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June 2021

## Pacific Approach, 2021–2025

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Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
CSO	–	civil society organization
FCAS	–	fragile and conflict-affected situations
FSM	–	Federated States of Micronesia
GCF	–	Green Climate Fund
GDP	–	gross domestic product
ICT	–	information and communication technology
IED	–	Independent Evaluation Department
IMF	–	International Monetary Fund
kWh	–	kilowatt-hour
MSME	–	micro, small, and medium-sized enterprises
NGO	–	nongovernment organization
PFM	–	public financial management
PIC-12	–	12 small Pacific island countries
PSW	–	Private Sector Window
RMI	–	Republic of the Marshall Islands
SDG	–	Sustainable Development Goal
SIDS	–	small island developing states
SOE	–	state-owned enterprise
TA	–	technical assistance

## NOTE

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

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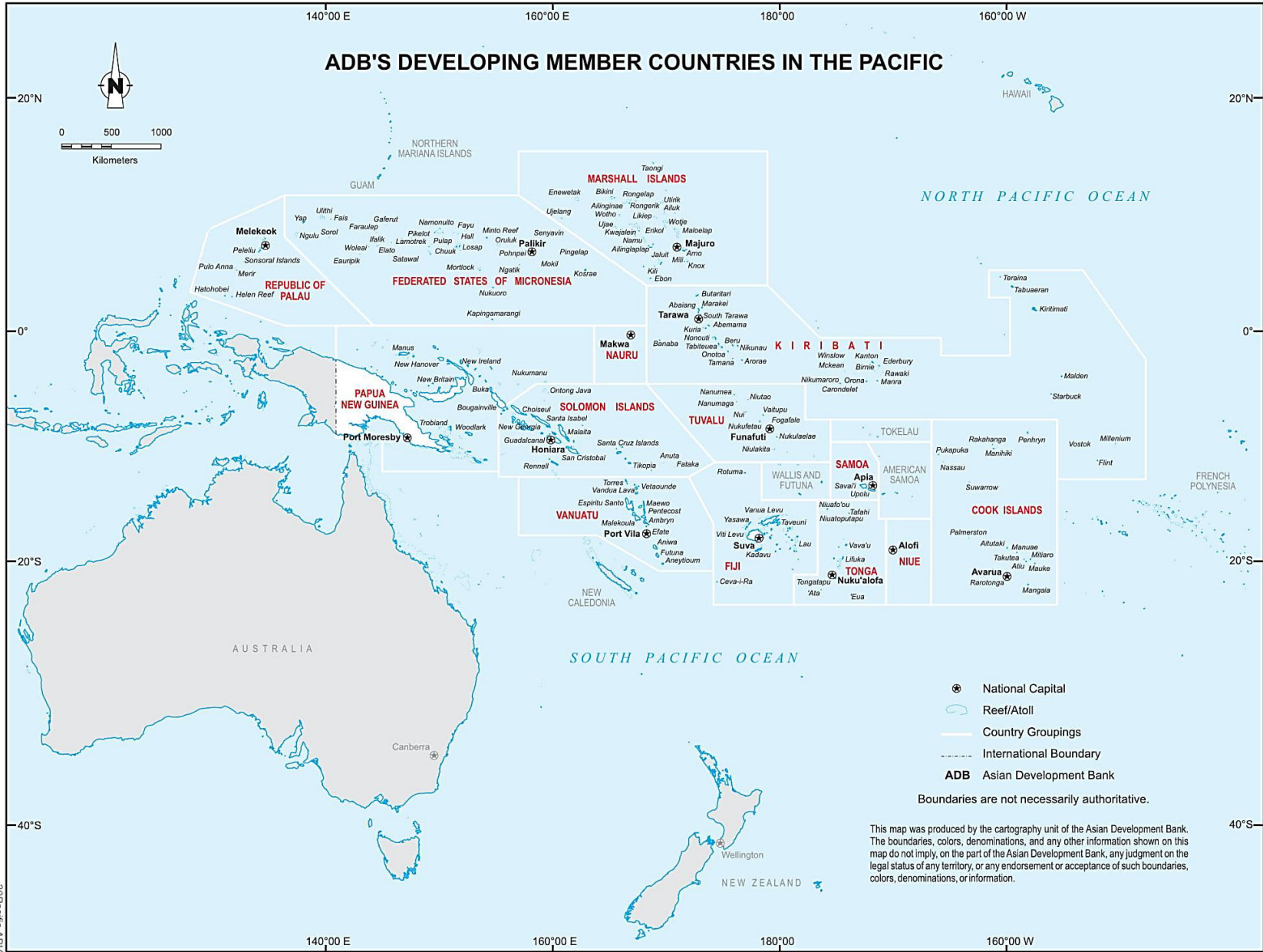
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## I. PACIFIC APPROACH SNAPSHOT

1. The Pacific Approach, 2021–2025 provides strategic guidance to the operations of the Asian Development Bank (ADB) across the 12 small Pacific island countries (PIC-12),<sup>1</sup> the details of which are set out in the annual country operations business plan and the Pacific regional operations business plan.<sup>2</sup> The Pacific Approach acts as the country partnership strategy (CPS) for the PIC-12, complementing the CPSs prepared for the other two Pacific developing member countries—Fiji and Papua New Guinea.<sup>3</sup>

2. This document builds on decades of experience partnering for development in the Pacific, and incorporates lessons from previous ADB planning documents, including the Pacific Strategy, 2005–2009; the Pacific Approach, 2010–2014; and the Pacific Approach, 2016–2020.<sup>4</sup> The document reflects on how to effectively deliver operations in small island developing states (SIDS) and fragile and conflict-affected situations (FCAS), drawing on ADB’s Strategy 2030.<sup>5</sup> The document is guided by regional commitments on critical issues, national development plans, analytical work, and the priorities and resources provided by the Asian Development Fund 13. The Pacific Approach, 2021–2025 is aligned with ADB’s Fragile and Conflict-Affected Situations and Small Island Developing States Approach, 2021–2025.<sup>6</sup>

3. The Pacific Approach recognizes that natural conditions in the PIC-12—small population and land area, dispersion, isolation, and heightened exposure to disasters and the effects of climate change—drive unique challenges. These include economic vulnerability, high-cost structures, capacity and governance constraints, unequal access to services, high import reliance, and limited exports. Together, these features pose three critical development challenges: (i) vulnerability to shocks, (ii) weak service delivery, and (iii) slow growth. Impacts of the coronavirus disease (COVID-19) have exacerbated the challenges and pose a severe threat to development. The Pacific Approach guides ADB in supporting a resilient Pacific through three priorities: (i) preparing for and responding to shocks, (ii) delivering sustainable services, and (iii) supporting inclusive growth.

4. ADB brings added value beyond its important role in project financing. ADB has supported economic policy reform—building and supplementing capacity to drive improvements in areas that include state-owned enterprise (SOE) performance, budgeting, and debt management, and enabling the application of lessons across the region. ADB’s regional and apolitical nature allows it to act as a knowledge broker, engaging in regional issues, including climate change and ocean health. ADB’s knowledge base continues to develop, easing the flow of ideas and lessons across subregions and sectors. The deep presence of ADB in the PIC-12 enables it to play a key role in regional cooperation and integration and development partner coordination.

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<sup>1</sup> The PIC-12 comprise the Cook Islands, the Federated States of Micronesia (FSM), Kiribati, the Marshall Islands (RMI), Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Niue is the newest ADB member, having joined in 2019.

<sup>2</sup> ADB. 2020. *Country Operations Business Plan: Eleven Small Pacific Island Countries, 2021–2023*. Manila; and ADB. 2020. *Regional Operations Business Plan: Pacific, 2021–2023*. Manila. Note: Niue does not yet have a country classification and has therefore not been included in the country operations business plan.

<sup>3</sup> ADB. 2019. *Country Partnership Strategy: Fiji, 2019–2023—Achieving Sustained, Inclusive, Private Sector-Led Growth*. Manila; and ADB. 2020. *Country Partnership Strategy: Papua New Guinea, 2021–2025—Achieving Diversified, Sustained, and Inclusive Growth*. Manila.

<sup>4</sup> ADB. 2016. *Pacific Approach, 2016–2020*. Manila.

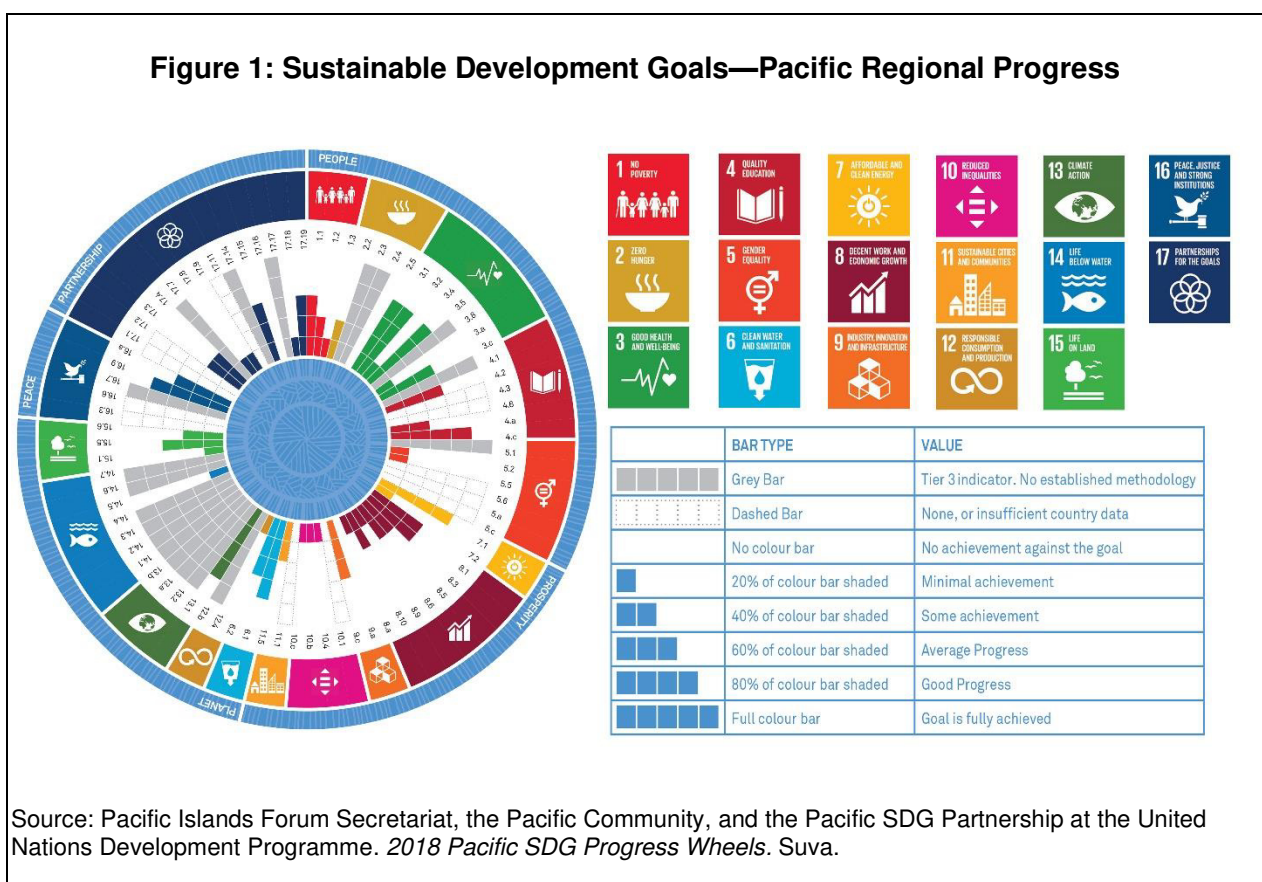
<sup>5</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>6</sup> ADB. 2021. *Fragile and Conflict-Affected Situations and Small Island Developing States Approach, 2021–2025*. Manila.

## II. DEVELOPMENT CONTEXT

5. **Achievements and remaining challenges.** The PIC-12 have made sound progress in developing essential infrastructure and services to improve living conditions and access to opportunities. According to the United Nations Human Development Index, 10 of the PIC-12 have achieved at least medium levels of human development, with some reaching high levels, while for Nauru and Tuvalu, the index is not calculated. The PIC-12 have committed to ambitious Sustainable Development Goal (SDG) targets and made progress on disaster resilience, access to electricity, education, and health (Figure 1). The PIC-12 have made emission-reduction commitments under the United Nations' Framework Convention on Climate Change and are implementing clean energy pipelines to meet mitigation targets. However, progress varies widely between countries and sectors, and SDG indicators remain weak in several areas.<sup>7</sup> The COVID-19 pandemic, natural hazards, and the effects of climate change threaten the region, potentially eroding decades of development gains and posing existential threats.

**Figure 1: Sustainable Development Goals—Pacific Regional Progress**



6. **Development constraints.** As a group of remote island nations, the PIC-12 are under similar pressures. All the PIC-12 are SIDS, which means they have unique development needs owing to small populations and land masses, remoteness and isolation, narrow resource and

<sup>7</sup> Further details on human development and progress against the SDGs are in Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3).



export bases, and exposure to external shocks.<sup>8</sup> Although ADB classifies only six of the PIC-12 as FCAS, they all experience varying degrees of fragility.<sup>9</sup> Their fragility stems from a combination of heightened exposure to risk and insufficient coping capacity to manage, absorb, or mitigate risks. The fragility of the PIC-12 is exacerbated by geographical constraints, small human resource pools, and weak institutions. These factors hamper the efficiency, effectiveness, and sustainability of development efforts, requiring a differentiated approach to assistance.

7. **Economic similarities and differences.** While all are small, remote island countries, the PIC-12 differ in many respects, including economic drivers and cultural identities. Characteristics of the PIC-12 can be compared and contrasted: population or economy size, economic drivers (such as fisheries and tourism), atoll composition, geographic dispersion, dependence on development assistance, availability of trust funds, and reliance on remittances. Although clusters around various characteristics can help in analyzing development trends, the PIC-12 have far more in common than they have differences.

8. **Regional economic performance.** Median economic growth across the PIC-12 rose from 2.1% during 2010–2014 to 3.3% during 2015–2019. Growth accelerated in seven of the PIC-12—the Cook Islands, the Federated States of Micronesia (FSM), Kiribati, Niue, Tonga, Tuvalu, and Vanuatu—driven by strong fiscal stimulus and backed by domestic revenue collection and tourism in the South Pacific. However, growth decelerated in five of the economies, reflecting uncertainties in key economic drivers, including reduced public spending in the Marshall Islands (RMI) and Nauru, diminished tourism in Palau, closure of the largest private employer in Samoa, and reduced log exports in Solomon Islands. In general, economic volatility in the PIC-12 is caused by their narrow economic bases; dependence on aid flows (which account for 20%–60% of gross domestic product [GDP]); heightened exposure to shocks, including frequent disasters; and capacity constraints that affect the implementation of development projects. All economies, except Kiribati, Nauru, and Tuvalu, contracted in 2020. Although partial recovery is forecast for 2021, the pace of recovery will vary by country.<sup>10</sup>

9. **Pandemic impacts.** COVID-19 has had a profound impact on the PIC-12, with their remoteness contributing to mixed outcomes. On the positive side, the PIC-12 have remained mostly COVID-19-free, largely because they strictly controlled entry early in 2020 and have preserved controls since.<sup>11</sup> The absence of cases has enabled many PIC-12 to continue key domestic economic activities and social services. However, because the economies are small and open, these have not been enough to stave off the pandemic's deep economic impacts. Challenges include curtailed tourism and fishing, sharp cost increases for imports, and reduced government revenues. Hotels, tour agencies, restaurants, and related industries faced closure or labor retrenchment as demand declined. Border closures stopped the flow of workers in and out of the PIC-12, reducing overseas income, affecting remittances, and constraining investments and activities dependent on imported skills. Health systems continue to have limited ability to isolate, test and treat complex COVID-19 cases (if they occur). The pandemic has focused health staff towards establishing and maintaining quarantine systems at the cost of strengthening routine

<sup>8</sup> Organisation for Economic Co-operation and Development and World Bank. 2016. *Climate and Disaster Resilience Financing in Small Island Developing States. A report jointly authored by the Organization for Economic Co-operation and Development (OECD) and the Small Island States Resilience Initiative (SISRI) team in the Climate Change Group of the World Bank*. Washington, DC.

<sup>9</sup> As of December 2020, the PIC-12 FCAS were the FSM, Kiribati, Nauru, the RMI, Solomon Islands, and Tuvalu. (ADB. 2021. *Fragile and Conflict-Affected Situations and Small Island Developing States Approach, 2021–2025*. Manila.)

<sup>10</sup> ADB. 2021. *Asian Development Outlook 2021: Financing a Green and Inclusive Recovery*. Manila.

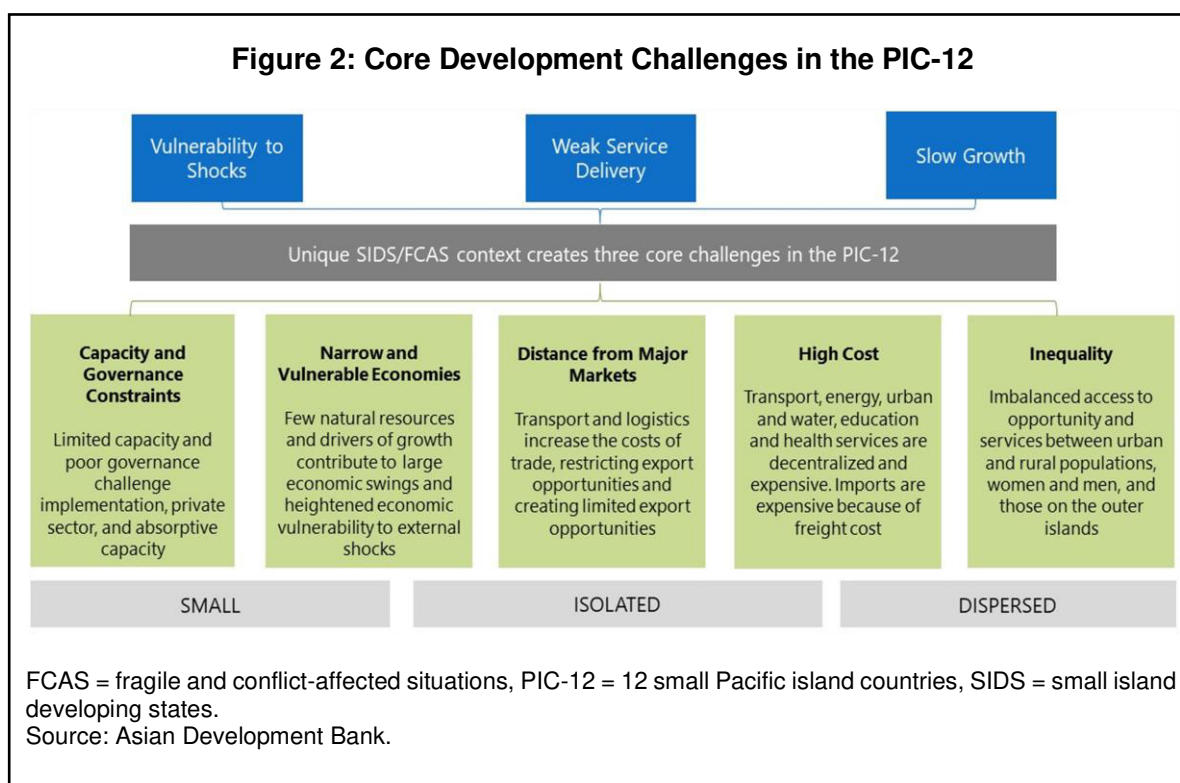
<sup>11</sup> As PIC-12 borders were opened to enable repatriation of nationals in September and October 2020, border quarantine cases were reported in the RMI, Samoa, and Solomon Islands.

health services, particularly immunization. In addition, as the majority of health financing is from the public sector, with reduced government budgets in some PICs, there are likely to be cuts in health expenditure.

10. Among the most pressing issues is gender inequality, particularly in economic empowerment, human development, decision-making and leadership, time poverty, gender-based violence, and vulnerability to climate hazards. Female representation in parliament is lower in the Pacific than any other global region, while women's participation in paid employment is low (14%–35% across the region) except for the Cook Islands (59%) (footnote 16).

## A. Core Development Challenges

11. The PIC-12's smallness, isolation, and dispersion set up five barriers to socioeconomic development: (i) capacity and governance constraints, (ii) narrow and vulnerable economies, (iii) high-cost structures, (iv) unequal access to services and opportunity, and (v) distance from major markets. These barriers culminate into three core development challenges, which form the basis of ADB's strategy for the region (Figure 2).



## B. Core Challenge 1: Vulnerability to Shocks

12. Although highly exposed to external shocks, the PIC-12 have limited resources to prepare for, and respond to, them. The pandemic has underscored the vulnerability of the PIC-12 to external shocks by highlighting its structural challenges. Underlying pressures include narrow economic bases, import dependence, high exposure to hazards, and capacity constraints, including of its health systems.

13. **Economic volatility.** All the PIC-12 have narrow economic bases and rely on imports for essential goods, including food, fuel, and medicine. Domestic factors, such as public spending on infrastructure, cause large year-on-year swings in PIC-12 business cycles, while external factors, such as global commodity prices can produce severe revenue fluctuations. The combination of narrow economic bases, import dependence, and exposure to shocks leads to uneven economic growth. Diversifying PIC-12 economies and substituting imports with local resources (such as replacing fuel imports with renewable energy) can help dampen economic volatility.

14. **Vulnerability to climate change and variability.** Low elevations and placement along the Pacific Cyclone Belt and the Pacific Ring of Fire make the PIC-12 some of the most exposed nations, globally, to natural hazards and the effects of climate change. Climate change is a whole-of-economy challenge for the PIC-12, posing both immediate and long-term risks to economic growth, macroeconomic stability, and overall development impacts. Sea level rise is already impacting coastal communities, with king tides now associated with worse coastal flooding that threaten settlements, water supplies, and terrestrial food production. Other significant threats result from prolonged droughts, weakened marine ecosystems from bleaching and acidification, and more intense tropical cyclones. Lack of data, uncertainty and capacity constraints in the PIC-12 severely limit coping capacity to plan for and react to acute and prolonged climate risks, threatening long-term development efforts.

15. **Vulnerability to health shocks.** While COVID-19 is a global pandemic, the Pacific region has also been susceptible to other health emergencies and infectious diseases, which is highlighted by the recent 2019 measles outbreak in Samoa, 2013–2017 Zika virus outbreak in the FSM and French Polynesia, as well as the emergence of plant pests, animal diseases, and invasive aquatic organisms, threatening both food supply and biosecurity. While the ability of health systems to detect outbreaks is improving, the diversity of the population, dispersed and isolated islands, and limited resources still present challenges and gaps in delivering a rapid response. Investments in health systems strengthening, regional cooperation initiatives, and risk pooling mechanisms such as insurance can all support to minimize the economic impact and improve their resilience to future health shocks.

16. **Capacity constraints.** Capacity constraints are limiting the ability to plan for and react to acute and prolonged risks, threatening long-term development efforts. The PIC-12 face severe capacity constraints in part because of their small populations and out-migration, but are also held back by limited in-country education and training opportunities.<sup>12</sup> As a result, the public and private sectors struggle to find and retain skilled workers, which has far-reaching impacts on economic growth and recovery, institutions, and public financial management (PFM). Capacity constraints challenge the execution of development initiatives, the sustainability of infrastructure, and the ability of the PIC-12 to prepare for and respond to shocks. The PIC-12 require support to bridge skills gaps, build institutional capacity, expedite reforms, and improve SOE performance.

17. **Debt sustainability.** Small economic bases translate to limited capacity to generate revenue and, hence, limited fiscal space to take on debt. Narrow revenue sources, paired with economic volatility, jeopardize repayment capacity, and borrowing needs linked to COVID-19 may threaten debt sustainability. The latest analyses from ADB and the International Monetary Fund

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<sup>12</sup> Radio New Zealand. 2020. *Pacific Migration with Dignity, the Key in New Aust Policy Brief*. Out-migration comprises short- and long-term migration for work. New Zealand and the United States offer long-term visas or exemptions for Pacific islanders.

(IMF) indicate that seven of the PIC-12 have a high risk of debt distress.<sup>13</sup> For instance, among the countries that actively managed debt before COVID-19, projected increases in public external debt range from the equivalent of 16.7% of GDP in 2019 to 42.2% in 2021 in the Cook Islands and from 31.5% in 2019 to 68.5% in 2021 in Palau. Although these assessments primarily reflect structural constraints in their economies rather than unsustainable borrowing policies, the PIC-12 will need to monitor debt closely and borrow prudently.<sup>14</sup> Ensuring debt sustainability is important as the PIC-12 build relationships with more development partners and gain access to more sources of loan financing.

### C. Core Challenge 2: Weak Service Delivery

18. **Infrastructure.** Lack of infrastructure and poor capacity to manage and maintain it contribute to limited and unequal access to essential services. Reliance on imported diesel for power generation increases greenhouse gas emissions, leads to contamination of soil and water from spilled fuel and waste oil, and threatens fuel security and results in some of the world's highest costs.<sup>15</sup> Lack of connectivity infrastructure restricts domestic and international trade, raising the costs of goods and services and limiting economic opportunities. Contaminated water and sanitation systems contribute to a public health risk in communities with increased risk of infectious diseases, including diarrhea, cholera, hepatitis and typhoid disease, and prevent adequate infection control practices at health facilities and hospitals. Lack of infrastructure affects quality of life in urban centers, and its absence in rural areas drives rural–urban migration.

19. **Service delivery.** Service providers in the PIC-12 (typically SOEs) underperform commercially, and many rely on state subsidies or equity injections. Corresponding underinvestment in operation and maintenance and inability to recover costs contribute to the rapid degradation of assets and poor service quality. PIC-12 SOEs rely on external assistance to bridge capacity gaps and to operate, which contributes to poor financial and operational sustainability. COVID-19 has reduced demand for utility services (such as electricity and water), besides dampening tourism and economic activity, and threatens to further limit utilities' fiscal space, creating additional barriers to improving performance. The PIC-12 require support to plan and finance key infrastructure and to build local capacity to manage and maintain it.

20. **Access to services.** Unequal access and poor quality of services (including health, education, finance, and infrastructure) constrain development. Access to services is unbalanced between outer islands and population centers and between rural and urban communities. Vulnerable groups (including the elderly and people with disabilities) face disproportionate barriers to accessing essential services, an issue exacerbated by shifting informal social protection systems (para. 24).

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<sup>13</sup> IMF. 2021. [List of LIC DSAs for PRGT-Eligible Countries](#). As of September 2020, the [IMF's latest debt sustainability analyses](#) conclude that Kiribati, the FSM, the RMI, Samoa, Tonga, and Tuvalu are at high risk of debt distress. ADB's analysis shows a high risk of debt rating for Nauru, resulting in its classification as a grant-only country.

<sup>14</sup> Among the PIC-12, only the Cook Islands, Palau, Solomon Islands, and Vanuatu are actively borrowing, while the remaining eight have policies to restrict borrowing.

<sup>15</sup> Diesel accounts for 52%–97% of electricity generation across the region and, while the regional average price per kilowatt-hour (kWh) is \$0.34 (against the world average of \$0.13/kWh), outer island tariffs are as high as \$1/kWh.

## D. Core Challenge 3: Slow Growth

21. **Private sector.** The PIC-12 are typically dominated by public expenditures, and the public sector is often the lead employer.<sup>16</sup> In the absence of vibrant private sectors, limits on public spending constrain economic growth. Barriers to the private sector include small domestic markets and lack of export opportunities. Underdeveloped private sectors are largely the result of structural constraints, including (i) weak business environments; (ii) limited private sector participation in infrastructure and services; and (iii) poor access to finance for micro, small, and medium-sized enterprises (MSMEs). The PIC-12 need to build new growth areas to widen their economic bases.

22. **Education and skills.** The PIC-12 have made progress on increasing access to basic education, with access rates averaging 90%. However, early childhood education is scarce, quality of education is low, and skills gaps in the labor market are pervasive. The PIC-12 have invested in education but continue to produce weak learning outcomes, while the poor performance of education systems strains labor markets. Fewer jobs are created annually than the number of graduates entering the market, yet employers still cannot find workers with the needed skills. The situation demonstrates the misalignment of technical and vocational education and training with the demands of the PIC-12 economies. Skills gaps are exacerbated by out-migration to larger economies. More needs to be done to provide girls and boys with equal access to education and jobs and to leverage digital tools to upgrade education. Improving education outcomes and reducing skills mismatches are essential to drive inclusive and sustainable private sector growth.

23. **Social protection.** Vulnerable groups in the PIC-12 rely on family and community support in times of need. However, traditional social protection systems are coming under stress from rising urbanization and migration—which weaken community ties—as well as shocks like pandemics and cyclones that can affect significant portions of the population. Crucially, since COVID-19 has affected virtually all community members, there are no unaffected groups to support the vulnerable. Susceptibility to natural hazards further strains the resilience of communities without formal social protection systems. Targeted support is needed to tackle poverty, vulnerability, and the exclusion of marginalized groups, especially during protracted crises. Formal social protection programs are needed to guarantee a minimum level of well-being to reduce poverty and build the economic and productive capacity of vulnerable groups.

## E. Development Outlook

24. **COVID-19 and the economic outlook.** The pandemic is the most severe economic shock to the PIC-12 to date and the fallout is expected to be felt through 2023 or 2024. Just as the PIC-12 were among the first to close their borders, they are likely to be among the last to open them; response and recovery will feature heavily in the medium term. The timing and scale of economic recovery will depend on several factors, including (i) the availability of vaccines and their delivery; (ii) the pace at which travel bubbles or travel corridors can be opened; and (iii) the extent to which government programs are successful in protecting businesses and households from the worst of the economic shocks. The PIC-12 continue to implement COVID-19 recovery packages, which is estimated to be about 3.7%–27.6% of GDP, and include support for the unemployed, poor households, and the vulnerable. However fiscal pressures limit the time period over which these support measures can be extended.

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<sup>16</sup> Narrow-based formal private sector activity, which, for example, accounts for only about 20% of annual GDP in the FSM and 30% in the RMI, also contributes to economic volatility.

25. Overall, the Pacific is forecast to return to a positive growth trend in the short to medium-term. Regional recovery of 1.4% is forecast for 2021 and 3.8% in 2022, contingent on improvements in tourism, commencement of delayed construction projects, and resumption of labor mobility and cross-border trade. However, the region's outlook remains subject to climate and external risks, and there is considerable variability across growth projections for each of the PIC-12. Growth has been forecast for 2021 for Nauru, Solomon Islands, Tuvalu, and Vanuatu on the back of a resumption in construction activities, but for all the other PIC-12, contractions of various magnitudes are forecast. The recovery is expected to be region-wide in 2022, assuming a successful vaccination rollout and establishment of travel bubbles with major tourism markets. While most PIC-12 have avoided direct health impacts, the pandemic has underscored the need to strengthen health systems and build buffers against economic shocks. This effort to enhance resilience and move to a recovery pathway will be a feature of the Pacific Approach implementation period.

26. **Responding to climate change.** Natural hazards, such as cyclones, are increasingly common and more severe in the Pacific. They highlight the escalating threat of climate change and the particular vulnerability of the Pacific to it. Countries in the Pacific sit on the frontlines of the impact of climate change, and the window for taking transformational action to build resilience against this threat is shrinking all the time. Critical actions are needed across the implementation period of the Pacific Approach if the long-term survival of the PIC-12 is to be achieved.

### III. STRATEGIC FRAMEWORK

#### A. Lessons from the Previous Strategy

27. The Pacific Approach, 2016–2020 guided ADB's support in 11 Pacific developing member countries and introduced a three-pronged strategy focused on reducing costs, managing risks, and enabling value creation.<sup>17</sup> The Pacific Approach 2016–2020 Final Review recommends that ADB (i) preserve its focus on cost-effective services, resilience, and growth; (ii) expand support to improve local capacity; (iii) strengthen its field presence in each country; (iv) streamline procurement internally and in partnership with donors; and (v) support sector-wide reforms with local partners.<sup>18</sup>

28. Recommendations of the Pacific Approach 2016–2020 Final Review are aligned with ADB's Independent Evaluation Department (IED) advice to target implementation efficiency and the sustainability of impacts as assistance grows. IED recommends that the new strategy (i) focus on the health and economic crises arising from COVID-19; (ii) articulate a transformative, differentiated, and FCAS-sensitive approach; (iii) measure and monitor ADB's strategic and investment performance, using evidence to learn, adapt, and demonstrate success; (iv) work with partners to strengthen aid coordination and absorptive capacity; and (v) build capacity in ADB's Pacific Department to deliver and manage the work program. The Pacific Approach, 2021–2025 incorporates input from IED's report and ADB's internal review and will continue to focus on improving portfolio performance and sustainability as lending volumes grow.

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<sup>17</sup> ADB. 2016. *Pacific Approach, 2016–2020*. Manila. ADB's PIC-11 (11 Pacific DMCs) exclude Niue, which joined ADB in 2019.

<sup>18</sup> ADB. 2020. *Pacific Approach, 2016–2020 Final Review*. Manila.

## B. Alignment with ADB's Strategy 2030 and National Development Strategies

29. ADB will engage with each PIC-12 according to its needs and priorities, and ADB's comparative advantages and in close coordination with development partners and government counterparts. The PIC-12 share national development goals of (i) supporting human development and health, (ii) mitigating and adapting to climate change, (iii) strengthening infrastructure, (iv) improving governance, and (v) increasing gender equality. While the Pacific Approach advances a strategy for the region, ADB's country operations will be closely aligned with the national development plan of each PIC-12. The Pacific Approach is intended to be read with ADB's country operation business plan for the PIC-12 and the regional operations business plan. The Pacific Approach is aligned with the seven operational priorities of ADB's Strategy 2030 (Figure 3),<sup>19</sup> and with Strategy 2030's call for differentiated approaches in SIDS and FCAS to enable more flexible and innovative operations that respond to context-specific needs (Box 1).

## C. ADB's Strategic Objectives and Operational Priorities

### Box 1: What's New in the Pacific Approach, 2021–2025

Three key elements have changed between the previous strategy and the current one: the development context, the strategic objectives of the Asian Development Bank, and its differentiated approaches to implementation and procurement.

#### Development Context

- (i) **COVID-19 highlights vulnerability and isolation.** The severe shock will have unprecedented impacts on the PIC-12 economies and development work for years to come.
- (ii) **Development assistance is growing.** Limited domestic capacity threatens the efficiency and sustainability of development and stunts absorptive capacity for new projects. At the same time, the PIC-12 need to ensure sound borrowing to avoid debt distress.
- (iii) **Opportunities are evolving.** There are new opportunities for private sector engagement, demanding sound natural resource and public financial management.

#### Goal and Objectives

- (i) ADB's goal is "Supporting a resilient Pacific."
- (ii) The goal is directly supported by three new objectives:
  - (a) prepare for and respond to shocks,
  - (b) deliver sustainable services, and
  - (c) support inclusive growth.

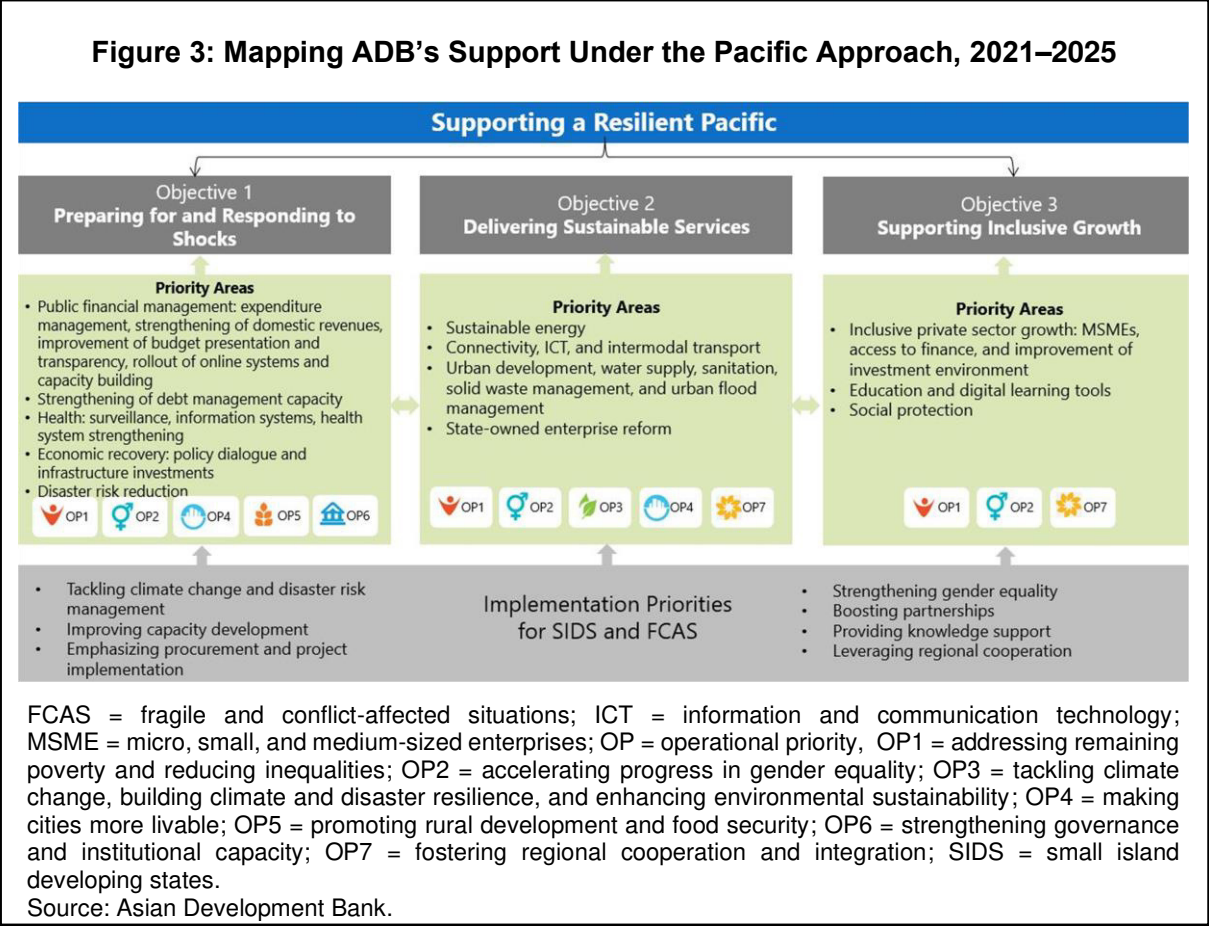
#### A Differentiated Approach to Implementation

- (i) ADB has shifted its implementation strategy using a differentiated approach, fit for purpose in SIDS and FCAS, and amid significant portfolio growth. The differentiated approach focuses on increasing efficiency, building resilience, and ensuring sustainable benefits.
- (ii) The new implementation approach will
  - (a) make climate actions comprehensive rather than project-based (para. 33),
  - (b) bring capacity support to the foreground and introduce supplementation (para. 51), and
  - (c) introduce procurement and operational innovations relevant to SIDS and FCAS.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, FCAS = fragile and conflict-affected situations, PIC-12 = 12 small Pacific island countries, SIDS = small island developing states.  
Source: Asian Development Bank.

<sup>19</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

30. **Goal of the Pacific Approach, 2021–2025.** ADB’s goal is to support a resilient Pacific. The Pacific Approach has three objectives that leverage Strategy 2030 and Asian Development Fund 13 to respond to the core challenges of the Pacific SIDS and FCAS economies: (i) prepare for and respond to shocks, (ii) deliver sustainable services, and (iii) support inclusive growth (Figure 3). The three objectives are mutually supportive and will provide crosscutting support, recognizing that development challenges are interrelated. Assistance will leverage the One-ADB approach, drawing on interdepartmental resources within ADB and across development partners.



**OBJECTIVE 1: PREPARE FOR AND RESPOND TO SHOCKS**

31. **Economic resilience and public financial management.** In 2020, ADB provided budget support to help the PIC-12 meet financing gaps brought on by COVID-19.<sup>20</sup> Complementing direct financial assistance, ADB will promote sound PFM, including greater domestic resource mobilization, and strengthen institutional capacities (OP6). Based on pervasive and common PFM issues in public expenditure and financial accountability assessments, ADB will support PFM by providing guidance on fiscal consolidation, revenue management, public expenditure management, domestic savings, and private sector resource mobilization to support growth.<sup>21</sup>

<sup>20</sup> ADB. 2020. *Annual Report 2020*. Manila. Note: Seven of the PIC-12 received funding under the COVID-19 Pandemic Response Option, totaling \$128 million in 2020. The countries were Cook Islands, the FSM, RMI, Palau, Samoa, Solomon Islands, and Vanuatu.

<sup>21</sup> ADB. [Governance Issues: Domestic Resource Mobilization](#).



ADB launched a regional hub for domestic resource mobilization and international tax cooperation to expedite knowledge exchange and awareness, not just among the PIC-12 but also with other subregions.<sup>22</sup> ADB will target economic resilience by supporting fiscal and debt management, improved revenue collection and/or mobilization, better monetary policy, and SOE reforms. ADB will build government capacity in budget presentation and management and help roll out online PFM, asset management, and procurement systems. Support for PFM will increase resilience to climatic and economic shocks and strengthen macroeconomic and fiscal management. To address concerns of debt sustainability, ADB will help the PIC-12 monitor and avoid the risks of debt distress.

32. **Health system strengthening.** COVID-19 highlighted a lack of preparedness to monitor and cope with emergencies in the PIC-12. Accordingly, ADB will invest in health system strengthening in all its health operations and prioritize efforts that will underpin successful COVID-19 vaccines. Recognizing that bilateral partners, including Australia, New Zealand, and the United States, are supporting vaccine programs in several of the PIC-12, ADB will coordinate health assistance to support full coverage across the region. ADB will support health sectors in the PIC-12 by strengthening rural service delivery, upskilling workers, strengthening digital information systems, and improving health sector governance and management. ADB will explore opportunities to engage nongovernmental organizations (NGOs) and civil society organizations (CSOs) to boost outcomes.

33. **Disaster risk reduction.** Climate and disaster resilience are at the core of ADB's work in the Pacific and will advance ADB's third Operational Priority (OP3) from Strategy 2030, which focuses on tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability. Support for climate change will take a more comprehensive approach to addressing the underlying causes of vulnerability and fragility. Key features of ADB's support will include (i) supporting countries to collect and analyze risk data, and use it to inform policy decisions and long-term planning across sectors; (ii) supporting the development of adaptation pathways; (iii) delivering quick-disbursing assistance in the wake of disasters; (iv) providing contingent finance and insurance mechanisms; (v) supporting the PIC-12 to access international climate finance, including the Green Climate Fund (GCF); (vi) expanding climate change support from the project-level to the country and regional levels, including support for the nationally determined contributions and more ambitious targets in the lead up to COP26 (para. 49); and (vii) continuing to climate-proof all investments. ADB is committed to aligning new Pacific operations with the mitigation and climate resilience goals of the Paris Agreement. ADB will expand its use of contingent financing to help the PIC-12 put aside resources necessary for responding to crises; and will explore ways to engage CSOs in community-based disaster risk management and emergency response.

34. **Economic recovery.** ADB is committed to supporting economic recovery in the wake of COVID-19 by helping the PIC-12 design and implement policies to restore tourism markets and operate safely and profitably under the "new normal," including through travel bubbles (Box 2). ADB's infrastructure investments will continue to be key in supporting economic growth.

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<sup>22</sup> ADB. 2021. [ADB Launches Tax Hub to Enhance Domestic Resource Mobilization and International Tax Cooperation](#). News release. 3 May.

### Box 2: COVID-19 Response and Recovery

- (i) **Increased health sector investments will help**
  - (a) strengthen primary health-care systems and build institutional capacity,
  - (b) elevate surveillance and monitoring of disease using ICT, and
  - (c) upgrade regional health systems for effective vaccine rollout.
- (ii) **ADB will attenuate the surge in inequality and restore gains in poverty reduction and gender equity with**
  - (a) fiscal resources to expand social protection, reforms to build institutional capacity and good governance, and targeted support; and
  - (b) social protection policies and safety-net pilots executed with nongovernment organization engagement.
- (iii) **Reopen borders**
  - by supporting air corridors and travel bubbles, with specialized assistance for tourism, hospitality, and transport.
- (iv) **Financing priority public expenditures will**
  - (a) prioritize stimulus targets to ensure that expenditures are effective and sustainable;
  - (b) deal with debt sustainability, including transparent debt restructuring;
  - (c) continue to deliver budget support alongside partners;
  - (d) reform state-owned enterprises to improve financial sustainability; and
  - (e) support comprehensive tax reform for more sustainable fiscal resources, including sound tax reporting, disclosure, and compliance.
- (v) **Needed Infrastructure—an economic kick-starter—will**
  - (a) ensure that infrastructure projects are “shovel ready” to quickly stimulate employment and spending,
  - (b) draw attention to appropriate operation and maintenance budgets, and
  - (c) continue to strengthen regional cooperation.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, ICT = information and communication technology.

Source: Asian Development Bank.

## OBJECTIVE 2: DELIVER SUSTAINABLE SERVICES

35. **Quality infrastructure.** Access to basic infrastructure—including electricity, transport, information and communication technology (ICT), water, and sanitation—underpins inclusive development. The PIC-12 need support to increase the quantity and quality of basic infrastructure and services. ADB is helping the PIC-12 overcome the “build, neglect, rebuild” pattern, by providing long-term sector support to help finance, manage, and maintain assets sustainably. ADB will draw on the Group of Twenty (G20) principles for quality infrastructure to maximize the positive economic, environmental, social, and development impacts of its investments.<sup>23</sup>

<sup>23</sup> Government of Japan, Ministry of Foreign Affairs. 2019. [G20 Osaka Leaders' Declaration](#). Osaka. The quality infrastructure principles are (i) maximizing the positive impact of infrastructure to achieve sustainable growth and development, (ii) raising economic efficiency in view of life cycle costs, (iii) integrating environmental considerations into infrastructure investments, (iv) building resilience against natural disasters and other risks, (v) integrating social considerations into infrastructure investment, and (vi) strengthening infrastructure governance.

36. **Sustainable energy.** ADB will assist the PIC-12 with their planned structural shift away from fossil fuel and toward clean energy.<sup>24</sup> ADB will help increase the share of renewable energy used for power generation, both on and off grid, by investing in solar, wind, and hydropower. Support will (i) improve supply- and demand-side efficiency; (ii) introduce battery storage to support grid stability and higher penetration rates of renewables; (iii) improve the technical and commercial performance of utilities by building capacity and helping rationalize tariffs; and (iv) enable public–private partnerships, increase private investment in clean energy, and introduce new technology. ADB will help the PIC-12 implement crosscutting solutions that support the urban and water sectors with renewable energy and energy efficiency. Supporting the PIC-12’s transition from costly imported diesel to indigenous renewables will lower the costs of generating and consuming electricity, strengthen fuel security, reduce emissions, and improve service delivery and coverage. Support for the energy sector will help the PIC-12 shift to a more environmentally sustainable development trajectory (OP3) and achieve decarbonization targets.

37. **Connectivity.** The PIC-12 are scattered across 30 million square kilometers of ocean—one-third of the earth’s surface—but their combined landmass represents less than 2% of the total. Strengthening intermodal transport and ICT can reduce the costs of goods, services, and trade, and increase access to opportunity. ADB’s support for connectivity will bring together communities, markets, and essential goods and services at the national and subregional levels. Transport operations account for more than half of ADB’s Pacific portfolio by lending volume, and will continue to focus on roads, ports, and airports. ADB will increasingly provide assistance to support long-term operations and maintenance to help the PIC-12 manage transport assets sustainably. ADB will scale up assistance to improve transport safety and security. Support for international ports and airports will enable the PIC-12 to expand as transshipment hubs, increase intraregional trade, and strengthen regional cooperation and integration (OP7). Upgraded transport assets—particularly for rural populations and outer island communities—will reduce poverty and inequality (OP1) and promote rural development and food security (OP5). With most of the PIC-12 now having fiber optic cable connections to support high speed internet access, ensuring connectivity goes the last mile to reach small and isolated communities is a priority. This connectivity will facilitate improved access to services through e-governance, e-health, and e-education initiatives (para. 44). Overall, better transport and communications connectivity will help the PIC-12 reap crosscutting benefits in gender equality, disaster risk preparedness, and regional cooperation and integration.<sup>25</sup>

38. **Livable cities and access to safe water and sanitation.** Urban populations are growing faster than national populations, and city centers are becoming overcrowded. The rapid influx of people is straining infrastructure and services, particularly in informal settlements. ADB’s urban projects will focus on (i) improved urban services, (ii) forward-looking spatial planning, and (iii) environmental protection alongside urbanization. Urban operations will promote inclusive access to water, sanitation, solid waste disposal, transport, and electricity to develop more vibrant and resilient cities (OP4). ADB will support long-term urban planning to ensure that service levels meet the needs of populations now and in the future. Support will target urban and coastal resilience and safe and reliable water and sanitation. ADB will support urban transport for safe and accessible walking, cycling, and public transport to reduce traffic and improve safety. Interventions will help build the resilience of people, institutions, the environment, and infrastructure through a balanced approach of delivering investments and fostering knowledge partnerships.

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<sup>24</sup> ADB. 2020. [Pacific Energy Update 2020](#). Manila.

<sup>25</sup> ADB. 2021. *Transport Sector Assessment, Strategy, and Road Map: Pacific Department, 2021–2025*. Manila.

39. **State-owned enterprise reforms.** As a result of their poor commercial performance, SOEs regularly fail to provide adequate service and lack the resources to operate and maintain infrastructure sustainably. Improving management practices, reforming institutions, and restructuring tariffs to enable cost-recovery will be essential to improve services and reduce the need for subsidies. Support for SOE reforms will be of particular importance to building resilience and managing state resources during and after COVID-19, as utilities may face new commercial constraints, such as reduced demand for services.

### OBJECTIVE 3: SUPPORT INCLUSIVE GROWTH

40. **Foundations for growth.** ADB will support inclusive growth by helping strengthen business environments and by investing in growth sectors. ADB's Private Sector Development Initiative will increase opportunities for the private sector to grow by (i) assessing business environments, (ii) supporting business law reforms, (iii) advising on public-private partnerships and SOE reforms, (iv) supporting the economic empowerment of women (OP6), and (v) helping design and strengthen consumer protection and competition policies.<sup>26</sup> ADB will partner with domestic financial institutions to increase MSMEs' access to finance while working with CSOs and NGOs to strengthen financial literacy and inclusion. ADB's Trade Finance Program will provide credit guarantees and loans to local banks and be a key resource for filling MSME financing gaps.<sup>27</sup>

41. **ADB's private sector operations.** ADB will provide direct debt finance and make equity investments in commercially viable private sector projects across the PIC-12. ADB is implementing a new private sector strategy for the Pacific, which focuses on renewable energy, financial institutions, tourism, and fisheries. Collaboration between ADB's sovereign and nonsovereign departments will leverage ADB's local knowledge to identify clients and financing opportunities and provide resources, including credit guarantees, to drive private investments in target sectors. ADB will increasingly invest in smaller projects, recognizing the scale of private sector financing needs. In renewable energy, ADB will promote independent power producers to lower generation costs and reduce emissions. In finance, ADB will support financial institutions to access trade financing lines, funding, and equity. In tourism and fisheries, ADB will help develop knowledge, coordinate studies and financing, and support environmentally sustainable and commercially attractive investments. ADB will consider projects in other sectors as opportunities arise.

42. The Asian Development Fund is piloting a new approach, the Private Sector Window (PSW) initiative, to increase private sector activity. Through co-investment and partnerships with commercial investors, the PSW will encourage investment in markets that experience disproportionate barriers to growth. The PSW will target areas with high potential for positive social and environmental impacts, such as renewable energy, social sectors (including health, education, and elderly care), agribusiness, and local financial institutions.

43. **Ecosystem, fisheries, and new growth areas.** The PIC-12 have leveraged their natural resources to expand tourism and generate revenue through fishing licenses. Since its implementation in 2012, the vessel day scheme under the Parties to the Nauru Agreement has

<sup>26</sup> [Private Sector Development Initiative](#) and [ADB's Trade Finance Program](#).

<sup>27</sup> During the previous Pacific Approach period, ADB's Trade Finance Program concluded two credit agreements with banks in Samoa and Fiji for a total of \$12 million in 2016 and \$4 million in 2017, respectively. ADB's partnership with Samoa Commercial Bank was considered a success story and a replicable model because it strengthened the local farming economy, while encouraging environmentally sustainable results.

produced a surge in fishing revenues.<sup>28</sup> A steadily rising minimum fee—which stabilized at \$8,000 per fishing day in 2015—pushed up license revenues during 2014–2018 in five of the PIC-12, two to six times more than in 2009–2013. To derive lasting value, the PIC-12 need support to manage ecosystems sustainably and leverage revenue to expand their economic bases. ADB will help PIC-12 governments sustainably manage revenue from fishing licenses, while leveraging regional cooperation and integration to accomplish shared goals for healthy and productive oceans. ADB's Action Plan for Healthy Oceans and Sustainable Blue Economies will support these goals through its focus on (i) blue economies, (ii) ecosystem management, (iii) pollution control, and (iv) sustainable infrastructure. ADB may consider financing environmentally sustainable projects that support fishery development and processing, by working closely with partners. ADB will help the PIC-12 leverage ICT infrastructure to identify and expand new digital learning and jobs to support economic recovery and improve labor market efficiency in the wake of COVID-19.

44. **Tackling education and skills barriers.** ADB will help the PIC-12 (i) improve the quality of basic education, (ii) leverage digital learning tools, and (iii) fill skills gaps in the labor market. For basic education, ADB is mobilizing approximately \$20 million to support the Pacific Regional Education Framework in collaboration with the Secretariat for the Pacific Community, the University of the South Pacific, and United Nations entities. The framework helps improve the quality of education by providing teacher training and quality assessment tools and by financing the construction and upgrading of education facilities. ADB's assistance for digital learning will help establish online teacher and student resource repositories, provide digital management solutions, and help develop shared regional goods. To address skills mismatches, ADB will seek to replicate best practices from technical and vocational education and training programs in Papua New Guinea and integrate skills transfer components into lending activities. Providing skill-transfer opportunities in ADB-financed projects will deepen local capacity and, at the same time, help improve project implementation and infrastructure management capacity.

45. **Social sector assistance.** ADB will implement a new social sector plan in the Pacific focusing on (i) improved access to high-quality social services, including health coverage, education, and social sector policies; (ii) reduced vulnerability and enhanced resilience of poor and vulnerable groups, including through social protection support and enhanced income opportunities; and (iii) strengthened gender and social dimensions across all ADB's interventions. ADB will integrate social protection elements across its lending portfolio and TA activities; for example, by analyzing the needs of vulnerable groups and integrating appropriate design features into infrastructure projects. ADB will also increasingly deliver stand-alone TA and projects to support the PIC-12 in developing their social protection systems. Initiatives will include (i) collating vulnerability data in social registries to strengthen decision-making; (ii) delivering policy support to governments on how to strengthen formal safety nets; and (iii) directly financing social protection services, such as social assistance to poor and vulnerable groups like the elderly and people with disabilities, social insurance, and labor market programs. ADB's social protection assistance will respond to regional demographic trends—including outward migration, urbanization, and growing youth unemployment—and respond to immediate COVID-19 demands.

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<sup>28</sup> [The Parties to the Nauru Agreement.](#)

### **Box 3: Differentiation through the Pacific Project Improvement Action Plan, 2021–2025**

Strategy 2030 and the Fragile and Conflict-Affected Situations and Small Islands Developing States Approach paper of the Asian Development Bank (ADB) call for a differentiated approach to project implementation and programming in small island developing states (SIDS) and fragile and conflict-affected situations (FCAS).<sup>a</sup> All ADB Pacific developing member countries are SIDS, and while only six are officially classified as FCAS, they all experience varying degrees of fragility.

Capacity constraints impact the performance of institutions and the efficiency and effectiveness of development. Further, the small size of projects in the Pacific makes it difficult to attract and retain qualified bidders. Atop these constraints, assistance in the region is growing to meet demand. Together, these factors require heightened flexibility across the project preparation and implementation life cycle, and the Pacific Approach is designed to respond to this need. ADB's approach to programming in the region reflects the unique SIDS and FCAS operating context and introduces innovations to strengthen project performance and build domestic capacity, all in support of greater efficiency, effectiveness, and sustainability. ADB's key differentiated approaches in the region include

- (i) coordinating climate action nationally and regionally, in addition to projects and technical assistance;
- (ii) bringing capacity support to the foreground and introducing capacity supplementation (main text, para. 51);
- (iii) using an integrative approach to country knowledge, project design, safeguards, implementation, and portfolio management, informed by fragility and governance assessments;
- (iv) introducing procurement and other process-related innovations that respond to context-specific SIDS and FCAS environments, including
  - (a) introduction of detailed procurement review studies to assess capacity and resource needs and different procurement methods;
  - (b) stronger ADB support in the selection of consultants, including through joint selection with executing and implementing agencies;
  - (c) establishment of a pool of project implementation, safeguard, or procurement consultants to provide ad hoc support;
  - (d) assignment of more ADB procurement and safeguard specialists and consultants to the region or regional offices, including through capacity supplementation provided by regional technical assistance;
  - (e) greater focus on quality in bid evaluation through the use of a merit point system;
  - (f) use of output-based contracting;
  - (g) greater flexibility in contract packaging (such as unbundling projects) to encourage the participation of local contractors; and
  - (h) use of full-spectrum capacity augmentation (including capacity building and supplementation, as appropriate) to support more sustainable impacts.

<sup>a</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

Source: Asian Development Bank.

## **IV. STRATEGY IMPLEMENTATION**

### **A. Applying a Differentiated Approach**

46. ADB's Strategy 2030 and its Fragile and Conflict-Affected Situations and Small Islands Developing States Approach paper call for differentiated approaches for SIDS and FCAS, recognizing their fragility and need to strengthen governance, institutions, and human capacity

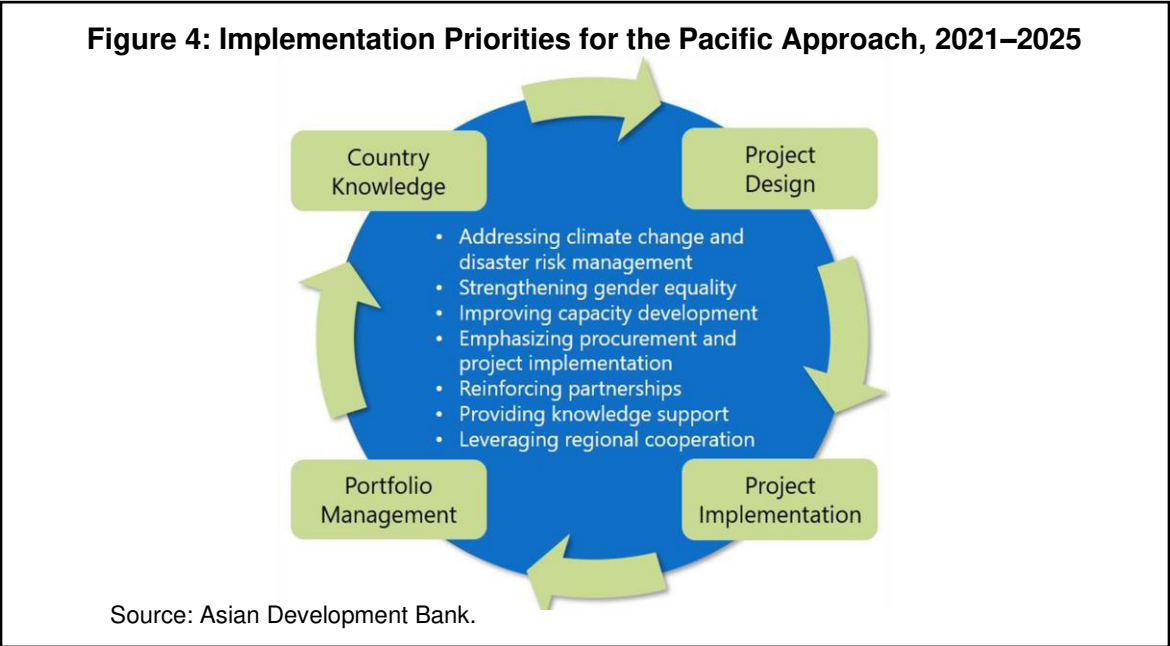
(Box 3).<sup>29</sup> ADB will initiate in-depth fragility and governance assessments to better understand the political economy and multidimensional drivers of vulnerability in each PIC-12. Fragility assessments will (i) inform ADB's strategic planning in each PIC-12; (ii) identify regional complementarities; and (iii) cascade down through the design, implementation, and monitoring of operations. This approach will encourage cross-sectoral programming and increase resilience and sustainability. ADB's smallest DMCs, many of them in the Pacific, require a different operational model than other countries because their limited portfolio size cannot support a fully staffed resident mission. Since 2009, PCOs and their predecessors have deepened the in-country link in the region and serve as extensions of the two regional offices and ADB headquarters. This permits ADB to have more regular contact and substantive communication with key government decision makers and development partners. The onset of the COVID-19 pandemic has led to even greater reliance on the PCO model, and ADB will continue to leverage them for in-country policy dialogue, donor coordination, and project and TA development and implementation. ADB will continue to leverage its Pacific country offices to broaden consultation and inclusive engagement, including with CSOs and NGOs. Local engagement will help identify country needs in line with complex cultural and societal structures. Increased local engagement will improve community ownership of ADB projects, boost the sustainability of development, and aid decision-making and benefit-sharing in areas such as land ownership. Building on efforts to tailor procurement processes for SIDS and FCAS, ADB will reexamine the effectiveness of its operational policies to support procedural adjustments and realistic, context-sensitive approaches. ADB will apply a differentiated approach through innovations in the Pacific Project Improvement Action Plan 2021–2025 and in line with ADB's Fragile and Conflict-Affected Situations and Small Island Developing States Approach, 2021–2025.

## **B. Implementation Priorities**

47. The Pacific Approach, 2021–2025 has seven priorities that seek to achieve complementarity across all stages of the project and portfolio life cycle by integrating country knowledge and local practices into project design, implementation, and portfolio management (Figure 4). ADB's implementation priorities will focus on deepening country knowledge; improving the effectiveness and efficiency of assistance; and strengthening national, regional, and local cooperation.

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<sup>29</sup> ADB. Fragile and Conflict-Affected Situations and Small Island Developing States Approach. Manila. Unpublished.



48. **Addressing climate change and disaster risk management.** Historically, ADB has implemented climate resilience measures on a project-by-project basis. While successful at the project-level, lessons learned suggest that this approach misses opportunities to comprehensively address climate challenges across sectors and stakeholder to develop adaptation pathways to achieve transformational adaptation. ADB is expanding climate support from the project-level to the country-level, and will contribute to regional interventions where appropriate. ADB is preparing a climate change and disaster risk management road map to illustrate how the Pacific Approach 2021–2025 will help deliver more comprehensive support to build resilience across governments, communities, infrastructure, and economies in the PIC-12.

49. **Mainstreaming gender equity.** ADB recognizes that gender equality is critical in its own right and for helping realize socioeconomic development. The Pacific Approach will take a dual approach to ensuring gender mainstreaming as well as supporting stand-alone gender initiatives in the areas of economic empowerment, human development, decision-making and leadership, time poverty, and resilience to shocks (OP2). ADB will work with governments in the PIC-12 to integrate gender equality considerations into its operations, and through stand-alone projects and TA. The strategy will help achieve SDG 5 outcomes, including preventing and responding to gender-based violence, supporting sexual and reproductive health and rights, promoting equal access to economic opportunities, and building capacity in gender-responsive budgeting.

50. **Improving capacity.** Small populations and out-migration create capacity shortages in the PIC-12. ADB will scale up capacity building across all forms of assistance and, as appropriate, begin to use capacity supplementation—the practice of posting experts on a long-term basis—to address skill gaps. ADB will scale up its capacity support and implement targeted regional and country-specific activities. It will explore options to leverage procurement and implementation to support knowledge transfer, for example, by exploring skill transfer under procurement contracts for goods and works. The combination of capacity building and supplementation will provide immediate and long-term support to key sectors and increase absorptive capacity. ADB will collaborate with development partners, CSOs, and NGOs to scale up capacity in core sectors, and to support the long-term sustainability of development impacts.



51. **Procurement innovation and project implementation.** Due to distance from major markets and the relatively small size of projects, tendering in the PIC-12 generally attracts few qualified bidders. Thus, when ADB's uniform procurement practices are applied in the Pacific SIDS and FCAS contexts, these often result in inefficiencies in the engagement of consultants, contractors, and suppliers. ADB has piloted flexibilities to address bottlenecks in the Pacific, including (i) removing thresholds and introducing flexibility for contracting; (ii) using a "one consultant, one project" approach; (iii) delegation to ADB to lead the process of selecting consultants; (iv) coordinating with the World Bank and other partners on procurement; (v) using independent review consultants; (vi) using quality criteria on bid evaluation; (vii) flexible packaging to increase participation of domestic contractors; and (viii) modifying approaches to support the engagement of CSOs and NGOs on assignments and projects. ADB is also exploring additional measures of flexibility that can be applied to procurement in FCAS and SIDS.

52. **Regional cooperation.** ADB will deepen collaboration among the PIC-12 and explore regional projects and TA to deliver assistance more efficiently. Building on the success of a coordinated multi-country procurement model for vaccines in Samoa, Tonga, Tuvalu, and Vanuatu, ADB will leverage regional cooperation and collective action to generate similar economies of scale in other sectors, including finance and energy. ADB will reinforce regional cooperation and integration by expediting knowledge sharing among the PIC-12 through regional TA; and engaging with regional industry associations, CSOs, NGOs, and research institutions. ADB will help the PIC-12 strengthen regional public goods that generate shared benefits for participating countries, for instance, building a community of best practice to improve service delivery by establishing entities such as the Office of Pacific Energy Regulators Association.

### C. Priorities for Knowledge Support

53. ADB will be selective in its approach to knowledge and capacity support and will focus on assisting the PIC-12 to strengthen implementation capacity and aligning knowledge activities with the three objectives of the Pacific Approach. Knowledge activities will be demand-driven, and ADB will work closely with governments to identify and respond to both country and regional knowledge needs. Internally, the deputy director general of ADB's Pacific Department will serve as the knowledge custodian for the region, and will coordinate activities with ADB's regional management team, country directors in each of the PIC-12, and ADB's nonregional departments.

54. ADB will build its understanding of the complex environment of each PIC-12 by conducting country-specific fragility and sector assessments and helping prepare voluntary national reviews to assess progress against the SDGs. ADB will provide knowledge solutions, including through thematic TA, to address knowledge gaps and will develop new resources on specific topics, including women's economic empowerment. The Pacific Fellows Program will support capacity building and dialogue with host governments. ADB will explore building further knowledge partnerships to deepen local knowledge.<sup>30</sup> The Pacific Regional Infrastructure Facility provides a platform for knowledge coordination on key infrastructure issues.<sup>31</sup> ADB will launch a periodic conference, the Pacific Symposium, to support knowledge sharing. ADB's knowledge plan for the PIC-12 provides more details (Appendix 2).

<sup>30</sup> ADB. 2017. *Technical Assistance for Pacific Fellows Program*. Manila. The TA will support mid-level staff in executing and implementing agencies from Pacific DMCs to promote joint knowledge sharing and learning and contribute to effective project implementation.

<sup>31</sup> The Pacific Regional Infrastructure Facility is a multi-partner coordination facility that supports infrastructure projects with technical advice. Partners include ADB, Australia, the European Union, the European Investment Bank, New Zealand, Japan, the United States, and the World Bank.

## D. Collaborating with Development Partners

55. Bilateral partners active in the PIC-12 include the governments of Australia, Japan, New Zealand, and the United States; and multilateral donors include the European Union, GCF, the United Nations, and the World Bank. Development partners in the region meet regularly to share information on project pipelines and best practices at the country, sectoral, regional, and institutional levels. Coordination arrangements are replicated across countries, sectors, and themes at the technical level; at the country level, these are typically led by government and multi-partner in nature. Key coordination platforms include (i) high-level consultation meetings, which are organized with partners such as the Department of Foreign Affairs and Trade (Australia), the Japan International Cooperation Agency, and the New Zealand Ministry of Foreign Affairs and Trade; (ii) the Japan International Cooperation Agency Retreat; and (iii) the North Pacific Donors Meeting. Given country capacity constraints and the impacts of COVID-19, ADB places increased emphasis on close coordination with the World Bank and other partners working on budget support operations in the Pacific (through the “Friends of Budget Support” group) and coordination with key health sector donors through the regional level “Quints” meetings. These and similar platforms allow for efficiencies in responding to country needs, effective use of comparative advantages, and open dialogue. ADB will continue to coordinate with partners, while deepening national engagement and exploring partnerships with chambers of commerce, regional industry associations, academic institutions, think tanks, and CSOs.

56. **Cofinancing and collaboration.** ADB will continue to collaborate with partners on scaling-up cofinancing and strengthening coordination. During 2016–2020, ADB mobilized \$601.83 million in sovereign cofinancing (38% of project financing) and \$8.62 million for TA (43% of TA), excluding regional TA. ADB was the first development bank in the region accredited to administer GCF finance and will continue to help the PIC-12 access and utilize GCF resources. Coordination among development partners in the Pacific is both widespread and deep and is pursued across multiple platforms. For example, ADB and the World Bank cofinance projects in the PIC-12 (rather than financing in parallel); almost all policy-based operations are the result of joint policy dialogue and coordinated technical assistance with partners including the World Bank, and the governments of Australia and New Zealand; and ADB collaborates closely with the IMF on macroeconomic surveillance. Joint analytical work such as public expenditure and financial accountability reviews occurs regularly. Further, the Pacific Partnership Facility, funded by the Department of Foreign Affairs and Trade (Australia) and the New Zealand Ministry of Foreign Affairs and Trade, provides resources to scale up ADB staffing and so facilitating more effective assistance.

## E. Indicative Resource Parameters

57. **Resource allocation.** The resources to be committed for each year of the strategy period will depend on project quality at entry and readiness. ADB will plan to make available resources for the 2021–2023 indicative pipeline of the Pacific Approach 2021–2025 period by considering the indicative pipeline of \$767.7 million for sovereign projects—which is reflected in the country operations business plan, 2021–2023. This will be financed by regular ordinary capital resources for \$115 million, concessional ordinary capital resources lending for \$198.4 million, and the Asian Development Fund for \$454.3 million.

## F. Monitoring Results

58. The Pacific Approach results framework will help monitor ADB’s overall performance in the PIC-12 (Appendix 1). As recommended in the IED validation report, ADB will apply a more

robust, evidence-based framework to assess results and performance. Country results will be monitored during country programming missions and country portfolio review missions, which provide opportunities for ADB and the government to assess performance and agree on improvements. ADB will update country operation business plans annually and conduct country strategic analyses as needed, in line with the release of national development strategies, updated national development indicators, and national priorities. ADB will support databases through projects and programs, which will contribute to monitoring and reporting on sector and thematic results.

## **G. Mitigating Risks**

59. **External risks.** The Pacific Approach is designed to address the key risks facing the region. These risks include disasters from natural hazards and the effects of climate change (and their impacts on infrastructure and development), health risks, and economic shocks. As such, while the PIC-12 face elevated risks, ADB's strategy for the region factors all these in its assistance. To address these risks, the Pacific Approach includes focus on building resilience in the SIDS and FCAS, contingent financing, improved PFM, disaster risk management, and sustainable borrowing to avoid debt distress.










60. **Implementation risks.** In addition to addressing external shocks, ADB will attend to internal risks or barriers to implementation by focusing on implementation efficiency and sustainability. The key risks to implementation in the PIC-12 are weak institutional capacity and lack of qualified contractors and suppliers. The Pacific Approach introduces new methods of meeting these challenges through capacity building and supplementation, and by leveraging procurement flexibilities. ADB will strengthen its understanding of local challenges; contribute to more robust dialogue with local governments and institutions; and provide hands-on support for implementing projects, monitoring progress, and adjusting project implementation as challenges arise. The Pacific Approach is designed with an acute awareness of the unique challenges facing the Pacific SIDS and FCAS, and strives to help them overcome the risks and build a more prosperous and inclusive Pacific community.
















## PACIFIC APPROACH RESULTS FRAMEWORK, 2021–2025

### Alignment with Government Objectives

<p><b>PIC-12 Goals<sup>a</sup></b></p> <ol style="list-style-type: none"> <li>Deaths (lives) and economic losses (\$) attributed to climate-related and geophysical hazards (2000–2019 average: 30.38 lives / \$7.12 million economic losses; 2030 target: decrease from baseline) (SDG 1*, 11*, 13*)<sup>b</sup></li> <li>Population living on less than \$1.90 a day (2019: 15.08%; 2025 target: Decrease from baseline) (SDG 1*)<sup>c</sup></li> <li>Real gross domestic product per capita growth (2019: –0.01%; 2025 target: increase from baseline) (SDG 8*)<sup>d</sup></li> </ol>
<p><b>National Development Impacts</b></p> <ol style="list-style-type: none"> <li>Resilience and adaptive capacity to climate-related and geophysical hazards strengthened (SDG 1, 13)</li> <li>Human capital enhanced (SDG 1, 3, 4)</li> <li>Livability and affordability of cities and surrounding areas sustainably increased (SDG 11)</li> </ol>

### ADB-Supported Program Results and Performance

<b>Objective 1: Preparing for and responding to shocks</b>			
<b>Key Outcomes</b>	<b>Indicators</b> (2025 target: 80% achievement; baseline: established at project level <sup>e</sup> )		
1. Public financial management and debt management strengthened	 Entities with improved management functions and financial stability (Expected: 53) (OP6.1)		
	 Transparency and accountability measures in procurement and financial management supported in implementation (Expected: 2) (OP6.1.4)		
	 Entities with improved service delivery (Expected: 24) (OP6.2)		
2. Resilience and performance of health surveillance and systems improved	 People benefiting from improved health services (Expected: 0) (OP1.1)		
	 Health-care services established or improved (Expected: 0) (OP5.1.3)		
	 Health services for women and girls improved (Expected: 54) (OP2.2.2)		
3. Resilience to climate change, disasters caused by natural hazards, and other external shocks built	 Women and girls with increased resilience to climate change, disasters, and other external shocks (Expected: 20,000) (OP2.5)		
	 People with strengthened climate and disaster resilience (Expected: 70,000) (OP3.2)		
	 Zones with improved urban environment, climate resilience, and disaster risk management (Expected: 10) (OP4.3)		
<b>Resources</b> Ongoing portfolio <sup>f</sup>	<b>Sovereign Operations</b>	<b>Nonsovereign Operations</b>	<b>Technical Assistance</b>
	\$307 million (24 projects)	\$10 million (1 project)	\$24.5 million (10 projects)
Indicative pipeline <sup>g</sup>	<b>Sovereign Operations (2021–2023)</b>	<b>Technical Assistance (2021–2023)</b>	<b>Knowledge Products and Events (2021)</b>
	\$108 million (13 projects)	\$22.3 million (17 projects)	3

<b>Objective 2: Delivering sustainable services</b>			
<b>Key Outcomes</b>	<b>Indicators</b>		
1. Affordability and sustainability of energy increased	 Poor and vulnerable people using more affordable electricity (Expected: 40,000) (OP1.3)		
	 Installed renewable energy capacity (Expected: 18 megawatts) (OP3.1.4)		
2. ICT and transport connectivity strengthened	 Gender-responsive infrastructure assets and/or services established or improved (Expected: 16) (OP2.4.1)		
	 People benefiting from improved transport and ICT services (Expected: 74,000) (OP4.1)		
	 Transport and ICT connectivity assets established or improved (Expected: 7) (OP7.1.1)		
3. Quality and affordability of water supply and sanitation services, and solid waste management improved	 Poor and vulnerable people benefiting from improved water, sanitation, and solid waste management services (Expected: 60,000) (OP1.3)		
	 Women and girls benefiting from new or improved infrastructure (Expected: 50,000) (OP2.1.4)		
4. Performance of state-owned enterprises improved	 SOEs with improved service delivery (Expected: 5) (OP6.2)		
	 Measures to strengthen SOE governance supported in implementation (Expected: 7) (OP6.2.3)		
<b>Resources</b> Ongoing portfolio	<b>Sovereign Operations</b>	<b>Nonsovereign Operations</b>	<b>Technical Assistance</b>
	\$461 million (20 projects)	\$12 million (2 projects)	\$12.3 million (5 projects)
Indicative pipeline	<b>Sovereign Operations (2021–2023)</b>	<b>Technical Assistance (2021–2023)</b>	<b>Knowledge Products and Events (2021)</b>
	\$520 million (30 projects)	\$19.6 million (15 projects)	8
<b>Objective 3: Supporting inclusive growth</b>			
<b>Key Outcomes</b>	<b>Indicators</b>		
1. Inclusive private sector growth accelerated	 Models for business development and financing established or improved (Expected: 8) (OP1.2.2)		
	 Measures supported in implementation to improve capacity of public organizations to promote the private sector and finance sector (Expected: 17) (OP6.1.2)		
2. Access to relevant, quality education improved	 People benefiting from improved education services (Expected: 5,500) (OP1.1)		
	 Regional public goods initiatives providing regional access to education services (Expected: 1) (OP7.3)		
3. Access to high-quality social services for the most vulnerable groups increased	 Social protection schemes established or improved (Expected: 4) (OP1.1.3)		
	 Measures on gender equality supported in implementation (Expected: 12) (OP2.3.2)		
<b>Resources</b> Ongoing portfolio	<b>Sovereign Operations</b>	<b>Nonsovereign Operations</b>	<b>Technical Assistance</b>
	\$157 million (13 projects)	\$10 million (1 project)	\$14.2 million (5 projects)

<b>Objective 3: Supporting inclusive growth</b>			
Indicative pipeline	<b>Sovereign Operations (2021–2023)</b>	<b>Technical Assistance (2021–2023)</b>	<b>Knowledge Products and Events (2021)</b>
		\$33 million (5 projects)	\$21.6 million (14 projects)

ADB = Asian Development Bank, ICT = information and communication technology, OP = operational priority, PIC-12 = 12 small Pacific island countries, SDG = Sustainable Development Goal, SOE = state-owned enterprise.

- <sup>a</sup> Country goals are based on the national development plan of each PIC-12. \* = official SDG indicator, \*\* = SDG aligned indicator, \*\*\* = proxy indicators for identified SDGs.
- <sup>b</sup> Baseline PIC-12 average for lives is based on data for the following 6 DMCs: Cook Islands: 3, Federated States of Micronesia: 6, Samoa: 129.33, Solomon Islands: 32.71, Tonga: 5, and Vanuatu: 5. For economic losses, it is based on data for the following 6 DMCs: Marshall Islands: \$0.30 million, Palau: \$6.10 million, Samoa: \$13.60 million, Solomon Islands: \$14.47 million, Tonga: \$7.12 million, and Vanuatu: \$1.13 million. Baseline data is sourced from the United Nations Economic and Social Commission for Asia and the Pacific SDG Portal.
- <sup>c</sup> Baseline for PIC-12 is the population weighted average based on data for Kiribati: 11.07%, the Federated States of Micronesia: 15.39%, Samoa: 0.56%, Solomon Islands: 22.94%, Tonga: 0.58%, Tuvalu: 0.28%, and Vanuatu: 14.16%. Baseline data is sourced from the World Bank Group's PovcalNet.
- <sup>d</sup> Baseline for PIC-12 is measured in 2010 constant United States dollars and is the population weighted average for Kiribati: 0.72%, Nauru: 0.98%, Palau: -4.78%, Samoa: 3.07%, Solomon Islands: -1.37%, Tonga: -0.52%, Tuvalu: 8.46%, and Vanuatu: 0.78%. Baseline data is sourced from the World Bank Group's [World Development Indicator Database](#).
- <sup>e</sup> Expected results are the aggregated results planned to be achieved by operations for which a project completion report is expected to be circulated before the final year of the country partnership strategy (CPS) period, i.e., operations expected to financially close in 2019–2023. Expected results are indicative values only; the specific target values that will be used to evaluate the effectiveness of ADB country programming in the CPS final review will be established based on the project completion reports circulated during the CPS period. All outcome indicators target an 80% achievement rate, meaning aggregate results achieved by relevant completed operations should be or exceed 80% of aggregate expected results for these interventions as set out in advance in the project documents.
- <sup>f</sup> Resources for the ongoing portfolio refer to the committed amount. Resources for an operation or technical assistance (TA) are included under every CPS objective the operation or TA is aligned with; therefore, the same resources may be included under more than one CPS Objective.
- <sup>g</sup> Indicative resources are taken from the Work Program and Budget Framework, 2021–2023 for TA projects (ADB. 2020. *Work Program and Budget Framework, 2021–2023*. Manila) and country operations business plan, 2021–2023 for sovereign operations and knowledge products and events (ADB. 2021. *Regional Operations Business Plan: Pacific, 2021–2023*. Manila).

Source: Asian Development Bank.

## PACIFIC KNOWLEDGE PLAN

### A. Pacific Knowledge Needs

1. The 12 small Pacific island countries (PIC-12) have made progress upgrading core infrastructure, increasing access to essential services, and improving human development outcomes.<sup>1</sup> However, as a group of small island nations, they face acute capacity constraints and knowledge gaps owing to their small populations, outward migration, and limited human and financial resources. Knowledge gaps affect the ability of the PIC-12 to effectively plan, implement, and manage infrastructure and reforms in core sectors. At the same time, limited capacity affects public financial management (PFM) and public sector management (PSM), the performance of state-owned enterprises (SOEs), and private sector development. Crucially, limited capacity to prepare for and respond to shocks increase their fragility. Overall, knowledge and capacity are a pivotal issue for the region—straining the impacts, effectiveness, efficiency, and sustainability of development efforts.

2. The Asian Development Bank will focus on knowledge and capacity as it implements the Pacific Approach, 2021–2025. Knowledge support will feature prominently as a method of improving project implementation and portfolio performance. This knowledge plan factors in robust consultations with each of the PIC-12 governments, development partners, and experts from across ADB’s departments. In line with these consultations, and to ensure a high degree of selectivity, the goal of ADB’s Pacific Knowledge Plan is to “build knowledge and capacity for a more resilient Pacific.” ADB will focus on (i) the objectives of the Pacific Approach, (ii) resilience to climate change and the coronavirus disease (COVID-19), and (iii) building local capacity.

### B. Priority Sectors and Themes

3. **Knowledge to prepare for and respond to shocks.** Enhanced knowledge and capacity in the areas of climate change, disaster risk reduction, resilience, and health sector strengthening can help the PIC-12 address fragility head-on. The PIC-12 require support to map their exposure to climate risks and to integrate resilience planning into infrastructure and spatial planning. Governments and communities require capacity to cope with disasters, and to set and achieve ambitious mitigation and adaptation targets for their nationally determined contributions. The PIC-12 have also requested support to strengthen PFM, revenue collection and mobilization, and the use of international climate finance. The PIC-12 will benefit from support to strengthen health sector performance using digital management tools and regional coordination on vaccines.

4. **Capacity to deliver sustainable services.** The PIC-12 are implementing ambitious infrastructure portfolios. However, service providers (primarily SOEs) often require subsidies and external support to operate effectively. Service quality and access rates are low, particularly affecting remote populations, women, children, and the elderly. SOEs require assistance to strengthen governance and commercial performance and to deliver inclusive and high-quality services. Knowledge gaps surround clean energy technology and the use of information and communication technology to improve education.

5. **Knowledge-driven growth.** The PIC-12 have challenging business environments and experience pervasive gender inequality. They require knowledge support to (i) strengthen business environments; (ii) increase the balanced participation of women in the workforce and in

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<sup>1</sup> The PIC-12 comprise the Cook Islands, the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

decision-making roles; and (iii) expand access to finance for micro, small, and medium-sized enterprises. Skills gaps in Pacific labor markets signal the need to align education and training with employer demands. Further, the public sector requires knowledge support in identifying and addressing social protection gaps, and in mobilizing tax and fishing revenues more effectively.

### C. Emerging Development Issues

6. **Pandemic response and sustainable borrowing.** The PIC-12 urgently need help in responding to and recovering from COVID-19. ADB provides budget support across the region, and the PIC-12 have indicated the need for complementary assistance identifying, building, and sustaining economic recovery pathways, such as travel bubbles to restore tourism. Beyond immediate recovery needs, the PIC-12 requested support for broadening their economic bases to build resilience to future shocks.

7. **Capacity support.** ADB has consistently delivered capacity building and there is growing demand for capable workers and institutions. There is a need to complement capacity building with new approaches to ensure a continued supply of technical capacity. Accordingly, ADB will begin providing capacity supplementation as appropriate—posting experts on a long-term basis—to meet gaps in core sectors. Supplementation will support long-term knowledge transfer to people and institutions.

8. **Procurement and project cycle support.** Weak domestic capacity to prepare projects (including safeguards and procurement) strains the effectiveness and efficiency of ADB programming. There are opportunities to support the PIC-12 in project preparation and procurement through technical assistance (TA). Strengthening knowledge and capacity in project preparation and implementation will deepen the impacts of ADB's assistance and ensure that they are sustainable.

### D. ADB Response to Needs—Scope of Knowledge Operations

9. ADB will be selective in its approach to knowledge and capacity building. In line with Strategy 2030, ADB's knowledge support for the PIC-12 will target areas where it has a strong comparative advantage, including core infrastructure sectors and resilience to economic and climatic shocks.<sup>2</sup> ADB will provide targeted knowledge and capacity support in parallel to lending activities in the areas of private sector development, PFM, PSM, governance, gender, financial inclusion, energy, transport, urban and water, health, and education. It will introduce new knowledge support to assist the PIC-12 in responding to COVID-19 and managing development efforts more effectively.

### E. Programmed Knowledge Products and Services

10. Capacity support and PSM will play a key role in assisting the PIC-12 to: (i) improve project implementation and sustainability, (ii) overcome the challenges of COVID-19, and (iii) restore socioeconomic growth. ADB will increasingly assist the PIC-12 to address capacity needs beyond the project life cycle by introducing sector experts on a long-term basis. ADB will deliver knowledge products and services (KPS) to strengthen PSM in a range of areas, including policy advice, support for SOE reforms, economic monitoring, and capacity building. Initiatives like ADB's TA for Pacific Economic Management (Phase 3) will assess economic policy issues

<sup>2</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.



through flagship KPS', like the *Pacific Economic Monitor*.<sup>3</sup> ADB's TA for the Pacific Fellows Program supports knowledge transfer by giving PIC-12 officials temporary postings in ADB—enriching ADB's local knowledge and giving officials a robust understating of ADB operations.<sup>4</sup> ADB's TA complements lending, particularly in the energy, transport, and urban and water sectors. Table A2 describes core KPS activities by category.

**Table A2: Knowledge Products and Services by Category of Support for the PIC-12**

Policy Dialogue	Analytics and Monitoring	Knowledge Products	Knowledge Solutions
<ol style="list-style-type: none"> <li>1. President and senior management meetings</li> <li>2. ADB Annual Meeting, including Pacific Governors' Meeting</li> <li>3. Participation in Pacific regional forums</li> <li>4. Debt monitoring in line with the Sustainable Development Finance Policy</li> <li>5. Policy dialogue on loans, grants, and TA</li> <li>6. Regional initiatives (e.g., Office of Pacific Energy Regulators Association, Pacific Association of Supreme Audit Institutions, Pacific Financial Technical Assistance Centre, Pacific Region Infrastructure Facility, Private Sector Development Initiative)</li> </ol>	<ol style="list-style-type: none"> <li>1. Country programming (CPS, CKP, COBP, CIN, and briefings)</li> <li>2. Economic monitoring and surveillance</li> <li>3. TA</li> <li>4. Pacific chapters in <i>Asian Development Outlook</i> and economic outlook presentations</li> <li>5. Analytic tools and analysis</li> <li>6. <i>Pacific Economic Monitor</i></li> <li>7. Just-in-time knowledge (e.g., COVID-19 rapid assessments)</li> <li>8. Support for collecting, monitoring, and analyzing sex-disaggregated data</li> </ol>	<ol style="list-style-type: none"> <li>1. Fragility assessments for FCAS</li> <li>2. Sector assessments, PCRs and TCRs, multi-hazard risk assessments for geophysical and climate change threats, and gender analysis</li> <li>3. Guidance on sea level rise and extreme rainfall in the Pacific</li> <li>4. Flagship studies, policy briefs, technical studies, working papers</li> <li>5. Case studies, tool kits, blogs, websites, videos, news releases</li> <li>6. Pacific Impact Webinar</li> <li>7. Pacific Utilities CEOs Talk</li> <li>8. Pacific Symposium</li> <li>9. Other capacity development and training</li> </ol>	<ol style="list-style-type: none"> <li>1. Innovative and advanced project design for projects, programs, and TA</li> <li>2. Policy advice on improving country business processes</li> <li>3. Partnerships for knowledge (Pacific Fellows Program; regional knowledge centers [e.g., University of the South Pacific])</li> </ol>

ADB = Asian Development Bank, CEO = chief executive officer, CIN = country information note, CKP = country knowledge plan, COBP = country operations business plan, COVID-19 = coronavirus disease, CPS = country partnership strategy, FCAS = fragile and conflict-affected situations, PCR = project completion report, PIC-12 = 12 small Pacific island countries, TA = technical assistance TCR = technical assistance completion report.

Source: Asian Development Bank.

**11. Strategic knowledge products and services.** There is a lack of data to support evidence-based planning, specifically as it relates to fragility. ADB will expand its role as a knowledge bank in the region and will prioritize demand-driven KPS to address external shocks and climate change. ADB will prepare country-specific fragility and governance assessments to support the PIC-12 in addressing their exposure to climate change and natural disasters, and limited capacity to plan for and respond to shocks. ADB is also well positioned to address gender equity issues and will do so by fostering regional and country discussions and policy work.

**12. Rapid response knowledge products and services.** ADB will introduce new events and mechanisms to bridge knowledge and capacity gaps. For instance, the new annual Pacific Symposium will provide a forum for exchanging ideas and experiences on common issues. ADB has initiated the Pacific Impact Webinar Series to help policy makers and experts discuss critical development issues. ADB will organize additional panel discussions between experts and PIC-12

<sup>3</sup> ADB. 2019. *Technical Assistance for Pacific Economic Management (Phase 3)*. Manila.

<sup>4</sup> ADB. 2017. *Technical Assistance for Pacific Fellows Program*. Manila.

officials to handle unforeseen or urgent knowledge needs and to respond to “just-in-time” knowledge requests. An example is the Pacific Utilities CEOs Talks, organized to discuss strategies to handle the impacts of COVID-19 on demand for services. ADB will continue to fund knowledge products and events that deepen the understanding of key lessons from ADB's work and to support cooperation between ADB and its partners.

13. **Value added and comparative advantage.** ADB's comparative advantage is rooted in decades of support for infrastructure development and policy dialogue in the region—enabling it to identify and address core capacity and knowledge gaps in close partnership with host governments, at the sector, initiative, country, and regional levels. Furthermore, ADB's Pacific country offices have deepened knowledge exchange between ADB and local counterparts and have enhanced coordination on identifying and responding to knowledge gaps. ADB's Pacific country offices enable ADB to play a lead role in development partner coordination, both in the individual PIC-12 and across the region, where collaboration is essential to effective assistance.

## F. Areas of Collaboration with Development Partners

14. **Coordination and knowledge support.** ADB collaborates at the regional, country, and institutional levels to address knowledge and capacity gaps. ADB, through its TA, supports regional organizations, including the Office of Pacific Energy Regulators Association, the Pacific Association of Supreme Audit Institutions, and Pacific Financial Technical Assistance Centre. As a part of its knowledge activities, ADB will continue to support the Pacific Regional Infrastructure Facility to build knowledge surrounding infrastructure and essential services.<sup>5</sup> It will also support private sector growth the Pacific Private Sector Development Initiative.<sup>6</sup> ADB collaborates with the governments of Australia, New Zealand, the European Union, and the World Bank through the Pacific Regional Infrastructure Facility and the Private Sector Development Initiative. ADB will also build and support new regional networks, including the Pacific Water and Wastewater Association, to enable ongoing capacity building for water utilities in the region. ADB is working with knowledge partners to promote research on economic development issues in the PIC-12 and produce research and analyses, including fragility and vulnerability assessments tailored to the needs of the PIC-12. ADB will leverage cross-departmental knowledge and resources, leveraging a One-ADB approach. The deputy director general of ADB's PARD will be the knowledge custodian for the region, and will coordinate with partners, and regional management, country directors, and nonsovereign departments.

## G. Knowledge Results

15. ADB anticipates delivering knowledge and capacity support through TA and project activities. Staff and consultants will support knowledge products and events funded by TA, and staff will encourage knowledge dissemination through web and social media posts, blogs, webinars, news releases, and launch events. ADB will deliver much of its knowledge support through PARD and leverage complementary activities in other departments to fill knowledge gaps in selected areas, such as climate change and private sector development. ADB will increasingly provide capacity support through project and lending activities and seek ways to involve a more diverse range of stakeholders in knowledge dissemination, including civil society. Given the high degree of collaboration with development and knowledge partners in the region, ADB will explore new approaches to cofinance and coordinate knowledge and capacity support with partner organizations to deliver more transformative impacts on a greater scale.

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<sup>5</sup> [Pacific Region Infrastructure Facility](#).

<sup>6</sup> [Pacific Private Sector Development Initiative](#).

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/CPS/?id=Pacific-2021>

1. Inclusive and Sustainable Growth Assessment
2. Country Operations Business Plan: Eleven Small Pacific Island Countries, 2021–2023
3. Development Coordination