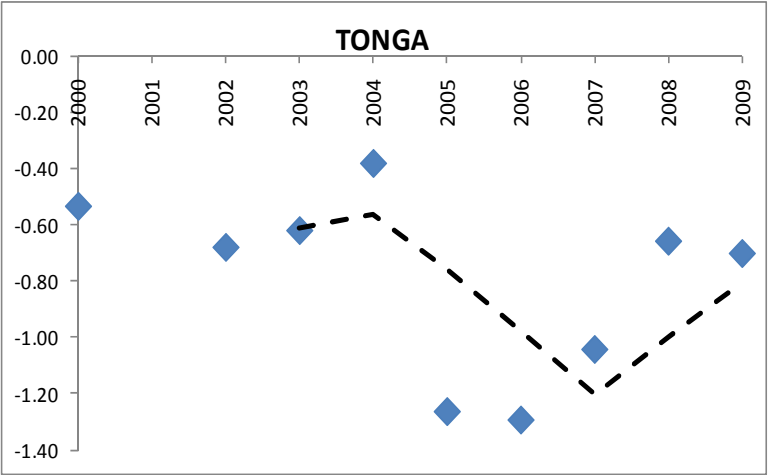
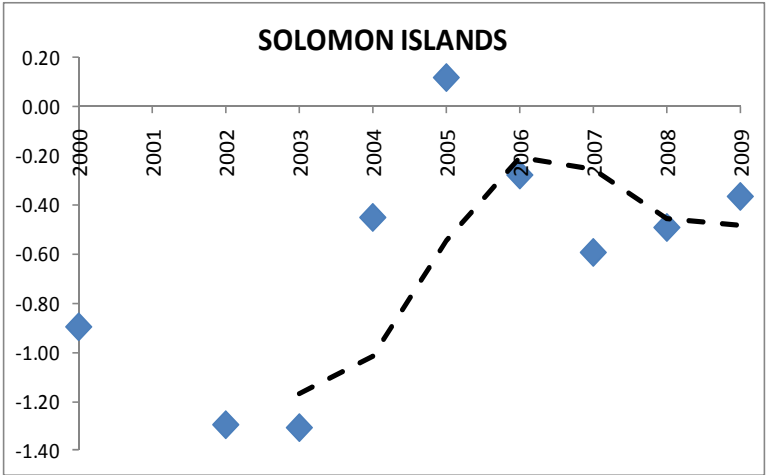
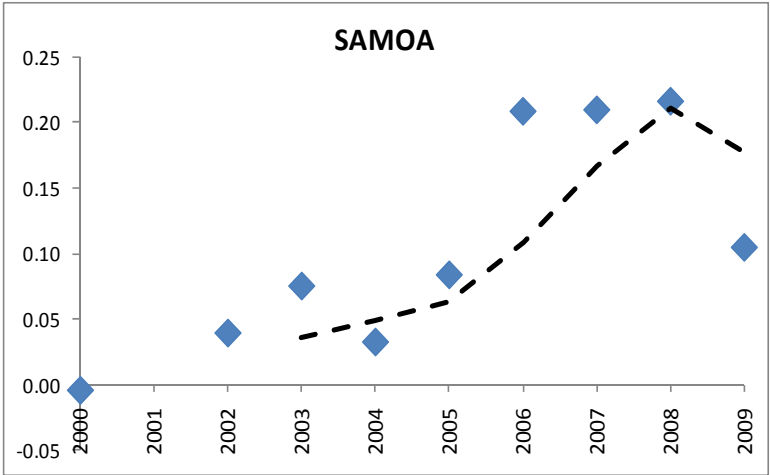
<p>technical assistance? For example, performance in contract awards, actual versus projected disbursements, and the extent of delayed implementation and cost overruns.</p> <p>4.2 Have there been major change in scope of project's governance components?</p> <p>4.3 What is the quality of monitoring and evaluation implementation in governance interventions (e.g., timely data collection, adequacy of the data on performance indicators to be used at midterm review and at completion)?</p>	<p>staff, Pacific DMC government officials, and development partners</p> <p>Field visits</p>	<p>Project completion reports, validations, evaluation reviews</p> <p>Country portfolio reports, other reports by Central Operations Services Office</p> <p>Key informant interviews</p> <p>Focused group discussions</p>
<p>5. Sustainability</p> <p>5.1 Is there evidence of strong and consistent ownership over time from key government agencies and staff?</p> <p>5.2 Is there evidence of consistent budgetary support over a medium-term horizon on key governance initiatives supported by ADB?</p> <p>5.3 Are appropriate skills and capacities present in key agencies to sustain good governance outcomes?</p> <p>5.4 Is there a workable, open, and systematic feedback mechanism between citizens and public agencies to sustain governance interventions?</p>	<p>Desk review</p> <p>Discussions with ADB staff, Pacific DMC government officials, and development partners</p>	<p>Loan, grant, technical assistance documents</p> <p>Project completion reports, validations, evaluation reviews</p> <p>Key informant interviews</p> <p>Focused group discussions</p>
<p>6. Impact</p> <p>6.1 How has strengthening good governance in key institutions resulted in achieving progress in Millennium Development Goal targets?</p>	<p>Consolidation and summary of findings.</p>	

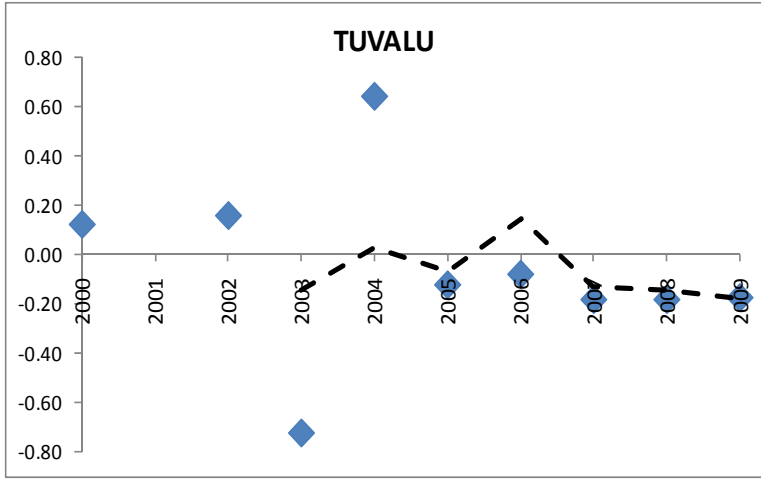
Source: Independent Evaluation Department evaluation team.

WORLD BANK CONTROL OF CORRUPTION INDICATORS, 2000–2009

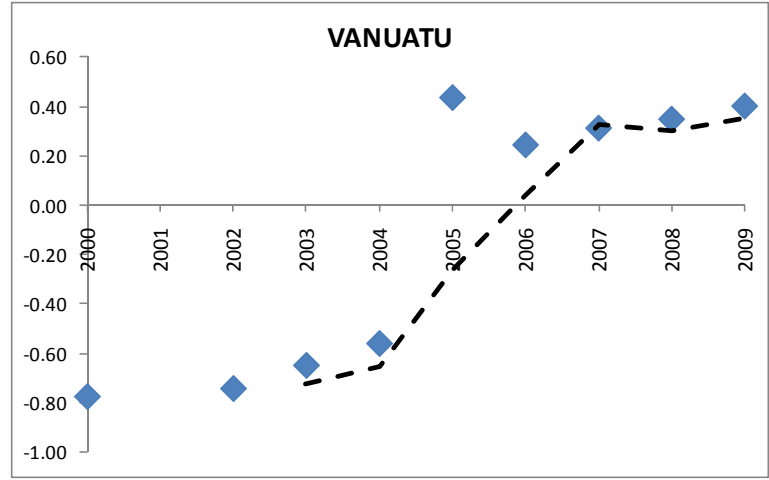








Note: dashed line indicates three-year moving average.
 Source: World Bank.



GOVERNANCE ISSUES IN THE ROADS SUBSECTOR IN SELECTED PACIFIC DEVELOPING MEMBER COUNTRIES

A. Introduction

1. Background

1. This appendix assesses governance issues in the roads subsector in selected Pacific developing member countries (DMCs) to determine whether these are being addressed and whether the “enablers” for an efficient, safe, and economic roads infrastructure have been established, operational, and responsive to the needs of users and beneficiaries. It draws on the regional sector assistance program evaluation (R-SAPE) on Transport Sector in the Pacific DMCs (1995–2010).¹ Asian Development Bank (ADB) support in promoting good governance in Pacific DMCs from 2000 to 2010 comprised loans, grants, and technical assistance (TA) operations (including regional TA) classified under governance or institution building, together with governance components of selected sector interventions, in all 14 Pacific DMCs (the Cook Islands, Fiji, Kiribati, Republic of the Marshall Islands [RMI], Federated States of Micronesia [FSM], Nauru, Palau, Papua New Guinea [PNG], Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu).

2. Table A13.1 shows the wide differences in the coverage and quality of roads infrastructure among the Pacific DMCs. Of the 40,200 kilometers (km) of Pacific DMC roads, 52.70% are in PNG and 15.00% are in Timor-Leste. For road coverage per square kilometer (km²) of land area, Marshall Islands has the highest at 11.2 km/km² followed by Nauru at 3.29 km/km². For paved roads, Tuvalu has the highest at 100% followed by Cook Islands at 90.65%, while for unpaved roads, Solomon Islands and Marshall Islands have the highest at 96.30%, followed by Kiribati at 94.90%. Except for the Cook Islands and Tuvalu, the low road coverage and high proportion of unpaved roads show that a large portion of Pacific DMCs have poor road infrastructure. The condition of the paved roads cannot be determined based on available statistics.

Table A13.1: Pacific Region Land Area and Road Network Statistics

Country	Land Area (km ²)	Road Network (km)	Road Coverage (km/km ²)	Paved		Unpaved	
				km	%	km	%
Cook Islands	236	353	1.50	320	90.65	33	9.35
Fiji	18,274	3,440	0.19	1,692	49.19	1,748	50.81
Kiribati	811	706	0.87	36	5.10	670	94.90
Marshall Islands	181	2,028	11.20	75	3.70	1,953	96.30
FSM	702	240	0.34	42	17.50	198	82.50
Nauru	21	69	3.29	29	42.03	40	57.97
Palau	459	83	0.18	36	43.37	47	56.63
PNG	452,860	21,200	0.05	3,600	16.98	17,600	83.02
Samoa	2,821	2,337	0.83	332	14.21	2,005	85.79
Solomon Islands	27,986	1,946	0.07	71	3.65	1,875	96.35
Timor-Leste	14,874	6,040	0.41	2,600	43.05	3,440	56.95

¹ ADB. 2011. *Regional Sector Assistance Program Evaluation (R-SAPE): Transport Sector in the Pacific Developing Member Countries (1995–2010)*. Manila

Country	Land Area (km ²)	Road Network (km)	Road Coverage (km/km ²)	Paved		Unpaved	
				km	%	km	%
Tonga	717	680	0.95	184	27.06	496	72.94
Tuvalu	26	8	0.31	8	100.00	0	0.00
Vanuatu	12,189	1,070	0.09	256	23.93	814	76.07
Total	532,157	40,200	0.08	9,281	23.09	30,919	76.91

FSM = Federated States of Micronesia, km = kilometer, km² = square kilometer.

Sources: United States Central Intelligence Agency (CIA), United Nations Conference on Trade and Development, and World Bank—Works departments.

3. **ADB activities in the road subsector.** ADB transport assistance during the case study review period amounted to \$910.38 million in loans and grants, and \$48.1 million in TA.² ADB assistance was focused on a few recipients, in particular, Fiji, PNG, Solomon Islands, and Timor-Leste. Table A13.2 shows the beneficiaries of ADB loans/grants and TA for the roads subsector in the Pacific DMCs. Total transport sector loans/grants to Pacific DMCs amounted to \$910.38 million, of which \$524.59 or 57.6% went to the roads subsector. Six Pacific DMCs were extended loans/grants for roads, of which PNG comprised 54.7%, Fiji 19.5%, Timor-Leste 11.2%, and Solomon Islands 10.3%. Total transport sector TA for Pacific DMCs amounted to \$48.1 million, of which \$13.8 million (or 28.7% went to the roads subsector). Five Pacific DMCs were beneficiaries of the roads subsector TA, with PNG receiving 53.0%, Fiji 24.4%, and Solomon Islands 10.5%.

Table A13.2: Total Amount of Loans/Grants and Technical Assistance to Pacific Developing Member Countries, 1995–2010

Country	Loans and Grants		Technical Assistance	
	Amount (\$ million)	%	Amount (\$ '000)	%
Total Transport Sector	910.38		48,098	
Total – Roads	524.59	57.6	13,826	28.7
Fiji	102.36	19.5	3,370	24.4
Kiribati	12.00	2.3	0	0.0
Federated States of Micronesia	0.00	0.0	650	4.7
Papua New Guinea	287.00	54.7	7,331	53.0
Solomon Islands	54.23	10.3	1,450	10.5
Timor-Leste	59.00	11.2	1,025	7.4
Tonga	10.00	1.9	0	0.0

Source: Independent Evaluation Department estimates using data from ADB internal database.

4. **Previous findings on road governance-related issues.** As stated in the R-SAPE, ADB project level evaluations have yielded lessons for future operations including (i) the importance of participation and effective development of human capacity (staff development and growth); (ii) the need for more effective and efficient institutions for the management of infrastructure (processes); and (iii) the need for strengthening project preparation including appropriate modalities, capacity of implementing agencies, a realistic time frame for project implementation (processes), and the right match between project design and country needs and capabilities (beneficiary needs). The financial aspect is surprisingly absent, given that ADB support includes identifying funding sources for the maintenance of the roads infrastructure, including those constructed with ADB loan/assistance.

² The road subsector case study review period covers projects from 1995 to 2010, in line with R-SAPE (Footnote 1).

5. **Governance defined.** ADB defines good governance as the manner in which power is exercised in the management of a country's economic and social resources for development. For the roads subsector, this may refer to the ability of government in general and the road agency in particular to deliver an economic, safe, demand-responsive, and well-maintained road infrastructure to ensure access to economic opportunities and social services, and for sustained economic growth. Good governance is an imperative for inclusive and sustained economic growth and ensuring high performance of projects in the four main evaluation areas of relevance, efficiency, effectiveness, and sustainability.

2. Objectives

6. This appendix assesses road agency performance issues and identifies interventions and/or assistance that may address identified problems and constraints of the road agency in implementing its roads strategy.

3. Approach/Methodology

7. The Balanced Scorecard³ is a useful tool to measure performance and starts by determining whether governance enablers are in place (the four perspectives, user/beneficiary, financial, internal processes, and staff learning and growth), and how the mission and strategy measure against these enablers. Given these enablers, the issues that constrain the effective implementation of strategy and forestall the progressive attainment of the road agency's mission are identified. The actions that have been and are being undertaken, including ADB assistance, to address the issues and the expected results are also identified.

8. Six of the 14 Pacific DMCs were visited: Cook Islands, Fiji, PNG, Solomon Islands, Timor-Leste, and Vanuatu. Sufficient data were gathered to provide a basis for the governance assessment for the roads subsector, a subset of the governance evaluation for the transport sector. Although the 14 Pacific DMCs appear unique, they share some common challenges in respect of high transport and transaction costs, limited human resource skills, weak institutional capacity and financial constraints to meet maintenance and management requirements for the road system.

B. Governance Issues in Road Transport

1. Mission and Strategy

9. The strategic objectives of the road subsector have been to improve access to support economic growth, while ensuring connectivity among resources, people, and markets. The roads have generally been prioritized based on plans for the transport sector or the roads subsector that were prepared in most cases through ADB technical or bilateral assistance. ADB TA included the Vanuatu National Transport Development Plan (NTDP) completed in 1989;⁴ validation and updating of Palau's National Master Development Plan including sector specific policies;⁵ formulation of the Strategy for the Development of Samoa;⁶ Solomon Islands National

³ Paul R. Niven, *Balanced Scorecard Step-by-Step for Government and Non-Profit Agencies*, John Wiley & Sons, Inc., 2003.

⁴ ADB. 1989. *Preparation of a National Transport Development Plan*. Consultant's report. Manila (TA 0965-VAN).

⁵ ADB. 2010. *Technical Assistance Completion Report: Facility for Economic and Infrastructure Management in Palau*. Manila (TA 4929).

⁶ ADB. 2010. *Technical Assistance Completion Report: Support for the Formulation and Implementation of the Strategy for the Development of Samoa*. Manila (TA 7033).

Transport Plan;⁷ Tonga's Strategic Development Plan 8;⁸ Cook Island's Infrastructure Master Plan (IMP);⁹ and an integral part of the National Sustainable Development Plan, 2007–2010 (NSDP) and the draft Transport Sector Development Plan, which was accepted as a guiding compendium for transport sector development in Timor-Leste.¹⁰ PNG's NTDP, 2001–2010 and Fiji's Strategic Development Plan 2007–2011 were prepared by the respective country's government utilizing local resources. PNG's successor NTDP, 2011–2020 was prepared with ADB assistance.

10. In the Pacific DMCs, ministries with responsibility over transport infrastructures including roads are well aware of their mandate, as stated in their enabling legislations. These have been restated as mission statements in the national development plans or national transport plans, i.e., “strengthened and affordable basic infrastructure, transport, and utilities to support national development,”¹¹ “to enhance livelihood by reducing cost of transport of people and goods,”¹² or “the provision of community-wide transport services that are both safe and reliable via highly cost efficient means, in order to support the various activities of individuals, families, and businesses” including “improved access to regional social and administrative services, such as health and education, freedom of movement for all citizens, the provision of cheap access between agricultural, mining, and industrial production districts and the markets, and the promotion of opportunities for residents of poverty-stricken regions in the hinterlands and coastal areas to increase their income level.”¹³ There is concern whether these cascade down, or are reinforced, or made relevant at the roads agency level.

11. The mission statement provides the road agency with the core purpose of its existence and the motivation for staff for pursuing their activities. It establishes the performance goal to be met in a progressive manner. Since there is often insufficient local capacity for plan preparation, most have been prepared by international consultants recruited and funded by both multilateral (ADB, World Bank) or bilateral assistance (Australian Agency for International Development, New Zealand Agency for International Development). The level of local participation in crafting the plan determines its relevance and worth to the concerned Pacific DMC government. Pacific DMC road agencies often fail to measure progress towards meeting their missions, as there is general lack and low priority in establishing and operating a comprehensive performance monitoring and evaluation system to monitor progress towards meeting agency missions.

12. Table A13.1 shows that, except for Cook Islands and Tuvalu, unpaved roads comprise more than 50% of the total road system in the Pacific DMCs. Overall, 76.9% of total road kilometers in the Pacific DMCs remain unpaved, implying that most are still a long way off from meeting their stated mission. Table A13.3 gives the mission statement for the transport/road

⁷ ADB. 2008. *Technical Assistance Completion Report: Institutional Strengthening of the Ministry of Infrastructure and Development*. Manila (TA 4494).

⁸ ADB. 2006. *Integrated Strategic Planning, Medium-Term Fiscal Framework and Budgeting*. Consultant's report. Manila (TA 4510-TON).

⁹ ADB. 2007. *Strengthening Disaster Management and Mitigation (Component 2: Preventive Infrastructure Master Plan)*. Consultant's report. Manila (TA 4605-COO).

¹⁰ ADB. 2005. *Technical Assistance Completion Report: Transport Sector Restoration in Timor-Leste*. Manila (TA 3401).

¹¹ Government of Cook Islands. *Cook Islands Preventive Infrastructure Master Plan in the National Sustainable Development Plan, 2007–2010*. Rarotonga.

¹² Government of Fiji, Ministry of Finance, National Planning & Sugar Industry. 2007. *Sustainable Economic and Empowerment Development Strategy (SEEDS) 2008–2010 “A Better Fiji for All.”* Suva.

¹³ Government of Papua New Guinea, Department of Transport and Civil Aviation. 2000. *National Transport Development Plan, 2001–2010*. Port Moresby.

sector agency in selected Pacific DMCs as taken from the national development plan or national transport development plan and its derivatives.

Table A13.3: Mission Statements for Transport/Roads Sector for Selected Pacific Developing Member Countries

Pacific DMC	Mission Statements of Transport Sector/Road Agencies
Cook Islands	Strengthen and make affordable basic infrastructure, transport, and utilities to support national development. Source: Government of Cook Islands. <i>Preventive Infrastructure Master Plan in the National Sustainable Development Plan 2007–2010</i> , Government of Cook Islands. Rarotonga.
Fiji	To enhance livelihood by reducing cost of transport of people and goods. Source: Government of Fiji. <i>Sustainable Economic and Empowerment Development Strategy (SEEDS) 2008–2010 “A Better Fiji for All.”</i> Suva.
Papua New Guinea	Provide community-wide transport services that are both safe and reliable via highly cost efficient means, in order to support the various activities of individuals, families, and businesses. Improve access to regional social and administrative services, such as health and education, freedom of movement for all citizens, the provision of cheap access between agricultural, mining, and industrial production districts and the markets, and the promotion of opportunities for residents of poverty-stricken regions in the hinterlands and coastal areas to increase their income level. Source: Government of Papua New Guinea (PNG). <i>National Transport Development Plan, 2001–2010</i> .
Solomon Islands	Enhance the prosperity and participation of the community by providing an integrated, efficient, and affordable infrastructure and transport system supported by ethical, professional, and valued staff. Source: Solomon Islands Government. Ministry of Infrastructure and Development. <i>Final Draft National Transport Plan 2011–2030</i> . (October 2010).
Timor-Leste	The infrastructure sector plan emphasizes national priorities for economic development and a strong commitment to poverty reduction throughout its department activities, but the first priority is to restore or establish required physical capabilities and public services. The ultimate responsibility of each directorate is to provide a program of infrastructure development that ensures safe services, equitable prices, and maximum opportunities for economic development that improves human welfare. Source: Government of Timor-Leste. <i>National Development Plan, Planning Commission</i> . Dili (May 2002).
Vanuatu	Achieve a more even pattern of regional and rural development. Further expand the private sector's contribution to national development efforts for the benefit of the whole country. Foster internal and external trade as well as promote social intercourse particularly in the small isolated communities. Source: Wilbur Smith Associates. <i>National Transport Development Plan Final Report Executive Summary with Conclusions and Recommendations</i> . (July 1989).

13. The current Pacific strategic approach focuses on increased private sector investment, supported by transport as an operational priority aimed at fostering connectivity, supporting sustainable growth, and regional cooperation and integration. The relative success of encouraging private sector-led growth has been more muted as prospects for profitability through engaging in public-private partnerships (PPPs) are limited, given the small population and low number of infrastructure users.

15. For Pacific DMCs with national transport plans or sector plans, the strategies for arriving at the mission vary. These have been comprised mostly of projects and lack clear strategies needed to guide the road agency towards achieving its missions. Some plans have excluded participation of important stakeholders and beneficiaries in the crafting of the strategy. Some strategies may appear simple and immediately implementable, but often fail once implementation details are specified. A major weakness of these plans has been the overly optimistic presumption that road institutions are fully functional, required processes and procedures are in place, staff are sufficient and capable or could be recruited or enhanced immediately through a capacity development program, and financial resources will be made available as the subsector is a government priority.

2. Beneficiaries/Users

16. Potential users and/or beneficiaries of road projects are presumed to have participated, either directly or indirectly, in the selection and prioritization of the road projects, regardless of funding source. While beneficiary/user participation through public consultation in planning and project design process is required, it is uncertain how effectively this has influenced the final selection of projects. Most road projects “improve market access and reduce the user costs of travel, particularly vehicle operating costs and time costs (which were measured in most projects). Some also mentioned improved connectivity and better public transport, others referred to better access to schools, medical facilities, and other services. A few referred to likely improvements to community health because of better access to clinics and HIV/AIDS mitigation measures...” (footnote 1). These are basic assumptions during the project planning and design process and presume beneficiaries to have participated actively in the stakeholder and problem analysis activities. In most cases, however, it is government that defines the priority projects, and the process can be purely political.

18. Anecdotal evidence of the benefits generated has been cited, but there is clearly a need to regularly monitor and evaluate project benefits on both direct and indirect beneficiaries. Of concern, however, is that the general condition of the roads after completion may have deteriorated to the extent that would not have been expected from the level of investment and support. This affects the continuity of benefits that should be accruing to users and the overall economic viability of the investments.

3. Financial Resources

19. Loans, grants, and other financial assistance to the Pacific DMCs for investment in the roads subsector are intended to complement government budget resources and accelerate the improvement of the condition of the road system. Budget allocation for road maintenance could be increased to maintain the overall road system in good condition. This has not happened, however, as continuing budget constraints inhibit most governments from allocating the funds needed for road maintenance.

20. **Budget.** Given the financial requirements of other sectors, i.e., health, education, etc., budget allocation for road maintenance has remained inadequate. While the overall financial resources allocated to the roads subsector may have increased, these include loan amortization and interest payments on road subsector loans, new investments in national and local roads, emergency road repairs, and routine and periodic maintenance. The share of routine and periodic maintenance is often less than optimal.

21. As stated in the main report of R-SAPE, “in PNG, the situation is worse. Most of the funding available for maintenance is kept for emergency repairs and this state of affairs is similar whether for national, provincial or district roads.” The first PNG National Transport Development Plan (2001–2010) shows a decline in the budget able to cover road investment and recurrent maintenance costs from 51.5% in 2001 to 29.6% in 2005.¹⁴ In the National Transport Development Plan (2006–2010), the backlog of development and maintenance needs varies between K385 and K575 million.¹⁵ In Timor-Leste, the needs of annual maintenance expenditure for national roads are estimated to be in the order of \$20.0 million to \$30.0 million. However, the government allocated only about \$4.8 million in 2009 for the maintenance works of all categories of roads.¹⁶ Given the continuing deterioration of the road system, Pacific DMC governments have been employing other options to increase financial resources for road maintenance.

22. **User charges.** To complement budget resources for road maintenance, some Pacific DMCs have resorted to the collection of road user charges. This is to provide sustainable financing for road maintenance to keep the road system in good condition. However, given the low vehicle population and already poor condition of the existing paved and unpaved roads, the financial requirement just to restore the roads to good condition cannot be adequately funded.

23. ADB has assisted several of the Pacific DMCs in establishing “road-users pay” systems to generate financial resources for road or infrastructure maintenance. In Fiji, underfunding of road maintenance activities had led to a growing backlog of maintenance needs, reflected in rising maintenance costs. The government aimed to recover recurrent maintenance costs through user charges. ADB assisted in funding the initial study for establishing a Fiji Roads Authority (FRA) and a road fund, including undertaking initial operations of the FRA.¹⁷ In the Solomon Islands, the government established the National Transport Fund (NTF) with ADB support, to serve as a sustainable mechanism to fund rehabilitation and maintenance of infrastructure as well as to support maritime transport service provision to uneconomic destinations. The NTF allows the government to enhance its ability to allocate resources, sustain implementation of national transport infrastructure, and help with disaster management and recovery.¹⁸

24. The PNG government established the National Roads Authority (NRA) in 2003 to take over the responsibility of maintaining the national road network, starting with the roads in the Highlands region. In addition, a road fund financed from road user charges was created to provide a sustainable source of finance for road maintenance. The fuel levy needs to be increased, but due to the relatively small vehicle population, it will have to be supplemented by government appropriation. ADB is providing capacity development assistance to strengthen NRA’s capacity to plan and manage road maintenance works and seek more financing for the road fund by rationalizing road user charges.¹⁹ In general, road user charges are limited as a road maintenance financing option, given the low vehicle population in the Pacific DMCs. The government budget will remain as a major source for financing road maintenance works.

¹⁴ Government of PNG. *National Transport Development Plan 2001–2010*. Table 4, p. 16.

¹⁵ Government of PNG. *National Transport Development Plan 2006–2010*. Table 1, p. 17.

¹⁶ ADB. 2009. *Preparing the Road Network Development Project*. Consultant’s report. Manila (TA 7100-TIM).

¹⁷ ADB. 1997. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of Fiji for the Third Road Upgrading (Sector) Project*. Manila (Loan No. 1530-FIJ and TA No. 2850-FIJ).

¹⁸ ADB. 2007. *Technical Assistance to Solomon Islands for Preparing the Domestic Maritime Support Project and Technical Support Program*. Manila (TA 4980-SOL).

¹⁹ ADB. 2008. *Report and Recommendation of the President: Board of Directors, Proposed Multitranchise Financing Facility Papua New Guinea: Highlands Region Road Improvement Investment Program*. Manila.

25. **Private sector participation.** For the roads subsector, PPPs are not a viable option to source capital funds. Toll roads can never be financially viable, given the low vehicle ownership levels. Usage is expected to be limited, due to the low income levels and time values of users. Toll rates would be very prohibitive and unaffordable under such conditions. It is in the area of road maintenance that governments are actively seeking private sector participation (PSP), but this is stymied by a number of constraints, such as

- (i) lack of local private contractors with experience or technical qualifications to undertake road maintenance by contract;
- (ii) preference for and familiarity by the government for maintenance works by administration;
- (iii) lack of government engineers technically qualified to monitor/supervise contractor performance; and
- (iv) general lack of familiarity, knowledge, and confidence of the government in implementing road maintenance by contracts.

26. As a first step towards PSP in road maintenance, governments have to either rehabilitate or restore the target roads to good condition before offering the same to the private sector under various maintenance contracting schemes. In this regard, ADB is assisting the PNG government to improve about 1,400 km of the Highlands Core Road Network (HCRN) and at the same time is assisting in the preparation and administration of long-term road maintenance contracts for the entire 2,500 km of the HCRN.²⁰ For Solomon Islands, ADB will assist in establishing the central project implementation unit (CPIU) including capacity development of Ministry of Infrastructure Development (MID) staff for the rehabilitation and maintenance of transport infrastructure prioritized under the National Transportation Plan and funded by the Solomon Islands government and development partners.²¹

27. In Fiji, reasonably good progress was being made towards taking maintenance more seriously. This involved agreement in principle to phase out force account maintenance, building up the domestic construction industry, and establishing a fuel levy to fund road maintenance. Although the Department of Works, Transport and Public Utilities, like many other works departments in the Pacific, resists moving to small contractors because there are not enough of them, this is part of the problem. There are not enough contractors because there is insufficient work.

28. For PSP to be successful, institution building, improvement in internal processes and capacity development of government staff in various areas would have to be undertaken. This is discussed in the subsequent sections of the report.

4. Internal Processes

29. The Pacific DMCs have had varying experiences with stability of transport and roads institutions, with frequent government reorganizations brought about by political changes and internal conflicts that have disrupted the delivery of government infrastructure and services. These have caused frequent changes in government procedures and processes, and staff difficulty in implementing ever-changing government policies and processes. In addition, the

²⁰ Footnote 19.

²¹ ADB. 2010. *Report and Recommendation of the President to the Board of Directors Proposed Grant and Administration of Technical Assistance Grant Solomon Islands: Transport Sector Development Project*. Manila

basic prerequisites to policies, procedures, and processes have not been completely established.

30. **Road design standards.** Most countries either adopt or develop their own specific road design standards using existing standards as the basis. For the Pacific DMCs, it appears that only PNG has national road geometric design standards.²² Under the ADB TA for the Transport Sector Development Project in Solomon Islands, the preparation of Solomon Islands' own road design standards was recommended.²³

31. In general, the absence of national road design standards leads to different design standards being used, depending on the specific standards with which a design engineer would be familiar. Since design standards have been developed in response to each country's needs, topography, geology, road functions, etc., these may not apply to the Pacific DMCs, where conditions are different.

32. **Right of way acquisition.** The Pacific DMCs still maintain their culture and practices especially in the area of land ownership. Where often there is no land titling system that is operational or may be applicable only in urbanized areas, right of way acquisition is problematic. This is caused by the difficulty in identifying the real owner of the specific property or, in cases where there is communal authority over the land, who has the specific authority to negotiate in behalf of all landowners. To illustrate the problem, in Solomon Islands there are numerous land disputes, since 87% of land is under customary resource tenure and all natural resources belong to customary landowners.²⁴ In PNG, about 3% of land is state-owned, while 97% is under customary land rights recognized in the Constitution and the legal system.

33. **Local culture.** The social sector analysis in the main report observed that there are often fewer disputes in project implementation when local contractors are used as opposed to foreign contractors and when the contracts are smaller. Local contractors speak the local languages, understand the community issues better, and are less likely to be held hostage to unreasonable demands. In Timor-Leste, for example, local-hire workers on a road project can be employed only for the specific road section within their village. The contractor will have to hire a new set of workers in the village where the next road section is located.

34. **Internal procedures and processes.** The frequent change in government institutions and the turnover of staff have led to changes in governmental procedures and processes such as financial management, procurement, etc. This has led to delays in project processing, contracting, and implementation. The creation of new institutions such as PNG's NRA requires the development of new processes and procedures, and institution and capacity development. In this case, ADB provided initial assistance for an operational and financial management system through an ongoing TA. In Fiji, ADB provided TA for institutional development to assess

²² ADB. 1998. *Technical Assistance to Papua New Guinea for Preparation of the Road Upgrading and Maintenance Project*. Manila (TA No. 3037).

²³ ADB, Proposed Grant and Administration of Technical Assistance Grant Solomon Islands: Transport Sector Development Project, November 2010.

²⁴ Inheritance of customary land ownership or user rights differs with custom from island to island. Some islands (including those in Guadalcanal, Central and Western provinces) typically practice matrilineal inheritance and the remaining provinces practice patrilineal inheritance.⁵ The remaining land is considered "alienated" and is subject to registration under the Land and Titles Act (the Act). Within Honiara City Council and provincial capital boundaries, land is owned by the state and is held in the perpetual estate title on behalf of the government by the Commissioner of Lands (COL). The COL enters into 50 year fixed term estate (FTE) agreements with individuals or shorter term temporary occupancy licenses (TOL). A TOL is valid for a period of one to two years, and permanent structures or improvements are not permitted on this land.

the current status of the Department of National Roads and helped describe the corporate identity, role, responsibilities, corporate plan, management structure, financial and management reporting systems, outsourcing arrangements and procedures, and staffing requirements of the planned FRA, as well as the interrelationships among the FRA, Land Transportation Authority, and the Transport Planning Unit within the Ministry of Transport and Civil Aviation. ADB also recommend a road subsector cost-recovery policy and user charges for road maintenance funding, including the creation of a road fund and prepared the legal framework and drafting instructions to establish the FRA.²⁵ In Solomon Islands, ADB TA has identified capacity constraints, inappropriate institutional structures, and sporadic capacity development as having hindered the government's ability to develop and implement transport sector policies and plans effectively.²⁶ Under succeeding TA, ADB will assist MID in establishing a consolidated CPIU within its existing Transport Infrastructure Management Services Department. The CPIU is intended to implement and manage all transport sector activities, whether funded by the project or other resources.²⁷ In Timor-Leste, ADB is assisting the Ministry of Infrastructure in the implementation of its capital budget. Under TA 4942-TIM, consultants hired under the TA are (i) assisting the Ministry of Infrastructure in preparing and procuring contracts for consultants services, goods, and works in line with annual capital development work plans; and (ii) managing the implementation of these contracts. In addition, the TA is assisting in developing project management capacity to improve and strengthen processes, systems, and staff competencies for project management.²⁸

35. Clearly, Pacific DMCs need continuing assistance to develop and institute much needed processes and procedures for effective governance in the transport sector/roads subsector. This remains as an obstacle to the effective implementation of road projects and their long-term sustainability.

5. Staff Learning and Growth

36. A capacity development components are usually present in TA and road projects that have been funded by ADB in the Pacific DMCs. However, there remains a substantial shortage of qualified technical staff. In PNG, for example, while institutional reforms have been undertaken, policies and strategies outlined, and development plans prepared, implementation has often suffered because of weak staff capacity. There is a need to identify capacity development needs in close consultation with the government and private sector counterparts and to undertake capacity development through lending and nonlending products.²⁹ As has been stated previously, in the Solomon Islands, capacity constraints and sporadic capacity development have hindered the government's ability to develop and implement transport sector policies and plans effectively. Lack of human resources is being tackled, for example, by establishing a CPIU. Training of staff was a major focus of the TA. Formal and informal on-the-job training for six staff members focused on strategic planning and transport economics, database management, planning and budgeting, and procurement. External training for three staff members was conducted through a 5-week attachment to a partner agency in Australia,

²⁵ ADB, Technical Assistance (Financed by the Japan Special Fund) to the Republic of Fiji for Preparing the Fourth Road Upgrading (Sector) Project, December 2004.

²⁶ ADB. 2007. *Technical Assistance to Solomon Islands for Preparing the Domestic Maritime Support Project and Technical Support Program*. Manila (TA 4980).

²⁷ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Technical Assistance Grant to Solomon Islands: Transport Sector Development Project*. Manila.

²⁸ ADB. 2007. *Technical Assistance to Timor-Leste for Infrastructure Project Management*. Manila.

²⁹ ADB. 2008. *Report and Recommendation of the President to the Board of Directors, Proposed Multitranchise Financing Facility Papua New Guinea: Highlands Region Road Improvement Investment Program*. Manila.

focused on project and contract management, technical specifications for civil works, inspection and quality control, and field experience on a range of civil works projects. To complement these activities, staff participated actively in ADB project preparatory missions as another form of on-the-job training. Further formal training sessions were conducted to consolidate skills developed during practical work.

37. Thus, the recognized shortage of professionally qualified staff is being resolved through various efforts. ADB's support of inclusion of components in its Pacific projects to address these shortcomings is therefore appropriate. However, such support has had less impact than it might because it is fragmented, poorly monitored, and too limited. Pooling resources with other development partners in a regional approach could over time be more effective.

C. Conclusions and Recommendations

38. The interrelated issues regarding the various elements that support the governance structure for the roads sector continue to affect the quality and sustainability of the Pacific DMCs' road infrastructure.

- (i) There is still lack of clarity or absence of a mission statement in the different road agencies. Related to this, strategies to progress towards attainment of the agency's mission are embedded in the transport/roads development plans, which are oftentimes prepared by consultants and lack ownership by the affected agencies. These plans are not updated, since the agencies lack capacity.
 - (ii) Participation of beneficiaries, not only in the planning process but also in monitoring and evaluation of plan/project implementation, has not been consistent and is subservient to political interests. There is need to involve all stakeholders for the roads system to be responsive to perceived needs and development requirements.
 - (iii) Financial resources remain an obstacle to achieving sustainability of the roads system. Utilization of alternative financing sources such as user charges have provided only limited funds for road maintenance due to the low vehicle population and low household income levels.
 - (iv) Internal processes and procedures in the roads agencies change constantly with the change in government and institutions. Creation of new institutions such as a National Road Authority requires development of new processes and procedures, and these activities are normally funded by ADB or bilateral funding agencies.
 - (v) Staff learning and growth have been a continuing process, usually provided and funded by multilateral and bilateral institutions. Attraction of foreign employment and higher pay in the private sector have created a high turnover of staff and the need for capacity development of replacements. Loss of staff with significant institutional memory is always difficult to replace. The lack of qualified applicants and limited number of positions in the roads agency has led to understaffing and overworked staff.
39. To improve governance of the road subsector, it is essential to address the following:
- (i) Mission and strategies—restructure and strengthening of the roads agency to include
 - (a) greater participation of local governments and communities in routine and periodic road maintenance within their territorial boundaries.
 - (b) continuous updating of the transport/roads development plans including strategies for progressing towards the road agency's mission.

- (ii) Internal processes:
 - (a) Increased participation of local contractors in the implementation of road projects. This will require capacity development in the areas of, among others, preparation of cost estimates, reports, tenders, invoices, project scheduling, quality control, and other implementation activities. Given the high cost of construction equipment, consider the possibility of establishing an equipment pool from which private contractors could lease their equipment requirements at reasonable rates, with the lease payment automatically deducted from their payments. To encourage governments to utilize private contractors in government road projects, a targeted, gradually increasing share of private contractors with a commensurate decrease in the implementation of projects by administration would ensure the development of the capacity of private contractors to undertake road projects gradually.
 - (b) Pacific DMC-wide road design standards could be developed incorporating the use of locally available construction materials and climate-proofing practices including a road classification system. This may be possible, considering the topographical and geological similarities of the Pacific DMCs.
 - (c) Pacific DMC-wide general procurement procedures that are adapted to each country's legal structure would attract contractors from other Pacific DMCs to join in the tenders.
 - (d) Pacific DMC-wide road asset management system adapted to each country's specific system would provide updated information on the condition of the roads infrastructure.
 - (e) Pacific DMC-wide project monitoring and control system adapted to each country's legal and financial transactions including audit processes would provide current information on the progress of project implementation, problems encountered, solutions, and feedback.
 - (f) Pacific DMC-wide system for the registration and certification of civil works contractors and consultants that is adapted to each country's requirements.
- (iii) Staff learning and growth continuing capacity development of the engineers/staff of the roads agency from implementing road projects to project/contract management.