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Evaluation of World Bank Assistance to Pacific Member Countries, 1992-2002

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Abbreviations and Acronyms

AAA	Analytical and Advisory Activities
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CODE	Committee on Development Effectiveness
DAC	Development Assistance Committee of OECD
EAP	East Asia and the Pacific Region
EEC	European Economic Community
ESW	Economic and Sector Work
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
ICR	Implementation Completion Report
ID	Institutional Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
LICUS	Low Income Countries Under Stress
LMI	Lower-Middle Income
LPC	Low Population Countries
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department
PAR	Performance Audit Report
PBD	Planning and Budgeting Department
PMC	Pacific Member Country
PWD	Public Works Department
PRS	Pacific Regional Strategy
RER	Regional Economic Report
SAC	Structural Adjustment Credit
SPPF	South Pacific Project Facility
TA	Technical Assistance
UNDP	United Nations Development Program

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Contents

Preface.....	i
Summary.....	iii
1. The Pacific Context.....	1
2. Economic and Social Development Progress Since 1992.....	3
3. World Bank Assistance to the PMCs, 1992-2002	
A. Objectives and Strategies	9
B. Lending Services.....	11
C. Non-Lending Services.....	16
D. Partnerships	20
4. Development Outcome Assessment	
Outcome: Moderately Unsatisfactory.....	23
Institutional Development Impact: Negligible	24
Sustainability: Unlikely	24
5. Contribution to Outcomes	
Bank Performance	26
Client Performance	28
6. Findings and Recommendations	29

Boxes

2.1 The US Experience in the Compact Countries Underscores the Lesson that Financial Aid in Itself is Insufficient to Ensure Sustainable Economic Development	7
3.1 The “Small States Agenda”—An Overall Framework for Bank Assistance to the Pacific?.....	10
3.2 Several Distinct Types of “Regional Assistance Strategy” Exist.....	11
3.3 Themes of the World Bank’s Regional Economic and Sector Reports, 1992-2002	16
6.1 Applying CDF Principles Going Forward.....	31

Figures

3.1 World Bank Lending to the PMCs was Significantly Lower than to Other Low- Population Countries.....	12
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Contents (continued)

Tables

1.1	The Nine Pacific Member Countries are a Diverse Group.....	1
2.1	Per Capita Income Growth Since 1992 has been Disappointing.....	3
2.2	Limited Access to Infrastructure Continues to be a Constraint	4
2.3	Social Indicators have Continued to Improve, Although Poor Conditions Persist in Parts of the Region	5
2.4	Other than Fiji, the PMCs Remain Highly Aid Dependent	8
3.1	Sector Distribution of Aid to the PMCs has Tended Toward the Social Sectors.....	14
3.2	Twenty Bank Lending Operations were Active Between 1992-2002	15
3.3	World Bank Lending was a Small Proportion of Official Development Aid to the Pacific Region, 1992-2002	21

Annexes

Annex A : Country Annexes	
<i>Fiji</i>	35
<i>Kiribati</i>	40
<i>Marshall Islands</i>	45
<i>Micronesia</i>	49
<i>Palau</i>	53
<i>Samoa</i>	57
<i>Solomon Islands</i>	62
<i>Tonga</i>	67
<i>Vanuatu</i>	72
Annex B : Statistical Annexes	77
Annex C : List of World Bank Activities in the Pacific Region, 1992-2003	91
Annex D : Selected World Bank Policy Recommendations to the PMC's, 1992-2002.....	95
Annex E : List of People Interviewed.....	99
Annex F : Guide to OED's Country Assistance Evaluation Methodology.....	103

Attachments

Attachment 1: Management Action Record	107
Attachment 2: Comments from the Government of Fiji	109
Attachment 3: Chairman's Summary (Committee on Development Effectiveness).....	111

Map of East Asia and Pacific Region	115
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Preface

This report is an evaluation of the World Bank's assistance to the Pacific Member Countries (PMCs) over the period 1992–2002. It follows a 1992 OED report that evaluated Bank assistance to the PMCs during the 1980s. The report primarily focuses on the five borrowing countries in the region: Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu.

The evaluation provides an independent assessment of the role of World Bank assistance during the period 1992–2002. Some references are made to Bank activities both prior to 1992 and after 2002, where relevant. The Country Assistance Evaluation (CAE) examines whether: (a) the objectives of Bank/IDA assistance were relevant; (b) the Bank's assistance program was effectively designed and consistent with its objectives; and (c) the Bank's program achieved its objectives and had a substantial impact on the country's development during this period. Examining these questions allows the CAE to draw lessons and recommendations for future Bank assistance. Annex F describes the methodological approach.

The principal intended audiences of the report are the Committee of Development Effectiveness (CODE) of the Board of Directors, Bank management, client governments, and the major development partners in the region. The report will be made available to the general public.

The basis for the CAE consists of project assessments, sectoral reviews, and external literature. Preparation of the report benefited from the inputs of numerous Bank staff who worked on the PMCs over the past decade. An OED mission visited the Pacific Islands in May/June 2003, and views and information from current and former PMC government officials and representatives of the private sector, NGOs, and other donors are also reflected in the report. A list of those interviewed is shown in Annex E. A draft report was sent to the Governments of the Pacific Islands for comments. Only the Governments of Tonga and Fiji responded. The Government of Tonga had no comments; comments from the Government of Fiji are attached as Attachment 2.

This CAE was prepared by Asita De Silva (Task Manager) under the direction of R. Kyle Peters, Senior Manager, OEDCR. Gene Tidrick was the peer reviewer for the report. Nicholas Hope (Stanford Center for International Development) provided detailed comments. The report reflects comments received from the Country Department for the Pacific member countries. Danuta Danilova provided research assistance and Janice Joshi provided administrative support.

Summary

1. The nine Pacific Member Countries (PMCs) of the World Bank Group are Fiji Islands, Kiribati, Marshall Islands, the Federated States of Micronesia, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu. The PMCs are a diverse group of countries, scattered over a large expanse of the Pacific Ocean, with the two most distant points some 6,000 miles apart. There are wide differences in their income levels, natural resource endowments, colonial heritages, cultures and customs, and degrees of social cohesion. No two countries have common land borders and to date only limited economic integration and political cohesion exists among them. In varying degrees, the PMCs face a range of development constraints common to small island states, including small domestic markets; vulnerability to external economic and natural shocks; and high costs of social and economic infrastructure provision. At the same time, the PMCs offer promise of sustainable economic growth and improvements in living standards. Potential sources of growth include greater returns and value-added to vast fisheries and other oceanic resources; tourism; small-scale cash crops; and light processing activities.

2. This evaluation covers Bank assistance to the PMCs since 1992, when the last OED review was completed. By the beginning of the 1990s, many of the PMCs had achieved social indicators comparable to those of middle-income countries. However, none had seen significant per capita income growth over the prior decade. The relatively high standards of living were attributed to substantial external aid targeted at the social sectors, “affluent” subsistence systems, and large inflows of worker remittances in some PMCs. A consensus emerged during the 1990s that the challenge facing the PMCs was to move away from the public sector-driven growth strategies of the past and stimulate and diversify their productive sectors in order to reduce dependence on external aid, increase resilience to shocks, and meet the rising expectations of the people in the PMCs.

3. Between 1992 and 2002, good progress was made in sustaining improvements in the social sectors. However, economic growth was disappointing and well below East Asia and the Pacific (EAP) region and Lower Middle-Income (LMI) averages. Significant income poverty and poor social conditions persist in parts of the region. Aid dependence and vulnerability to external economic shocks remain high. Within the PMCs, there were significant differences in progress, with Samoa and Fiji making the most progress toward establishing environments conducive to private sector led economic growth. Even in these countries, however, growth remains fragile and significant parts of the population do not participate in or see the benefits of economic growth. The need to generate sustainable and participatory economic growth in the PMCs is becoming increasingly urgent, with growing ranks of urban unemployed, exhaustion of some natural resources, and weakening of some traditional support systems.

4. Progress has been limited by the challenging context in the Pacific. Along with the challenges facing any small island nation, some PMCs, particularly those in Melanesia, are still wrestling with nation-building issues; some social and cultural practices are not fully conducive to market-oriented activity; and political instability in countries such as Fiji and the Solomon Islands continue to impede progress. In addition, significant governance and economic management shortcomings in some PMCs have resulted in the persistence of

poor policy and institutional environments, poor management of external aid, and ineffective programs from other donors.

5. The World Bank had a small resource transfer role in the region, accounting for just two percent of official aid disbursements since 1992. With the exception of a 1993 country assistance strategy for the Solomon Islands, the Bank did not produce formal assistance strategies for the PMCs until 2000. Between 1992-1997, the Bank adopted a minimalist approach, which comprised analytical and advisory services through a biannual Regional Economic Report, complemented by some “demand-driven” technical assistance. Just two Bank loans were approved during this period. After 1998, in response to consistent requests from PMCs and bilateral donors for a greater Bank presence, the Bank increased its lending activities and in 2000, a Pacific Regional Strategy was presented to the Board. A further seven loans were approved during this period in transport, telecommunication, health, education, and an adjustment loan to the Solomon Islands. Total new lending commitments since 1992 amounted to US\$77 million. In 2000, the Country Director for the PMCs was relocated to Sydney, Australia.

6. During the first period (1992-1997), the Bank produced some high quality analytical work that helped generate a broad consensus around what needs to be done in the region to improve economic management and growth. However, the Bank’s role as a knowledge provider was undermined by a lack of country-specific analysis and operationally useful recommendations, infrequent interaction and a lack of follow-up with the PMCs to help implement recommendations, and weak relations with other donors through which the Bank might have helped further implementation of its policy recommendations.

7. During the second period (1998-2002), the Bank improved its relations with both the PMCs and other donors (particularly after the Director moved to Sydney); continued providing sound analytical work; and undertook some effective lending in economic infrastructure. During this period, the Bank also enhanced its lending in the social sectors. While the Bank’s analytical and project work in health and education proved useful both directly to the PMCs and to other donors, OED questions the rationale of continued Bank lending in the social sectors given the high availability of grant funding, the significant presence of other donors in these sectors, and the need for the Bank to be highly selective in its activities in the PMCs.

8. Throughout the decade, the Bank’s assistance was weakened by a lack of specific country or sector-level objectives, which led to a focus on inputs rather than outcomes, and a diffusion of both its lending and non-lending work across too wide a range of sectors and themes rather than concentrating on a few key objectives. In addition, other than in the Solomon Islands, the Bank was not engaged in helping design or implement policy reforms in any of the PMCs, despite the need for such reforms to strengthen public sector management and improve the environment for private sector growth in at least seven of the nine PMCs. Finally, the Bank’s funding of its activities in the Pacific was below the funding of its assistance to other low-population countries, undermining implementation and effectiveness by inhibiting development of adequate relationships with countries and other donors; limiting the number of staff allocated to the region; and preventing adequate follow-through on its interventions.

9. For these reasons, the Bank did not have a substantial impact on the central objective facing the PMCs during the decade—that of stimulating higher and more participatory economic growth. The outcome of Bank assistance to the PMCs over the past decade is rated as *moderately unsatisfactory*, institutional development impact as *negligible*, and sustainability as *unlikely*.

10. The present challenge for the Bank is to identify its objectives, an appropriate level of engagement in each PMC, and cost-effective instruments for its assistance. The experience of the PMCs indicates that their key development constraint is not the availability of financial aid but rather the policies and institutions that govern private investment and the capacity to utilize public funds effectively. OED recommends that the Bank:

- Develop a regional engagement framework focused around a few select thematic/sectoral objectives. OED’s view is that these objectives should comprise: (a) rationalizing public expenditure policies and programs, which would allow the PMCs themselves to be more proactive in ensuring optimal allocations and enhancing the development impact of aid flows; and (b) removing policy and institutional impediments to private activity to enable growth and more participation in the key productive sectors of the PMCs;
- Define a specific set of objectives, a corresponding level of engagement, and a set of lending and non-lending options particular to each country within this regional framework;
- Prioritize support to complement country-level objectives with a highly select set of regional-level interventions, such as support in the fisheries sector, in air and sea transport industries, and in preparing to respond to natural disaster;
- Broaden and deepen its collaboration with other large bilateral and multilateral donors in the region;
- Ensure that its strategy in the Pacific is adequately funded and staffed in order to meet its results objectives beyond the delivery of outputs.

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1. The Pacific Context

1.1 *The Pacific Member Countries are a diverse group, with limited economic linkages and political cohesion.* The nine Pacific Member Countries (PMCs) of the World Bank Group are Fiji Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu. The PMCs are not a homogenous group. They differ widely in their population sizes, income levels, customs and cultures, natural resource endowments, physical attributes, colonial heritages, languages, degrees of social cohesion, and economic and social policies (see table 1.1). The total population of 2.1 million people is scattered across a vast area of the Pacific Ocean.¹ No two countries have common land borders and to date only limited economic integration and political cohesion exists among them. The PMCs are relatively young nations, with the average time since independence being just 27 years. Many PMCs have faced considerable nation-building tasks following independence and political instability continues to be a debilitating factor in some countries. Most of the PMCs have retained strong traditional cultural systems and in some cases, integrating traditional ways with modern ways of life has proved a difficult and traumatic challenge.

Table 1.1: The Nine Pacific Member Countries are a Diverse Group

Country	GNI per capita 2003 \$	Population 2003 ('000)	Land Area (km ²)	Sea area ('000 km ²)	No of Islands	No of Languages	Main Population Group	Population density (per sq.km.)	Year of Independence (From)	Year Joined Bank Group
Fiji	2,360	835	18,270	1,290	332	10	Melanesian/Polynesian/Indo-Fijian	45	1970 (UK)	1971
Kiribati	880	96	730	3,550	34	2	Micronesian	127	1979 (/UK)	1986
Marshall Islands	2,710	53	181	2,131	1,225	2	Micronesian	315	1979 (USA)	1992
Micronesia	2,090	125	701	2,780	607	17	Micronesian	155	1979 (USA)	1993
Palau	7,500	20	460	629	200	4	Micronesian	42	1994 (USA)	1997
Samoa	1,600	178	2,830	120	8	2	Polynesian	61	1962 (NZ)	1974
Solomon Islands	600	457	27,990	1,340	992	74	Melanesian	15	1978 (UK)	1978
Tonga	1,490	102	720	700	170	4	Polynesian	140	1974 (UK)	1985
Vanuatu	1,180	210	12,190	680	80	110	Melanesian	17	1980 (UK/France)	1981
Totals		2,076	64,072	13,220	3,648	225				

Source: World Bank, ADB, UNDP.

¹ The east to west span of the area covered by the PMCs is nearly 6,000 miles, greater than the distance between Paris and Los Angeles.

1.2 *Although they face formidable development constraints, the PMCs have opportunities as well.* With varying degrees, a range of common development constraints, typical to small island nations face the PMCs.² These include vast distances within the PMCs, between them, and to world markets; small and dispersed local markets; vulnerability to external economic and natural shocks and to environmental change; high unit costs of social and economic infrastructure provision; and cultural attributes that, at times, may discourage market-oriented activity. Good potential nevertheless exists for sustainable economic and social development. Among the PMC's natural endowments are extensive oceanic resources, including fisheries and untapped seabed minerals; fertile land and favorable climates for agricultural production; attractive sites for tourism development; and some natural resources (such as gold in Fiji and forests in the Solomon Islands). While the PMCs are often referred to as "small island developing states," according to one observer they may also be seen as "large ocean developing states."³ Widespread subsistence production along with strong social support systems have helped prevent the occurrence of absolute poverty in the PMCs.

1.3 *Treatment of the PMCs as a common group has its limitations.* The political, social, and economic circumstances vary considerable across the PMCs. Their historical ties and natural economic links with each other are relatively weak. Geographical 'proximity' and similar development constraints do not provide a good basis for a single common strategy for all PMCs nor for a regional integration assistance strategy. This fundamental limitation should be kept in mind in evaluating the Bank's program.

² An extensive literature exists on the constraints and vulnerabilities facing small states.

³ See *Pacific Island Regional Ocean Policy*, 2002.

2. Economic and Social Development Progress Since 1992

2.1 *The challenge over the past decade has been to stimulate economic growth.* By the early 1990s, many of the PMCs had achieved social indicators comparable to those of middle-income countries. However, despite high public investment rates, good human capital, relatively favorable natural resource endowments, and macroeconomic stability in the 1980s, they had seen virtually no per capita income growth. The relatively high social indicators were attributed to “affluent” subsistence systems; large inflows of worker remittances; and high levels of external aid that supported large public investments in the social sectors. A broad consensus emerged in the region that the “public-sector-led” growth strategies of the past had to yield to policies to stimulate and diversify the PMCs’ productive sectors in order to: (i) reduce dependence on continuous aid flows; (ii) increase resilience to external shocks; (iii) reduce pressure on land arising from rapid population growth; and (iv) meet the rising expectations of the people. Key growth sectors were expected to be commercial fisheries, agricultural crops, tourism, small-scale manufacturing, and some natural resource extraction. An underlying emphasis, moreover, was placed on preserving and integrating traditional cultures and systems rather than replacing them.

2.2 *The goal of stimulating economic growth was not realized in the 1990s.* Economic growth in each of the PMCs between 1992-2003 remained modest and was below the East Asia and the Pacific (EAP) region and Lower Middle Income (LMI) country averages (table 2.1). Per capita income growth stagnated or declined in five of the nine PMCs. The region’s major productive activities and their returns continued to be well below their potential. In fisheries, for example, of the US\$2 billion in tuna extracted from the Pacific each year, just 3 percent accrues to Pacific countries in royalties and license fees.⁴ Local ownership of vessels is limited, with foreign ships accounting for over 90 percent of the catch. With little local processing taking place, the PMCs do not share in the additional US\$2-4 billion in value added to the tuna during processing and distribution. In tourism, all nine PMCs together received less than 600,000 tourists in 2000, compared to 465,000 received in the Maldives alone (a country with a population of 280,000) or less than 10 percent of tourist arrivals in Hawaii. Agricultural exports continue to comprise a narrow range of raw commodities, with only limited agro-processing taking place in most PMCs.

Table 2.1: Per capita Income Growth since 1992 has been Disappointing

	<i>GDP growth rate 1992-2003 (annual average)</i>	<i>GDP per capita growth rate 1992-2003 (annual average)</i>
Fiji	3.2	2.0
Kiribati	4.1	1.8
Marshall Islands	-0.5	-1.7
Micronesia	0.9	-1.1
Palau	1.4	0.5
Samoa	4.1	3.4
Solomon Islands	0.3	-2.4
Tonga	2.3	2.0
Vanuatu	2.4	-0.4
EAP Average	7.5	6.3
LMI Average	3.4	2.3

Source: World Bank, WDI 2004.

⁴ Data from Forum Fisheries Agency.

2.3 *Good policy and institutional performance remains the exception rather than the rule.* Of the five PMCs whose performance ratings are available (Kiribati, Samoa, Solomon Islands, Tonga and Vanuatu), Samoa ranks in the top quintile among all IDA borrowers in the Country

Performance Ratings (CPIA), while the other four are in the bottom two quintiles. During the decade, Fiji and Samoa made the most progress toward establishing policy frameworks and infrastructure conducive to market-oriented and private sector-driven growth (although the environment in Fiji has been undermined by political instability, public sector inefficiencies, and periodic lapses in fiscal discipline). As discussed in the Country Annexes, reforms in these countries contributed to higher growth rates. Even in these economies, however, growth

remains fragile and many people still do not participate in or see the benefits of economic growth. A range of policy and institutional constraints continue to inhibit both small and larger-scale private sector activity in the region. These include: (i) limited access to economic infrastructure and services, especially outside urban areas and in outer islands (see table 2.2); (ii) complex land ownership regimes; (iii) regulatory controls, tax and tariff regimes, and other policy distortions that inhibit market signals; (iv) poor competitive environments caused by public monopolies in commercial areas; and (v) inefficient public utility, shipping, and air transport industries.

2.4 *Progress in improving social indicators was sustained, although income-earning opportunities remain low.* Several key social indicators continued to improve in the 1990s (table 2.3). Life expectancy increased in most PMCs and ranges from 63 years in Kiribati to 71 years in Tonga, compared to an EAP regional average of 69 years. Other than in Kiribati and the Marshall Islands, infant mortality is at or below the average for LMIs. Adult literacy rose in most PMCs, although it stagnated in Solomon Islands and Vanuatu, where less than 35 percent of adults are literate.⁵ In some PMCs, e.g. Tonga and Samoa, access to basic social services is nearly universal. In others, however, less than half the population has access to improved water sources and at least 20 percent of the people lack access to any health care services in several PMCs. Poverty remains an issue throughout the region. According to Asian Development Bank (ADB) estimates, 50 percent of the population in Kiribati lives in poverty; 40 percent in Micronesia and Vanuatu; 30 percent in

Table 2.2: Limited Access to Infrastructure Continues to be a Constraint

	<i>Paved Roads % (1995-2000)</i>	<i>Fixed and mobile phone subscribers per 1000 people (2001)</i>	<i>Personal Computers per 1000 people (2001)</i>	<i>Internet users thousands (2001)</i>
Fiji	49.2	211	60.9	15
Kiribati		48	23.2	2
Marshall Islands		67	50	1
Micronesia	17.5			5
Palau				
Samoa	42	82	6.7	3
Solomon Islands	2.5	21	50.9	2
Tonga	27	112		3
Vanuatu	23.9	35		6
Maldives		168	21.9	10
Mauritius	97	509	109.1	158
Belize	17	305	135.2	18
LMI AVERAGE	53	246	25.5	

Source: World Bank, 2003.

⁵ Measurement of literacy in Solomon Islands and Vanuatu (sometimes referred to as “Melanesian Countries”) is complicated by the numerous indigenous languages in each country.

Fiji; and 20 percent in Marshall Islands.⁶ Significant rural (outer-island) /urban imbalances exist in many of the PMCs, with infrastructure quality, access to publicly provided services, and economic opportunities dropping significantly outside urban centers. Up to 80 percent of the population in the Solomon Islands and Vanuatu remains entirely outside the formal economy, relying on subsistence production for its livelihood. Limited formal employment opportunities have led to high levels of emigration among the Polynesian countries and, for example, as many Tongans live outside the country as within.

Table 2.3: Social Indicators Have Continued To Improve, Although Poor Conditions Persist in Parts of the Region

	Life Expectancy at birth (years)		Adult Literacy (% of population)		Infant mortality (per 1000 live births)		Access to Improved water source (% of pop.)	
	Early 1990's	Early 2000's	Early 1990's	Early 2000's	Early 1990's	Early 2000's	Early 1990's	Early 2000's
Fiji	66	69	89	94	23	18		47
Kiribati	58	63	90	93	62	51		48
Marshall Islands	69	65	91	97	61	37		14
Micronesia	65	67		72	24	20		41
Palau	67	68		92	27	17		79
Samoa	68	69	98	99	25	20	69	91
Solomon Islands	65	69	30	30	27	20	61	71
Tonga	70	71	99	99	24	17	96	100
Vanuatu	65	68		34	48	34		44
EAP	68	69	81	87	42	34	71	76
LMI	68	69	82	87	41	33	75	81

Source: World Bank; ADB; UNDP; Government reports.

2.5 *The region's economies continued to be significantly effected by external natural and economic shocks.* The cost of cyclones and other natural disasters in the region in the 1990s exceeded some US\$1 billion and placed significant strains on individual economies.⁷ The 1992 Cyclone Val in Samoa, for example, caused damages estimated at 82 percent of Samoa's GDP that year. The low-lying atoll PMCs are increasingly vulnerable to climate change and rising sea levels. According to Bank staff estimates, severe inundations in Kiribati by 2050 could cause annual damages of up to 35 percent of its 1998 GDP. Vulnerabilities associated with dependence on a few commodity exports also remained high. In the Solomon Islands, a large drop in GDP followed the collapse of timber prices in 1997. In Samoa, the taro leaf blight epidemic in 1994 virtually eliminated production of taro, which previously had accounted for 50 percent of Samoa's exports. Efforts to mitigate vulnerability to external shocks by building levels of reserves above prudential norms have yet to be successful. Aside from Samoa, which managed to maintain average international reserves equivalent to 5.5 months of imports, average reserves among the borrowing PMCs during the past decade ranged from 1.7 to 3.6 months, compared to 6.7 months in EAP and 6.9 months in LMI countries.

⁶ See Asian Development Bank, *Millennium Development Goals in the Pacific: Relevance and Progress*, March 2003 for details and definitions. Each country has a different definition of poverty. Definitions are complicated further because subsistence food production often substitutes for measured income. ADB states that data may be unreliable and should be treated with caution.

⁷ World Bank estimate.

2.6 *Other than in Fiji, dependence on external aid remains high.* Official aid to the PMCs during the decade remained high, with annual gross disbursements averaging US\$243 per capita, compared to US\$165 to low population countries (LPCs) in Africa and US\$210 per capita to LPCs in LAC.⁸ Aid levels within the PMCs varied considerably, however. The US Compact countries⁹ were the most heavily dependent on aid, with gross flows between 1992-2002 accounting for over 40 percent of annual GNI. Fiji, the least dependent, received aid accounting for just 2 percent of GNI, the lowest proportion of all 25 LPCs worldwide. In the rest of the PMCs, aid ranged between 18-21 percent of GNI, above the overall average for all LPCs. With the bulk of aid coming in as grants and concessional finance, debt service levels have remained manageable (ranging between 1 to 6 percent of exports). Fiji, which has received limited grant assistance, deliberately pre-paid its external debt during the decade, reducing it to 11 percent of GDP in 2002, compared to an LMI average of 41 percent. Samoa's external debt, on the other hand, has risen to nearly 60 percent of GNI in present value terms, with debt service exceeding 10 percent of exports in recent years.

2.7 *Despite its high levels, there is dissatisfaction about the impact of donor aid on sustainable development in the Pacific.* At present, there is broad dissatisfaction with the role of aid in developing self-sustaining economies in the region. While systematic impact assessments remain to be done, a number of reviews point to the existence of large public sectors, overvalued exchange rates, high prices, high wages, corruption, poor infrastructure, and weak capacity in governments as the consequences of high levels of ineffectively utilized aid. The ADB has been involved in policy-based operations in nearly all the PMCs, including the US Compact Micronesian countries since the mid-1990s. A 1999 evaluation of these programs, however, found that progress had been difficult and slow and that the results attained were much lower than desired.¹⁰ A 2000 US government report found that "US funds to two Micronesian countries had little impact on economic development" (see box 2.1). Another review of aid in the Pacific in 2003 argued that aid has been spent on consumption rather than investment; undercut private sector development, employment and growth; and led to corruption.¹¹ It suggested that a "harsh" but effective step might be for Australia to suspend all its aid and thus provide a catalyst for change. A "softer" alternative proposed was for aid to be spent only on "mutually agreed development projects and programs designed and monitored by teams nominated by the sovereign recipients and donors."

2.8 *Other views, however, emphasize the positive impact aid has had on the transition to independent nationhood and in improving social indicators.* At the same time, positive impacts of external aid can be discerned. AusAID, for example, argues that the situation in

⁸ "Low Population Country (LPC)" refers to Bank member countries with populations under 1 million people.

⁹ The US Compact countries are Marshall Islands, Micronesia, and Palau.

¹⁰ ADB, *Reforms in the Pacific: An Assessment of the Asian Development Bank's Assistance for Reform Programs in the Pacific*, 1999.

¹¹ Hughes, Helen, *Aid Has Failed in the Pacific*, 2003.

the Pacific “would be far worse” without its on-going assistance.¹² It suggests that AusAID assistance has supported improving social indicators, the legitimacy of national governments, and the viability of Pacific countries as democratic nations. Similarly, the US Department of the Interior (which administers US Compact aid) argues that US aid helped secure self-government in the Compact countries after four decades of trusteeships and that they otherwise “could not have succeeded as political entities.” It further emphasizes the short histories of the countries since independence, the nation-building tasks, and the difficult economic development starting points they faced as factors that should condition any assessment of economic development progress. It is also clear that some countries in the Pacific have been more effective than others in utilizing financial aid. Samoa, for example, has translated high levels of aid into infrastructure development, human capital development, and policy and institutional reforms. This is consistent with the Bank’s worldwide experience that financial aid is only effective in the presence of good policies.

Box 2.1: The US Experience in the Compact Countries Underscores the Lesson that Financial Aid in Itself is Insufficient to Ensure Sustainable Economic Development

In 2000, the US General Accounting Office produced an assessment of the impact US assistance was having in the Federated States of Micronesia and the Republic of the Marshall Islands. It found that although \$1.6 billion in Compact funds had been spent between 1987 and 1998, there had been “little improvement in economic development” in the two countries. Key findings were that significant investments in infrastructure had not led to economic growth; per capita incomes had stagnated in Micronesia and declined in the Marshall Islands; and Compact funds had helped maintain high government wages and high levels of public employment that discouraged private sector growth. The report concluded that both countries remain highly dependent on US assistance and that “economic self-sufficiency at current living standards remains a distant goal for the FSM and the RMI.”

Among the lessons drawn by the report were that (i) Compact funds were spent without planning or were misused as either bad public commercial investments or maintenance of large public sectors; (ii) many projects failed because the countries did not conduct cost-benefit or feasibility analyses or plan for local environmental conditions or maintenance needs; (iii) countries were insufficiently accountable for effective use of the funds; and (iv) persistent project implementation problems demonstrated a lack of adequate local skills and experience in managing projects and large budgets.

- from US General Accounting Office, Report to Congressional Requesters, “US Funds to Two Micronesian Nations Had Little Impact on Economic Development,” GAO/NSIAD-00-216, September 2000.

2.9 *The need to advance sustainable economic growth in the PMCs is becoming increasingly urgent.* With only limited progress in generating self-sustaining growth, reducing dependence on aid, and improving the quality of life, the need to advance the PMC’s development objectives is becoming increasingly urgent. High levels of rural-urban migration are straining urban infrastructure and services, causing deteriorating living conditions and threatening the environment. Uncontrolled exploitation of some natural resources, such as forests in the Solomon Islands and some fish species, risks exhausting them. With reports of tuna stocks in the Indian and Atlantic oceans depleting, increasing pressure on Pacific tuna resources is expected as the world’s fishing fleets move that

¹² AusAID, *Why Our Aid to the Pacific is so Important*, May 2003.

way. There are signs of weakening traditional support systems that in the past have prevented the incidence of absolute poverty and hardship.¹³ Education systems are producing young people with high expectations who then find limited formal sector opportunities, forcing them to return to subsistence living (for which they are less prepared), emigrate if so able, or join the growing ranks of urban unemployed.

Table 2.4: Other Than Fiji, the PMCs Remain Highly Aid Dependent

<i>(Gross aid disbursements, annual average, 1992-2002)</i>	<i>Aid as a % of GNI</i>	<i>Aid per capita, (US\$)</i>	<i>World Bank Aid as a percent of Total</i>
Fiji*	3	68	6
Kiribati	21	194	0
Marshall Islands	51	1,124	0
Micronesia	43	883	0
Palau	74	1,727	0
Samoa*	19	238	6
Solomon Islands*	18	138	5
Tonga*	19	297	0
Vanuatu*	18	211	1
Average EAP LPCs (excl Fiji)	28	368	1.4
*Average 5 PMC borrowers (unweighted)	15	190	3.6
Average AFR LPCs	20	165	8
Average LAC LPCs	12	211	8
Average SAR LPCs	14	105	5
Average ALL LPCs	14	190	6

Sources: WDI August 2003; OECD Database as of 6 Feb 2004 (www1.oecd.org). Official Development Finance (ODF): Used in measuring the inflow of resources to recipient countries includes: (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA. LPC: Low Population Countries are Member States of the World Bank with populations of less than 1 million people.

¹³ See, for example, ADB, *Indigenous Peoples/ Ethnic Minorities and Poverty Reduction - Pacific Region*, June 2002.

3. World Bank Assistance to the PMCs, 1992-2002

A. Objectives and Strategies

3.1 *The 1992 OED evaluation found that the Bank was generally unable to make an effective contribution to the development of the PMCs during most of the 1980s.* Between 1980 and 1992, the Bank had a formal collaborative agreement with ADB, under which the Bank co-financed projects that were appraised and supervised by ADB. The Bank also undertook country-specific economic and sector work (ESW). The 1992 OED evaluation found that while the co-financing arrangement generated administrative savings to the Bank, lending operations were not underpinned by appropriate country strategies and ESW and were generally ineffective. The Bank's secondary role, moreover, led to weak relationships with countries in the region. The evaluation recommended a limited, focused lending program for the Bank in the region. It also suggested that the Bank's major role should be to help the countries prepare and implement appropriate development strategies. Two options were proposed: (a) continue with the current financing arrangement with ADB and expand it to cover ESW; or (b) maintain the Bank's ESW and lend directly for projects in the PMCs. In response, the Region stated that it was re-assessing its strategy, with three factors likely to play an important role: direct, but limited, lending; an enhanced program of economic and sector work to underpin policy dialogue with member countries; and the creation of an effective aid coordination mechanism.

3.2 *Between 1992-2000, the Bank operated without a formal strategy for the PMCs.* Despite the indication by Management that a strategy was being developed, no regional strategy for the PMCs was presented to the Board until FY00. A country assistance strategy for the Solomon Islands was presented in 1993 that identified the Bank's objectives in the country as: (i) policy dialogue for macroeconomic stabilization and structural reforms; (ii) a limited lending program in education and health; and (iii) assistance to develop a sustainable forestry regime.¹⁴ The Bank did not formally identify any other objectives or strategies for the PMCs. From internal correspondence, the Bank's implicit objectives in the Pacific during this period were to: (i) provide policy advice and assist countries in formulating and implementing development strategies; (ii) focus investment lending on the education sector, where ADB was inactive; and (iii) act as "lender of last resort" in the region. An underlying principle was to contain costs and minimize duplication with other donors, while still providing "some service" to the PMCs. The Bank's comparative advantage was determined to lie in helping develop and implement development strategies. The biannual Regional Economic Report (RER) would remain the main vehicle for policy advice and dialogue, complemented by regional sector reports and "demand-driven" technical assistance. In an informal agreement, ADB would provide country-specific analytical work. In lending, the Bank ended its agreement with ADB in favor of a more direct role in project lending.

¹⁴ The Solomon Islands country assistance strategy was presented to the Board with the Education III Project.

3.3 *The Bank increased its lending activities after 1997 and a Pacific Regional Strategy was presented to the Board in 2000.* After 1997, in response to consistent requests from PMCs and bilateral donors, the Bank increased its lending and ESW activities. As part of a Bank-wide reorganization, a Country Department for the PMCs and Papua New Guinea was created in 1997.¹⁵ In 2000, this unit was relocated to Sydney, Australia to help develop closer relationships with clients and donors in the region. Also in 2000, a Pacific Regional Strategy (PRS) was presented to the Board. This strategy defined the Bank's overall goal in the Pacific as "helping develop the human capital, policies, institutions, and infrastructure needed to bring about equitable, sustainable growth and higher living standards." Bank objectives under the strategy were identified as: (i) helping promote the small states agenda (see box 3.1); (ii) developing a focused and innovative lending program; (iii) producing more responsive regional and country-based economic and sector work; and (iv) fostering country-driven aid coordination. Areas identified for Bank lending were health and education; transport and telecommunication infrastructure; environment and natural resource management; and support for economic policy reform. No further country-specific or sector-specific objectives were identified in the PRS. Throughout the decade, the Bank maintained a flexible IDA graduation policy for five of the nine PMCs, enabling them to borrow on IDA terms despite relatively higher incomes.¹⁶

Box 3.1: The "Small States Agenda"—An Overall Framework for Bank Assistance to the Pacific?

Following the 1994 Declaration of Barbados, the international community defined an agenda for the sustainable development of small island nations. This agenda was endorsed at the 22nd Special Session of the UN General Assembly in 1999 and its implementation is included in the Millennium Development Goals (Target 14). In 2000, a joint task force of the Commonwealth Secretariat/World Bank defined a framework for World Bank assistance to small states as: (i) focusing on poverty reduction; (ii) reducing transaction costs and partnering with other donors; (iii) supporting private sector development; (iv) supporting regional initiatives; (v) helping exploit information technology to the benefit of small states; (vi) lowering the cost of natural disasters and improving risk management; (vii) protecting the physical environment; and (viii) accumulating and sharing knowledge on small states. The small states framework placed increased attention on the Bank's activities in the small states. As the task force report recognized, not all of these objectives are relevant to the same degree for all small states. The focus on regional approaches and regional institutions is less applicable to the PMCs than in the Caribbean and the Africa regions, because of the lack of effective regional cohesion in the Pacific area.

Source: "Small States: Meeting Challenges in the Global Economy", Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, April 2000.

3.4 *Bank activities in the PMCs lacked a strategic framework and country and/or sector-wide objectives for over a decade.* In retrospect, the Bank never clearly adopted a set of objectives either on a country-wide basis or on a sector wide basis during the

¹⁵ When the Bank initiated activities in Timor Leste, it was added to this country department.

¹⁶ The Bank has made exceptions to the GNP per capita cut-off for IDA eligibility for some small islands economies because of their vulnerability to shocks and because they "otherwise would have no access to Bank assistance because they lack creditworthiness". The five PMCs eligible for IDA financing are Kiribati, Samoa, Solomon Islands, Tonga and Vanuatu. The other four, Fiji, Marshall Islands, Micronesia and Palau are IBRD eligible only.

decade. As a result, the Bank's program lacked focus and measurable goals and in turn, its relevance and effectiveness are difficult to assess. Internal communications and the 2000 regional strategy focused almost exclusively on instruments, e.g. "innovative lending," "responsive ESW," "lender of last resort," but never defined a set of objectives towards which the instruments would be deployed. While the strategy documents acknowledged the large flows of assistance from other donors, they did not identify what countries, sectors, or activities they were flowing into; the objectives of other donors; or how the Bank program was adjusted as a result. Finally, the small states agenda is diffuse and provides little concrete guidance to the Bank's activities in the PMCs and its regional aspects are of less relevance to the Pacific Islands. The PRS fell short of being a viable, coherent assistance strategy in that it was not a regional integration strategy, nor a compilation of individual country strategies, nor a presentation of a common set of objectives and strategies for all the PMCs (see box 3.2).

Box 3.2: Several Distinct Types of "Regional Assistance Strategy" Exist

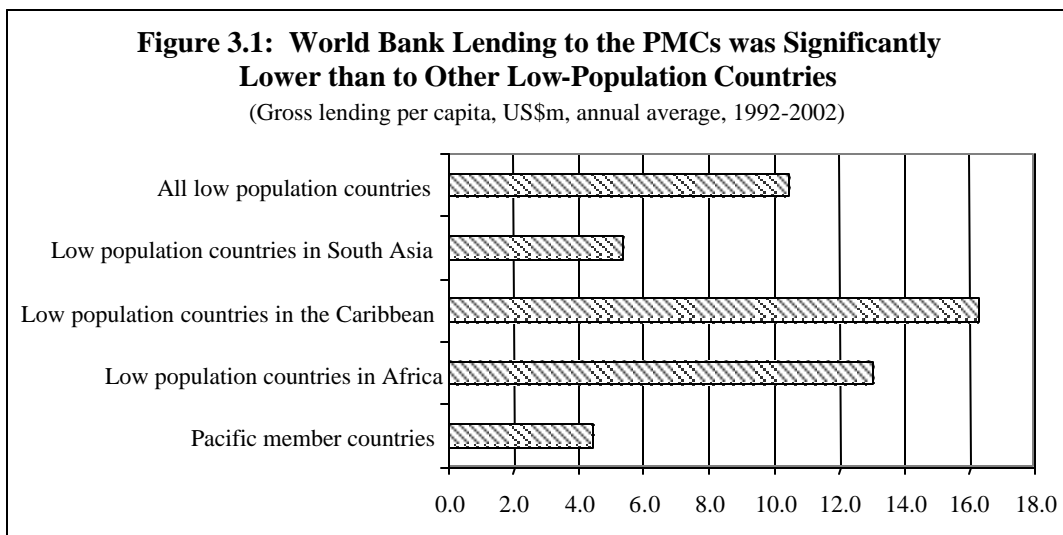
- 1) *A synthesis of individual country assistance strategies.* The Asian Development Bank in 1996 and again in 2000 issued a "Pacific Strategy" in which it identified its broad goals in the Pacific. Within this framework, Country Strategy Papers and Country Assistance Plans were prepared for each member country, which specified ADB's support for policy reforms, sectoral investment programs, and technical assistance in each country. Recently, the Bank's Regional Vice Presidential Units (VPUs) have prepared "Regional Strategies," which synthesize the Bank's overall goals and approach in each region. Within the broad regional framework, "different approaches for different clients" (as stated in the South Asia strategy) are established through country-specific assistance strategies.
- 2) *Regional Integration Assistance Strategies (RIAS)* such as those the Bank has prepared for West and Central Africa. These strategies have focused exclusively on Bank assistance to support regional integration. As stated in the RIAS for West Africa, "[the RIAS] is not about the Bank's assistance to West Africa. It is neither a sum nor a synthesis of Country Assistance Strategies. As such, it looks less at problems that are common to all countries than at problems whose solution lies in a regional approach..."
- 3) *A single common strategy for more than one country with highly similar circumstances and objectives,* such as the CASs for the Eastern Caribbean Sub-Region prepared in 1995 and 2001. These assistance strategies were defined on the basis of development objectives elucidated by a regional body, the Organization of Eastern Caribbean States Secretariat and defined a set of Bank objectives and instruments that applied across the countries in the group.

B. Lending Services

3.5 *The Bank had a minimal resource transfer role during the decade.* Total new commitments to all PMCs between 1992-2002 amounted to US\$77 million, representing 4 percent of total official commitments to the PMCs during the decade. This included two projects for US\$32 million approved between 1992-1997 and a further seven projects worth US\$45 approved between 1998-2002. The level of lending was considerably lower than Bank lending to other low-population countries (LPCs)¹⁷: Bank disbursements to the

¹⁷ Low Population Countries (LPCs) are defined here as Bank member countries with populations of less than one million.

PMCs between 1992-2002 averaged \$4.5 per capita per year, compared to \$13.1 to LPCs in the Africa Region and \$16.3 to LPCs in the LAC Region (see figure 3.1). The low level of lending was a result of a combination of several factors: (i) the high amount of grant aid in the region and high lending from ADB, which led the Bank to deliberately limit its efforts to lend; (ii) a weak relationship with the PMCs and other donors, which reduced the Bank's ability to pursue lending in several areas that it intended to do so; (iii) a weak policy environment in many PMCs and difficult political conditions in Fiji and the Solomon Islands; and (iv) limited allocation of resources and staff to develop a more active lending program. These constraints were reflected in some 27 projects being commenced and then dropped—nearly three times the number of projects approved, compared to a one-to-one ratio of approved to dropped projects in the rest of the Bank. Some operations, for example, were brought to advanced stages of preparation, but were subsequently funded by other donors.



Note: Low population countries refer to Bank Member countries with fewer than 1 million people.

3.6 *Bank lending was concentrated in three PMCs.* Six of the nine projects approved during the decade were to Samoa (3) and the Solomon Islands (3). By amount, lending to the Solomon Islands, Samoa, and Fiji accounted for 88 percent of new commitments between 1992-2002. This distribution reflected a large infrastructure loan to Fiji, and an improving environment for public investment in Samoa since the late 1990s. While the environment for lending to the Solomon Islands has been poor, Bank operations comprised the 1999 adjustment loan that endeavored to help improve this environment as well as investments in health and education. Among the other PMCs, Micronesia, Marshall Islands, and Palau were all beneficiaries of significant grant aid under the Compact of Free Association with the United States and were uninterested in borrowing from the Bank. Kiribati maintained significant external reserves and also did not pursue borrowing from the Bank. Vanuatu, on the other hand, was an interested IDA-eligible borrower that did not receive a single loan during the period under review. Although the Bank expressed the intention to explore regional-level lending along the lines of models in Africa and the Caribbean in its 2000 strategy, in retrospect, this proposal did not reflect an accurate

assessment of the economic and political cohesion in the Pacific and regional lending was not pursued.¹⁸

3.7 *Bank lending in infrastructure and the adjustment loan to the Solomon Islands were relevant interventions.* By sector, four projects were in infrastructure (transport, telecommunication); four were in the social sectors (health and education); and one was an adjustment operation in the Solomon Islands. The Bank appropriately avoided lending in such other areas as financial intermediation, housing, and agriculture where it had enjoyed little past success.¹⁹ The composition of Bank commitments differed from ADB, which allocated more than half of its lending to water supply and sanitation, government and civil society, and finance (see table 3.1). In retrospect, continued Bank lending in infrastructure was relevant, given a priority need for the PMCs to establish effective basic infrastructure networks and supportive institutional environments; positive prior Bank contributions in these areas; and a view among PMC officials interviewed by OED that direct Bank engagement in infrastructure offered benefits beyond the financing component, such as the Bank's world-wide experience and technical expertise. A continued demand for Bank support in infrastructure also reflected in the statement by the Governor of Palau representing seven PMCs at the 2003 Annual Meetings that "above all the [Bank's] strategy must recognize that past lending support has been too limited and that such funding access is primary to the development of a modern infrastructure." The FY99 adjustment loan in the Solomon Islands was also a relevant intervention that followed several years of dialogue on economic reforms. It supported a reform-minded government and aimed to phase in the basic policy framework for a market-oriented and private sector-led economy, which remains an essential need in the Solomon Islands.

3.8 *Given the need for selectivity, the prudence of Bank lending in the social sectors is open to question, however.* Bank lending in the social sectors accounted for 40 percent of new Bank commitments during the decade. While some of these interventions made positive contributions in themselves, their appropriateness in the context of a limited overall Bank role is questionable because of: (i) the high degree of bilateral donor involvement in these sectors; (ii) the reluctance of some PMCs to borrow for "soft sectors" as grant financing was available; and (iii) a perception among PMCs and other donors that there was an unmet demand for Bank assistance in other areas. In practice, moreover, the Bank had an unsuccessful experience in the social sectors in Vanuatu and the Solomon Islands. An education project in Vanuatu, for example, cost the Bank over US\$750,000 to prepare but was subsequently cancelled without disbursing when a new government withdrew support for the project. In the Solomon Islands, the Education III project, which closed in 2001 had an unsatisfactory outcome. In addition, the Bank incurred over US\$500,000 in preparation costs for a fourth education project. However, when the Solomon Islands fell into non-accrual status, the project had to be dropped and it was subsequently financed by grants from other donors. While the situation for lending

¹⁸ For example, in 2002, the Bank considered helping create a regional, multi-country utility regulator along the lines of one created in the Eastern Caribbean, but this approach was dropped due to the "limited degree of political cooperation among Pacific States at this time." See PAD, dated November 20, 2002; report no. 24794, of the Samoa Telecom Project, 2003.

¹⁹ See OED review, 1992.

in the social sectors was not attractive, the Bank's non-lending work had positive outcomes in helping develop sector strategies and facilitated the funding activities of other donors.

Table 3.1: Sector Distribution of Aid to the PMCs has Tended Toward the Social Sectors
(percent of total aid commitments, 1992-2002)

<i>Sector</i>	<i>IDA</i>	<i>ADB</i>	<i>All Multilaterals</i>	<i>Australia</i>	<i>EU Members Total</i>	<i>New Zealand</i>	<i>Japan</i>	<i>USA</i>	<i>All Donors</i>
Social Infrastructure & Services	53	65	43	75	57	72	23	5	37
Education, Total	31	9	12	32	23	59	8	0	14
Health, Total	14	4	3	11	13	6	7	2	6
Population Programs	0	2	1	0	0	0	0	1	0
Water Supply & Sanitation	0	13	8	7	3	2	6	0	5
Government & Civil Society	0	33	14	18	3	4	0	0	8
Other Social Infrastructure & Services	9	4	4	8	14	1	3	3	5
Economic Infrastructure	29	21	22	4	25	5	49	3	19
Transport & Storage	22	3	13	2	10	2	35	0	12
Communications	7	0	1	0	10	0	1	1	1
Energy	0	5	3	1	3	0	13	2	5
Banking & Financial Services	0	6	3	0	2	1	0	0	1
Business & Other Services	0	6	2	0	0	1	0	0	1
Production Sectors	0	5	13	8	7	15	24	2	11
Multisector	0	8	9	8	4	9	4	13	9
Commodity Aid / General Prog. Assistance	0	0	8	3	0	0	0	61	18
Unallocated/Unspecified	18	0	4	1	3	0	0	15	5
Total	100	100	100	100	100	100	100	100	100

Source: OECD Database: CRS/Aid Activities, ODA/OA Commitments - Aggregated by sectors, 1990-2003. Data as of February 19, 2004.

3.9 *Lending outcomes were below Bank and regional norms, but varied considerably by country and sector.* Fifteen projects were completed and evaluated during the decade (see table 3.2). Of these, 66 percent were rated satisfactory at completion, compared to a Bank-wide average of 71 percent satisfactory. Project outcomes varied considerably by country. In Samoa and Fiji, all projects (8 out of 8) were rated satisfactory at completion, while just 29 percent were rated satisfactory (2 out of 7) in Vanuatu, the Solomon Islands, and Tonga. By sector, 80 percent of projects in infrastructure had satisfactory outcomes, compared to a Bank-wide average of 69 percent; 66 percent of projects in the social sectors were satisfactory, compared to 76 percent Bank-wide; and both the financial sector operation in Tonga and the adjustment loan to the Solomon Islands had unsatisfactory outcomes. The evidence that is available on projects approved during the evaluation period, points to no overall improvement in the quality of the Bank's portfolio: of the four projects approved after 1992 and closed during the evaluation period only one had a satisfactory outcome, two were unsatisfactory and one was cancelled prior to effectiveness. The Country Annexes review the development contribution of Bank lending in each of the PMCs.

3.10 *A positive broadening of Bank project objectives in the late 1990s indicates the way forward.* Several interventions designed and financed by the Bank in the 1980s aimed at physical construction targets within their respective sectors, along with technical assistance to strengthen implementing agencies. This was the case, for example, with the first Fiji transport project and the first education project in Solomon Islands. More recent interventions, however, have been oriented toward addressing underlying policy and

institutional weakness in the respective sectors and have been used more effectively as instruments of policy dialogue. The FY98 Infrastructure Asset Management project in Samoa, for example, evolved into the first of a series of programmatic lending operations aimed at infrastructure asset management and risk mitigation. Health interventions in Samoa and the Solomon Islands aimed to help implement broad sector-wide reform agendas. Policy dialogue and the SAC approach in the Solomon Islands sought to redress underlying weaknesses in economic management. The recent Telecom project in Samoa tackles lack of competition and inadequate regulation in the sector.

Table 3.2: Twenty Bank Lending Operations Were Active Between 1992-2002

<i>Approval Year</i>	<i>Country</i>	<i>Present Status</i>	<i>Project</i>	<i>Sector</i>	<i>Net Loan Amount (\$m)</i>	<i>Outcome Rating</i>	<i>Latest DO Rating</i>
<u>Approved Prior to 1992</u>							
1986	Samoa	Closed	Multiproject	Rural infrastructure	3.1	SAT	
1986	Solomon Islands	Closed	Education II	Education	6.1	SAT	
1986	Vanuatu	Closed	Multiproject	Rural infrastructure	2.5	UNSAT	
1987	Samoa	Closed	Afulilo Hydropower Project	Power	3.7	SAT	
1988	Fiji	Closed	Road Upgrading	Transport	23.4	SAT	
1988	Vanuatu	Closed	Education	Education	8.6	SAT	
1989	Fiji	Closed	Third Telecom	Telecom	7.6	SAT	
1989	Samoa	Closed	Telecom	Telecom	5.0	SAT	
1990	Fiji	Closed	Housing	Urban Development	12.9	SAT	
1990	Samoa	Closed	Emergency Road Rehabilitation	Transport	20.4	SAT	
1990	Tonga	Closed	Development Bank II	Financial Sector	2.3	UNSAT	
1991	Vanuatu	Closed	Housing	Urban Development	1.6	UNSAT	
<u>Approved between 1992-1997</u>							
1992	Fiji	Closed	Road Upgrading II	Transport	14.9	SAT	
1993	Solomon Islands	Closed	Education III	Education	17.1	UNSAT	
<u>Approved between 1998-2002</u>							
1998	Samoa	Closed	Infrastructure Asset Management	Infrastructure	14.8		HS
1999	Solomon Islands	Closed	SAC	Economic Policy	7.0	UNSAT	
2000	Samoa	Active	Health project	Health	5.0		S
2000	Solomon Islands	Active	Health Sector Development	Health	4.0		U
2001	Vanuatu	Cancelled	Second Education	Education	3.5		U
2002	Tonga	Active	Cyclone Emergency Recovery Project	Infrastructure	5.9		S
2002	Samoa	Active	Telecom & Postal Sector Reform	Telecom	4.5		S

3.11 *Bank-financed projects that served as conveyors of best practice and as models for other countries also indicate an approach for the future.* A few of the Bank's projects had a useful role in helping disseminate best practice among the PMCs. In the Bank's experience in Samoa, for example, the infrastructure projects helped establish a model for a participatory framework to help mitigate weather-related risks. The model is being adapted in Tonga, and other PMCs have expressed interest in emulating this experience. Under the second project, moreover, the Samoan government successfully implemented a significant

downsizing program in its Public Works Department, which has yielded important lessons for other PMCs. The second telecom project in Samoa has also been designed to help guide and demonstrate a shift toward a more competitive telecom environment, which remains a difficult issue throughout the region. Bank procurement guidelines, introduced through its lending operations in Samoa, were credited with helping stimulate greater transparency in the country's broader procurement framework.

C. Non-Lending Services

3.12 *Non-lending services formed the core of Bank assistance during the decade.* The Bank's ESW and TA formed the core of its assistance to the Pacific, accounting for 47 percent of administrative expenses during the decade (compared to 29 percent in the Caribbean). The centerpiece of Bank assistance was the biannual Regional Economic Report (RER). Five RERs were prepared, along with four regional sector reports (see box 3.3) and two formal country-specific reports (a CEM on Fiji and a Health sector review in Samoa). A range of other technical assistance, advisory services, and informal analytical services were provided in banking supervision; utility regulation; public expenditure management; fisheries; population policy; climate change adaptation; and transport planning (see annex C).

Box 3.3: Themes of the World Bank's Regional Economic and Sector Reports, 1992-2002

Regional Economic Reports:

- 1993 : An overview of macroeconomic, structural, human development, and environment issues (including eight country specific economic reports)
- 1995 : The productive sectors
- 1998 : The role of the government and public sector reform
- 2000 : Urban development, oceanic resource management, and climate change
- 2002 : Trade issues

Regional Sector Reports:

- 1992 : Higher education
- 1992 : Energy assessment
- 1993 : Transport sector
- 1994 : Health sector

3.13 *After 1993, the Bank's economic work moved away from country-specific analysis.* The 1993 RER included country specific economic reports for all eight PMCs who were members at the time. After this, following an informal arrangement with ADB, the Bank agreed to continue to produce a biannual RER, while the ADB would produce country-specific economic studies. The subsequent RERs contained annexes, which summarized economic trends over the prior two years until the 2002 RER, which dropped the practice of country-specific annexes entirely. As a consequence of the agreement with ADB, the Bank produced considerably fewer country-specific economic reports on the PMCs than it did in low population counties elsewhere. For example, in Belize (pop. 240,000, GNI p.c. \$2980), formal Bank ESW over the last decade included coverage in three regional reports, a country-specific CEM, a public expenditure review, and a study on the environment. Similarly, for the Maldives (pop. 276,000, GNI p.c. \$1907) the Bank prepared two country-specific CEMs and a public expenditure review.

3.14 *The RERs have been well received and helped generate a consensus on “what” needs to be done to improve economic management in the region.* The RERs endeavored to provide a cost-effective analysis of issues common to the PMCs. According to interviews conducted by OED, the reports elicited significant interest and were well-received in the Pacific among their audience of governments, donors, NGOs and the academic community. The RERs made a substantial contribution toward generating a consensus in the region on “what” needs to be done to improve economic and sector management in the PMCs. In some instances, the reports helped inform policy directions in the PMCs and were also used by other donors in the formulation of their programs and strategies in the region. In several instances, moreover, the Bank followed the RER with a series of seminars for officials in the PMCs as well as the donor community. These were well received by participants as relevant and informative sessions and more frequent such seminars were requested. Annex D highlights some of the key policy recommendations of the RERs.

3.15 *However, the RERs did not prove an effective vehicle for country-specific policy advice.* According to government officials, Bank staff, and other observers interviewed by OED, the primary weaknesses of the RERs were (a) the absence of recommendations adapted to country-specific circumstances and (b) insufficient follow-up assistance to help implement the recommendations of the Bank. Only in some cases, were the RERs seen as providing an analysis of “how” to progress toward key objectives and even then, the lack of country specificity reduced their relevance to each PMC. As such, while many of the RER’s analyses and broad recommendations—including those from the early 1990s—remain highly relevant, they have yet to be translated into policy actions and development outcomes. Among the reasons identified for the limited influence of the RERs on implementation are: (i) inadequate allocation of Bank staff and financial resources for follow-up and dissemination activities; (ii) only weak linkages between the RERs and Bank lending activities; (iii) insufficient in-depth discussions with individual PMCs (as would be the case with country specific CEMs); (iv) a bias in the RERs toward similarities and common issues rather than the distinct conditions in each PMC; (v) after the 1993 report, poorly designed “annexes” that were restricted to an outline of trends over the previous two years rather than an adaptation of the broad themes of the RERs to particular country circumstances; and (v) uneven collaboration with other donors to reinforce the messages of the RERs. As the decade progressed, moreover, the RERs became less economic reports that assessed macroeconomic conditions and structural policies and more thematic studies on particular issues. The lack of country-specific analysis and recommendations coupled with the paucity of country-specific ESW constrained the Bank’s ability to develop country-specific strategies and enhance the effectiveness of its lending operations.

3.16 *Other analytical and advisory services made useful individual contributions but were diffused rather than concentrated toward a few key objectives.* The 1995 Fiji Economic Memorandum was seen by some observers as a benchmark study on structural weaknesses in the economy. However, limited interaction and dialogue after its publication precluded assistance in implementing its recommendations. The 1998 Samoa health sector review helped develop a health sector reform strategy, which the Bank is now supporting through a lending operation. In the “Stakeholder Participation in

Development Series” the Bank produced working papers for six of the PMCs that provided a basis for understanding and integrating social and cultural conditions into the Bank’s work. In 1993, several useful studies were produced on private sector development in Fiji, Vanuatu and Samoa. Assistance to the Fiji Central Bank was welcomed as practical and relevant and most recommendations were implemented. Findings from a public expenditure review in Tonga were reflected in the subsequent national budget. A review of Public Service reform in the Marshall Islands fed into further UNDP work in the area. In Kiribati, the Bank provided some recommendations and training to help improve the management of the external reserves. A 1998 Vanuatu utility reform study led to further studies and a recommendation that a multi-sector regulatory authority be established. However, while this elicited strong interest from the government, to date—six years after the initial study—no steps have been implemented. To a large extent, due to their “demand-driven” nature, the Bank’s country-level analytical and advisory activities fell short of a cohesive non-lending program aimed at advancing a few strategic objectives and at informing the Bank’s lending activities. Instead, they were scattered across sectors and many were one-off efforts with limited follow-up and long-term impact.

3.17 *Other than in the Solomon Islands the Bank did not maintain a consistent policy dialogue on economic reforms with the PMCs.* While a range of economic policy reforms remain to be implemented in at least seven of the nine PMCs, the Bank did not maintain a consistent dialogue on these issues with any of them except for the Solomon Islands. The Bank was not involved in the structural reform efforts of Samoa, Vanuatu, or Tonga in the 1990s; allowed dialogue with Fiji after the 1995 CEM to lapse; and had only limited sustained dialogue with the Micronesian countries. According to Bank staff members, the limited availability of Bank resources and staff prevented them from doing so. The Bank’s limited engagement in policy reform occurred despite the perception among policy-makers in the region that the Bank’s comparative advantage is in economic policy advice and indications in the PRS that the Bank would engage more actively. Although both Marshall Islands and Micronesia specifically identified access to Bank policy advice as a major factor behind their decision to seek membership in the Bank, only a limited degree of dialogue has taken place. Only in the Solomon Islands did the Bank maintain a consistent policy dialogue on economic reforms. Regular economic missions over several years preceded the 1999 SAC and continued after its derailment in 2001. Those efforts had positive initial effects in developing a reform agenda, building awareness and ownership of reforms, contributing to the work of other donors, and positioning the Bank to make a meaningful contribution at the right time. The potential contribution of the Bank was evident during the initial implementation stages of the 1999 SAC. Following the recent re-establishment of law and order, the Bank is participating in a multi-donor effort to assist the government in its reconstruction and reform efforts.

3.18 *The Bank made relevant regional-level recommendations, but had limited success in helping implement them.* Although the 2000 PRS did not fully develop the issue, throughout the decade through its RERs the Bank advocated an appropriately cautious approach to regional cooperation initiatives, suggesting that only in a few areas would the benefits outweigh the costs to each PMC. Several areas in which the Bank did advocate greater cooperation remain relevant today: building larger and more dynamic trading blocs, developing cooperative arrangements in aviation and maritime transport,

developing a common approach to natural resource management and disaster response, and developing regional training institutions in specific technical areas. In such areas as trade reform and disaster response, the Bank made useful contributions in fostering debate and consensus (see para. 3.19 below), but its impact was limited in others. In fisheries, although the Bank consistently advocated a more unified approach to negotiating fishing royalties and rights, the desired result has yet to be seen and there are only few indications of improved cooperation among the PMCs.²⁰ In the airline industry, most PMCs maintained and expanded their national carriers, which sought to service major international markets. At present, most are in financial difficulty and rely on budget transfers to operate.

3.19 *The Bank played a positive role in encouraging a consensus on strategies to mitigate natural disasters and adapt to climate change.* The Bank's role in climate change and risk management adaptation strategies since 2000 illustrates the Bank's potential impact if it persists, adequately staffs and budgets its efforts, builds a consensus for reform among donors and PMCs, and relates regional recommendations to country-specific circumstances. Following the 2000 RER on Cities, Seas, and Storms and the Bank's asset management projects in Samoa, the Bank initiated a program to actively disseminate knowledge on the potential impacts of climate change and adaptation strategies. It organized two High Level Adaptation Consultations and helped mobilize financing from other donors to implement these strategies. Results to date have been positive, with several of the PMCs establishing high-level committees to manage adaptation strategies and sustainable development, and nearly all allocating funds toward this effort. The countries have also agreed to establish a Regional Adaptation Facility to serve as a focal point for mobilizing funds to help implement of adaptation strategies. The Bank is currently preparing a grant-funded Adaptation Project in Kiribati to help pilot implementation of adaptation strategies in the region.

3.20 *Given the difficulty of the task, the Bank allocated inadequate resources to advancing key regional-level initiatives.* Although the PMCs have established a range of regional institutions and have regular high-level forums, little concrete progress in advancing key regional initiatives partly reflects inadequate political and economic cohesion suitable for supranational solutions. At times, difficulties in translating high-level agreements into working national-level policies and actions have obstructed progress, highlighting the importance of parallel national-level interventions to accompany any regional initiatives. The interests of industrial nations have also served to prevent some initiatives in fisheries from advancing. On the Bank's part, its potential contribution to building knowledge; advocating solutions; fostering a consensus; and influencing a more cohesive PMC response was undermined by its distant relationship; its lack of focus of key objectives; and the scant resources it allocated to dialogue and activities to follow-up its analytical work. Clearly, if the Bank is to help advance regional-level initiatives, a high degree of selectivity and concentration of resources is essential.

²⁰ The major fishing nations in the Pacific are Japan, Taiwan, Korea, Philippines, Spain, the US, and China. Only the US has a multilateral fishing license agreement through the Forum Fisheries Agency.

3.21 *The South Pacific Project Facility and FIAS made positive contributions, although their experiences underline the need for implementation of policy reforms in the PMCs.* FIAS worked on the investment climate in each of the PMCs, including five diagnostic reviews. A consistent gap has existed, however, between its recommendations and what has actually been implemented in the PMCs. In 1989, a South Pacific Project Facility (SPPF) was established with financial support from various donors, including IFC. The SPPF aimed to provide technical assistance to small and medium private enterprises in the PMCs (and Papua New Guinea) to help them develop proposals and secure financing to establish or expand businesses. In the first twelve years of operation, the SPPF helped secure funding for 85 projects in the PMCs, representing total investments of US\$86 million. The projects were concentrated in Fiji and Samoa (together accounting for 81 percent of projects), largely reflecting the superior environment for private operation in these countries. The SPPF commissioned several evaluations of its activities, which found that it was having a positive impact on employment generation; was a key resource enabling small private firms to obtain funding for expansion; and was conducting its operations in a cost-efficient manner. Over the years, the SPPF developed a good reputation in the region and has enjoyed a consistent demand for its services. The Facility has received strong support and encouragement from PMC governments, and three—Samoa, Fiji, and Kiribati—make annual contributions to it.

D. Partnerships

3.22 *A range of aid partners were active in the Pacific region, mostly in the social sectors.* The Bank accounted for just 2 percent of gross aid disbursements and 12 percent of multilateral disbursements to the Pacific during the decade (see table 3.3). The US, Japan, Australia, EC, ADB, and New Zealand were the largest official financiers, accounting for almost 90 percent of gross disbursements between 1992-2002. Other than the US and Japan, all the major donors focused their assistance on the social sectors. US assistance largely comprised general budget support to Micronesia, Marshall Islands and Palau, with which it has Compacts of Free Association. Japan's assistance was distributed more evenly across the nine PMCs, with nearly half of it in the transport and energy sectors. Australian aid focused on health and education (45 percent), governance, and security. New Zealand's aid was in the education sector (60 percent) and other social services. EC assistance also concentrated on education and health, but included support for infrastructure as well. The ADB was the largest multilateral donor, with active programs in each of the PMCs. Its sectoral focus since 1992 has been on government and civil society (33 percent); water supply and sanitation (13 percent); education (9 percent); and multi-sector operations (8 percent). Since 1996, a rising share of its lending has been policy-based.

Table 3.3: World Bank Lending was a Small Proportion of Official Development Aid to the Pacific Region, 1992-2002 (Gross Disbursements, \$m)

	World Bank				Total Multi-lateral Aid				New Zealand	United States	Total All Donor Aid	Total aid per capita \$	WB % of Multi-lateral Aid	WB % of Total Aid
Fiji	32.8	5.9	51.1	60.4	2.3	178.4	147.8	191	51	8.3	619.6	752.6	18%	5.3%
Kiribati	0	0	6.7	14.2	2.8	29.1	54.3	77.9	19.7	3.5	191.9	2,026.4	0%	0%
Marshall Islands	0	0	64.1	0	2.3	69.4	4.6	69.6	1	429.7	574.7	10,802.6	0%	0%
Micronesia	0	0	37.9	0	3.4	46.7	9.6	127.5	1.6	822.7	1010.1	8,253.8	0%	0%
Palau	0	0	0	0	0.1	1	2	125.8	0.7	547.4	682.2	34,281.4	0%	0%
Samoa	31.7	0.9	32.5	44.7	5.4	135.3	95.1	142	62.1	8.5	452.5	2,568.1	23%	7.0%
Solomon Islands	25.5	0	22.5	122.3	7.3	190.6	134.5	144.7	45.4	7.5	585.5	1,320.8	13%	4.4%
Tonga	1.5	0	37.9	25.4	1.5	79.4	78.6	94.5	47.2	7	317.6	3,139.6	2%	0.5%
Vanuatu	6.1	5.5	37.1	33.1	2.1	94.4	110.5	56.7	38.5	4	421.9	2,052.3	6%	1.5%
Grand Total	97.6	12.3	289.8	300.1	27.2	824.3	637	1029.6	267.2	1838.6	4855.8	2,380.6	12%	2.0%

Source: OECD Database as of 6 Feb 2004 (www1.oecd.org). Official Development Finance (ODF): Used in measuring the inflow of resources to recipient countries includes: (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA.

3.23 The Bank's partnerships with other donors were weak during the mid-1990s although they have improved with some donors recently. Throughout the decade, the Bank emphasized the importance of closely aligning its efforts with other donors. However, the overall cohesion among aid providers fell short of expectations. Following the end of the Bank's formal agreement with ADB in 1992, its relations with other donors weakened considerably. CAE mission interviews indicated poor collaboration and differing interests among donors encouraging governments to "play" one donor against the other. As noted earlier, there was some concern about projects prepared by the Bank being financed by other agencies under conditions perceived as more favorable to the governments. Even though the US and Japan accounted for nearly 60 percent of aid flows into the region, Bank collaboration with them has been limited. Moreover, almost every project the Bank co-financed with other donors produced complaints from the PMCs on their excessive cumbersomeness due to differing donor procedures and requirements. Following the Bank's move to Sydney in 2000, relations with some donors improved. The Bank and Australia, in particular, forged a closer relationship. Australia has consistently supported Bank engagement in the Pacific, including through significant trust fund support and financing of a Country Officer position. Annual tripartite meetings with ADB and AusAID have been established; a close partnership has emerged among key donors in the Solomon Islands; and initiatives have commenced to harmonize donor administrative processes.

3.24 Country-driven aid coordination remains lacking. Although a key stated Bank objective, the Bank was unable to help PMC governments significantly strengthen their aid coordination activities. Throughout the decade, the Bank's strategy documents advocated the need for donors and the PMCs to place the PMCs in "the driver's seat" of the aid coordination process. The 2000 PRS stated that the Bank intended to move

“beyond discussion into fully aligned donor programs within country-driven reform programs”. Some positive efforts were introduced by the PMCs in this respect. Samoa, for example, integrated a three-year public sector investment program into the budgetary process and established coordinating agencies for both multilateral and bilateral aid. By and large, however, the objective of fostering country-driven aid coordination has yet to be achieved. Continuing symptoms of donor-driven aid in the PMCs include fiscal pressures arising from inadequate budgeting for maintenance and recurrent costs of donor projects, heavy burdens on limited staff in key departments, and long delays in recruiting managerial and technical staff to administer projects.

4. Development Outcome Assessment

Outcome: Moderately Unsatisfactory

4.1 *Bank efforts prior to 2000 were undermined by a lack of clearly defined objectives.* For much of the past decade, the Bank operated without clearly defined outcome objectives. As stated in one Bank document, between 1992-1997, the Bank's main goal was to provide some service to the PMCs, while containing costs and not adding to the already high levels of aid in the region. This modest goal evolved as knowledge services to help countries prepare and implement development strategies; assistance in the education sector in Melanesia (Vanuatu and the Solomon Islands) as the ADB was not involved in this sector; and providing other lending as a last resort. In retrospect, the first of these services remains highly relevant, reflecting both a consensus on what the Bank's comparative advantage in the region is, as well as a high development priority in the PMCs. The appropriateness of the second two areas is more questionable, however. Even though improving education in Melanesia is a priority, the PMCs are hesitant to borrow from the Bank given the availability of grant financing. The rationale of being a lender of last resort is also not clear given the abundance of aid received by the PMCs. In the event, no evidence exists of such "last resort" loans being made.

4.2 *The 2000 PRS established clearer parameters for Bank assistance, but failed to focus Bank activities toward specific country or sector goals.* The FY00 PRS fell short of establishing intermediate objectives, on either a country-specific or sectoral basis toward the goal of "helping bring about equitable, sustainable growth and higher living standards". The 'small states agenda' that Bank knowledge services intended to help advance remains a vast area, covering all the needs of small states worldwide. As a consequence, while any specific Bank service may be relevant to the agenda, in aggregate, they did not help significantly advance any particular goal. The Bank's focus on transport and telecommunication infrastructure was appropriate, given the Bank's prior experience and continued demand in these areas from the PMCs. Although several loans were made in the health sector since 2000, the decision to focus lending in the social sectors can be questioned in the context of the need to be highly selective, the availability of grant funding in these sectors, and the continued need for the Bank's services in such areas as economic policy reform. Although at least seven of the PMCs required significant policy and institutional reforms to generate a better environment for both public and private investment, other than in the Solomon Islands, the Bank did little to help develop or implement reform agendas. This occurred despite the Bank's own assessment, as well as views in the PMCs and other major donors, that the Bank's comparative advantage was its international experience and technical expertise in economic policy reform.

4.3 *While the Bank made positive individual interventions, its lack of strategic focus constrained its contribution to development in the PMCs.* The lack of strategic focus and diffused nature of much of the Bank's assistance over the past decade inhibited a more definite and measurable contribution to development in the PMCs. Positive contributions on the part of the Bank included high quality analytical work that helped generate awareness and debate on international best practices in a range of relevant areas, effective infrastructure interventions in some PMCs, contributions toward improving social service

delivery systems, a promising effort to foster a consensus toward climate change adaptation strategies, and a range of other individually useful analytical and technical assistance activities. However, the Bank's non-lending services were undermined by their diffused nature, lack of country-specificity for ESW, and limited follow-up. Hence, the Bank was unable to help "prepare and implement development strategies" in the PMCs as it had envisioned, nor did it foster country-driven aid coordination. Although the Bank has put in 15 years of effort, the public education systems in Melanesia continue to have serious deficiencies, in part reflecting a lack of consensus on the approach to reforms as well as a low capacity to implement proposed solutions. The adjustment program in the Solomon Islands had a promising start, but was derailed by the civil conflict and did not achieve its objectives. With a limited focus on the policy and institutional environment for both public and private investment in the other PMCs, the Bank was unable to make a significant contribution toward the PMCs's main objective of generating higher and more participatory growth during the decade.

4.4 *The outcome of Bank assistance is assessed as moderately unsatisfactory.* The absence of strategic objectives, the limited effectiveness of its lending programs, especially in the Melanesian countries, and the lack of progress in helping the PMCs develop and implement development strategies all indicate that the outcome of the assistance program in the PMCs is *moderately unsatisfactory*.

Institutional Development Impact: Negligible

4.5 *The institutional development impact of the Bank's assistance is assessed as negligible.* As discussed above, the Bank's analytical work was able to make positive contributions to building understanding and agreement around required policy reforms in the PMCs. Among the lending projects however, the impact of only 13 percent (2 out of 15) were assessed as having had a substantial institutional development impact. This compares to an EAP average of 44 percent and a Bank-wide average of 38 percent substantial over the same period. Evaluations of completed projects indicate that high staff and managerial turnover and difficulties in recruiting staff undermined capacity-building efforts in the beneficiary institutions. In some cases, expatriate consultants were found to be "doing the work" rather than transferring skills and in several cases, the performance of external consultants was assessed as poor. The ADB collaborative agreement proved ineffective in having institutional development impact, with five of the seven completed joint ADB/Bank projects rated as having had a *negligible* institutional development impact. The increasing focus of Bank projects on underlying policy and institutional issues rather than narrow physical construction targets seems to be improving the Bank's institutional development impact, but it is too early to determine.

Sustainability: Unlikely

4.6 *The sustainability of the Bank's limited contributions is assessed as unlikely.* Among the Bank's lending interventions the contribution of only six out of fifteen, or 40 percent, were rated as likely to be sustained, compared to a Bank-wide average of 56 percent and an EAP regional average of 69 percent over the same period. Bank contributions to road development in Fiji and Samoa were sustained, with both countries

maintaining their infrastructure assets. The physical contributions of telecom projects in both Fiji and Samoa have also been maintained to date. However, both companies still enjoy monopolistic positions and their performance in a more competitive environment remains to be seen. The contributions of the housing projects in both Fiji and Vanuatu were not sustained. Both institutions are in serious financial difficulties and not in a position to effectively address low-income urban housing needs. Also less certain is the sustainability of education projects in both Solomon Islands and Vanuatu. While to date, the physical assets conferred by the projects have largely been maintained, sector management, institutional capacities, and the availability of maintenance funding remain concerns in both countries. Sustainability of the Bank's non-lending services is undermined by the one-off nature and limited follow-up of many of the activities.

5. Contribution to Outcomes

Bank Performance

5.1 *As noted earlier, the Bank engaged in a low level of activity in the PMCs after terminating its official agreement with the ADB in 1992. But the Bank proceeded with these changes without seeking the guidance of the Board, and no formal statement of the Bank's approach in the Pacific was made until 2000. In response to OED's 1992 evaluation, the Bank had noted that, to be effective, it would need to maintain direct relationship with the PMCs in order to provide sound policy advice and prepare relevant projects. This did not occur. In the PMCs, a perception developed that the Bank had "ceded" the region to the ADB, despite the formal termination of the Bank/ADB agreement.*

5.2 *The Bank contained its administrative costs but at the expense of the quantity and quality of its services. Over the years, the Bank emphasized the need to contain the costs of its assistance to the Pacific region. It developed various means to do so, including lending through ADB, foregoing lending in favor of analytical services, and reducing country-level coverage in favor of regional-level work. These measures indeed helped contain the Bank's costs. Over the past twelve years, the Bank spent US\$ 23.2 million on administrative costs in the Pacific (of which US\$8.8 million was funded by trust funds). This compares to US\$32.4 million (including \$2.2 million in trust funds) spent by the Bank on six countries with a similar combined population in the Caribbean region. Lower Bank resources significantly affected its services to the region, leading to low lending levels, limited country-level work, inadequate follow-up to ESW, and weak relations with its clients (see para. 5.5). Within sectors, Bank costs per project in the social sectors were significantly higher than those in infrastructure, reflecting greater learning costs as the Bank entered the health sector in the PMCs for the first time. This factor underscores the importance of focusing on just a few sectors to reduce transaction costs.*

5.3 *The Bank's effectiveness as a "knowledge Bank" was undermined by a lack of strategic objectives, weak relations, and inadequate resources. The Bank's efforts to be a "knowledge-Bank" between 1992-97 would have been enhanced by clearer strategic objectives and a greater allocation of resources. Limited resources for dissemination, follow-up dialogue, and assistance to implement the recommendations of the RERs led to poor development impact. Without clearly defined strategic objectives, the Bank's interventions were pursued on a project-by-project basis rather than as part of a cohesive effort to achieve certain goals. For the Bank's approach to have been more effective, it should have developed much closer relationship with both the governments and the major donors in the region to enhance the likelihood that the issues raised in the RERs would be addressed. Instead, during this period, the Bank's relationship with the PMCs and other donors weakened and its image as a distant institution intensified.*

5.4 *While the FY00 PRS represented a positive effort to 're-engage' in the Pacific it did not provide an adequate framework to channel resources toward advancing key objectives in the PMCs. After 2000, the Bank took a more structured approach that concentrated lending in a few areas. However, the PRS did not identify country or sector-specific objectives and strategies, which were essential given the significant*

differences in the country context and policy and institutional frameworks in each country. Instead, many sectors and themes were identified for Bank “support.” The lack of country-specific objectives, moreover, led to uneven attention from the Bank, with some PMCs receiving considerably more attention than others. To some extent, the independence of Timor-Leste also diverted management attention and staff time away from the PMCs: since 1999, over 40 trust-fund projects in Timor-Leste have been managed by Bank staff. While the PRS envisioned increased support for key regional-level initiatives, difficulties associated with these efforts warranted considerably more resources and attention than was made available. Finally, the absence of a matrix of objectives, interventions, and monitorable outcomes for each country as well as for regional-level objectives significantly undermined the accountability framework of the PRS. It prevented meaningful monitoring and evaluation activities that would have enabled the Bank to better assess the relevance and effectiveness of its approach and enabled it to undertake appropriate adjustments.

5.5 *The Bank’s relationship with clients in the region were weak.* The Bank’s communication with clients in the region during much of the decade was sporadic, undermining the contribution of both its lending and non-lending services. A broad perception developed among government officials that the World Bank had “ceded” development assistance in the region to ADB. In the mid-1990s, in particular, limited interaction took place between Bank management and counterparts in the region and the Bank developed a reputation of being remote and hard to access. This is particularly relevant since several interviewees of the CAE mission emphasized the importance of the oral, rather than written culture in the Pacific and that face to face communications are perceived to be significantly more effective than written communications. The Bank’s experience also points to the importance of maintaining strong individual relationships. In the Samoa infrastructure projects, for example, the government highlighted the close personal interaction and teamwork developed between the Bank and government as major factors accounting for the project’s success. The Bank’s Task Manager for the project had worked in the region for 10 years, which had facilitated development of close working relations (as well as enabled better cross-regional learning and application of best practices). The Solomon Islands government stated that it was a “moral booster” to see the continuation of the same Bank staff in supervision missions. The IFC/SPPF staff who have worked in the region for over a decade also report that their tenure has enabled them to establish a degree of trust and knowledge that significantly enhances their effectiveness in the PMCs.

5.6 *An initiative to accumulate and share knowledge on small states was made, although much remains to be done to make it effective in the Pacific.* Following collaboration with the Commonwealth Secretariat to produce the 2000 Joint Task Force Report on Small States, the Bank has since organized an annual Small-States Forum during the Bank/Fund Annual Meetings. This effort has been broadly welcomed among the PMCs as the only forum of its kind and a useful means of exchanging experiences among small states world-wide. The forum has also provided an opportunity for the major international donors to rationalize their respective approaches to assisting small states. Nevertheless, significant room exists for the Bank to enhance its role in accumulating and disseminating information and helping adapt experiences across small states. While 40 of the Bank’s member countries are “small” (with populations of under

1.5 million), there is only limited interaction among staff working on small-states across the Bank and no formal or informal “small-states network” exists. Few mechanisms or funding sources in the Bank are available to compile regular thematic reviews of the Bank’s experiences in small states. Moreover, the small states agenda encompasses everything and it is unlikely to effectively guide staff working on the Pacific.

Client Performance

5.7 Major factors undermining the Bank’s potential contribution to development in the PMCs were poor governance and economic management and political instability in some PMCs. The Bank’s experience underlines the importance of effective governance and economic management for meaningful public investment. Samoa has a well-managed economy, and despite the political instability, Fiji too has created an environment conducive to effective public and private investment. All eight Bank-financed projects completed in Samoa and Fiji over the past ten years had satisfactory outcomes at completion. By contrast, of the six projects completed in Tonga, Vanuatu, and the Solomon Islands, only two had satisfactory outcomes. Although the Bank’s design and supervision of these projects exhibited some shortcomings, each of the countries also displayed significant weaknesses in governance, with policy frameworks that limited the effectiveness of the Bank’s activities. Best practice advice and even country-specific analytical work will have limited impact unless the PMCs themselves embark and sustain meaningful economic reform programs. Political instability also undermined the potential contribution of the Bank in some PMCs. As discussed above, civil conflict in the Solomon Islands derailed the adjustment operation and adversely affected the health and education projects. In Vanuatu, frequent political change accompanied by significant shifts in priorities from one government to another complicated both the design and implementation of investment projects and sector strategies. In Fiji, the Bank’s plans to “re-engage” in the country were derailed by the 2000 coup.

5.8 Deficiencies in the civil service and limited availability of local staff adversely affected investment lending. In several Bank-financed projects, skilled project management was lacking and political influence in project activities undermined the projects’ contribution to development. This was the case, for example, in the Tonga Development Bank project and the Housing and Multi-projects in Vanuatu. Some projects encountered considerable delays due to the inability to recruit or retain qualified project managers, local staff, and consultants. In Samoa, for example, some components of the Health Sector project were substantially delayed because of the inability to recruit a suitable local consultant; the Emergency Road project suffered from long delays in appointing a project manager; and the institution-building component of the Telecom project was undermined by the government’s inability to hire local counterparts to external advisors. This lack of a strong cadre of mid-level civil servants is a concern across the Pacific. The effectiveness of public investment and aid utilization is unlikely to improve until civil services that are technically and administratively competent, properly motivated and remunerated, and free from political interference emerge in the PMCs. Some promising proposals to generate cross-fertilization across countries in the region through civil servant exchange programs remain unrealized.

6. Findings and Recommendations

6.1 The Bank's experience in the Pacific over the past decade indicates that:

- *A challenge remains for the Bank to develop an optimal approach in the Pacific.* Despite the small population and economies of the PMCs, their development challenges remain complex. No easy solutions to manage change and rapidly advance sustainable and equitable development have emerged. The diversity and remoteness of the PMCs and need to blend traditional cultures with modern ways compound the already formidable development challenges associated with small island states. The multiplicity of donors and high availability of grant aid in the region have not yielded solutions. The availability of financial aid is not the development constraint; rather, the policies and institutions governing private activity as well as the capacity to utilize public funds effectively are deficient. The task for the Bank is to effectively channel its analytical, advisory, technical assistance, and lending services to the PMCs in this difficult context.
- *The Bank's 'regional approach' to the Pacific Islands has been pushed beyond the limits of effectiveness.* Geographical 'proximity' and similar development constraints are an insufficient basis for a single common strategy for all PMCs or a regional integration assistance strategy. The PMCs are a heterogeneous group with differing economic, political and social circumstances and few trade and transport links. The Bank's approach of formulating a regional framework without specific country and/or sector-wide objectives has been ineffective for these same reasons. Its past tendency toward "lending where other donors are not active" and ad hoc analytical and technical assistance served to diffuse and limit its impact. Although some 'regional activities' were successful and others hold promise, each such initiative needs to be carefully scrutinized to ensure that it is feasible given the eclectic nature of the PMCs.
- *Close coordination among donors at the policy and strategy level and concerted efforts to place the countries at the center of aid coordination are essential in situations of high aid levels and a multiplicity of donors.* The Bank's experience of cofinancing projects with ADB was unsuccessful. The process tended to add a considerable reporting and administrative burden on the PMCs' limited project management capacity without providing significant added value. Where coordination between donors has been achieved, the outcomes of Bank assistance have been better; for example, grant funding has contributed to the technical assistance components of Bank projects. The lack of close coordination with donors and the failure to harmonize procedures across donors have also burdened the limited administrative capacities of the PMCs.
- *The Bank's efforts in the Pacific have been under-resourced and under-financed, contributing to their lack of development effectiveness.* On a comparative basis, PMCs have received lower administrative budgets, fewer dedicated staff and fewer AAA services than comparable small population countries in the Caribbean and elsewhere. This has constrained the Bank's ability to follow-up and disseminate its knowledge activities, and contributed to its weak relations with

clients. The level of resources, combined with the lack of clear country objectives, has had an adverse effect on the Bank's program in the PMCs.

6.2 *The present challenge for the Bank is to identify its objectives, an appropriate level of engagement, and cost-effective instruments for its assistance in the Pacific.*

Based on the findings of this review, OED recommends that the Bank:

- *Define focused and measurable country-specific objectives within a highly selective regional engagement framework.* The Bank should define the country-specific objectives and outcomes it seeks to influence in each PMC, as opposed to the past practice of defining a regional strategy largely in terms of inputs. These country-specific objectives can be embedded in a regional 'strategy' or framework that defines a highly select few sectoral/thematic parameters within which the Bank will be engaged in the PMCs. As part of the strategy, the Bank should identify a level of engagement in terms of lending and non-lending in each country. Such an approach will necessitate *selectivity* both in terms of countries, where the Bank is engaged, and the sub-sectoral/thematic issues that it tackles. Such selectivity requires careful analysis and close coordination with the borrowing countries and major donors. From the findings of this evaluation, OED's view is that the core objectives of the Bank's program in the PMCs should be to: (a) improve public expenditure programs and policies, which would allow the PMCs themselves to be more proactive in ensuring optimal allocations and enhancing the development impact of aid flows; and (b) remove policy and institutional impediments to private activity.
- *Prioritize and adequately fund support for a select set of regional-level initiatives.* Alongside the country-level objectives, the Bank should focus part of its assistance on a select set of regional-level objectives. Possible areas for support are: (i) developing a common approach in fisheries to increase returns and facilitate conservation; (ii) re-orienting the air and sea transport industries to increase efficiency and inter-regional access; and (iii) preparing to respond to environment changes and natural disasters.
- *Do more to improve the depth and breath of donor partnerships in the Pacific.* One of the main challenges in the PMCs is to better utilize the high levels of aid. Although the issue has been acknowledged during the decade, the desired degree of harmonization has yet to be achieved. The Bank should: (i) continue to work toward developing clear and consistent messages with active donors in each country; (ii) develop closer ties with those donors with whom contact has been less frequent including the US and Japan, the two largest financial donors in the region; and, (iii) encourage the PMCs to take a more active role in donor coordination to ensure that donor activities are complementary. Efforts to adapt worldwide experiences in applying Comprehensive Development Framework principles may be of some benefit in the Pacific (see box 6.1).
- *Ensure that the Bank's strategy is fully funded and staffed.* In the past, inadequate administrative and staff resources have undermined the quality, impact and sustainability of the Bank's interventions. At whatever level of engagement, the Bank should ensure that adequate resources are allocated to enable the outcome to

be achieved (rather than just the outputs delivered). Adequate financing of the Bank's program in the Pacific would be facilitated by developing a coherent, realistic set of objectives, as recommended above.

Box 6.1: Applying CDF Principles Going Forward

Several recommendations from the recent multi-partner review of the Bank's experience in applying the Comprehensive Development Framework (CDF) principles are of relevance to the future Bank's role in the Pacific. They include:

(i) *To further a long-term holistic development framework*, **recipient countries** should strengthen the link between medium-term frameworks (such as the PRSP) and budgets. **Donors** should support such linkages and make sure assistance is aligned with national development strategies; provide long-term assistance for capacity strengthening, including sustained support for public sector reforms and institutional development; and provide reliable, predictable financing with transparent, multiyear indicators, based on clear country performance criteria.

(ii) *To strengthen results-orientation*, **recipient countries** should: increase citizens' right to demand results and government's ability to respond; train public servants to open up information channels and educate the public; strengthen systems for internal and external accountability; and present development strategies through the media and in languages and forms that the general public will understand. **Donors** should no longer look to funds disbursed or inputs delivered as the only measure of success. Development programs should have measurable objectives linked to concrete outcomes to which all stakeholders hold themselves accountable; strengthen and use country-led monitoring and evaluation systems and avoid setting up separate structures to service projects and special needs of individual donors.

(iii) *To foster country ownership*, **recipient countries** should consult with a wider range of interest groups, the private sector, and those who lack an organized voice, including women and the poorest and most marginalized citizens. **Donors** should work with the governments to devise approaches for consulting with elected officials, local governments, and non-government representatives.

(iv) *To encourage country-led partnerships*, **recipient countries** should place responsibility for aid coordination at a high level of government, and give this function sufficient resources, authority, and political support to manage the process; and implement and enforce procurement and other accountability rules that will engender donor confidence. **Donors** should avoid micromanaging the country aid process, and provide the capacity building and resources countries need to assume aid management—for example, by supporting the creation of independent country-level aid review panels.

- from *Toward Country-Led Development: A Multi-Partner Evaluation of the CDF*, Operations Evaluation Department, 2003.

Annex A: Country Annexes

Fiji	35
Kiribati	40
Marshall Islands	45
Micronesia	49
Palau	53
Samoa	57
Solomon Islands	62
Tonga	67
Vanuatu	72

Fiji

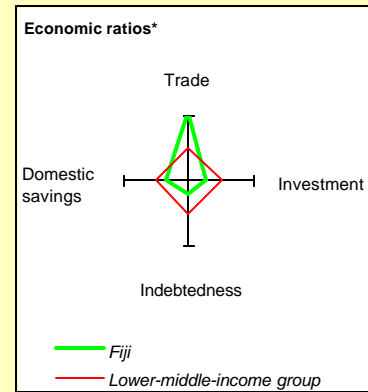
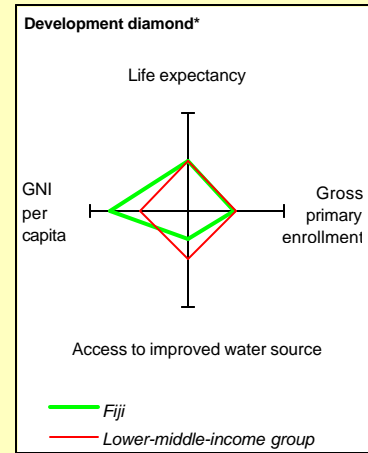
Fiji has seen sound development progress, although this has been undermined by political instability. Fiji is the largest of the PMCs and has a relatively well-managed and diversified economy. Prudent macro-economic management along with tax and trade reforms beginning in the late 1980s helped Fiji diversify its economy and achieve an annual average growth rate of 3 percent in the 1990s. Key growth sectors included garments (which had a nearly ten-fold increase), tourism, gold mining, fisheries, agricultural crops, and timber. The sugar industry, however, which has been Fiji's largest merchandise export, has been in sharp decline since the mid-1990s, undermined by inefficient processing and expiring land leases for farmers. Investment levels also remained very low, with private investment averaging only 4 percent of GDP during the decade. The coup in 2000 shook public confidence, caused a period of isolation from the rest of the world, and resulted in a 3 percent drop in GDP. The political situation also led to reduced investment, high levels of emigration among the Indo-Fijian community, and fiscal pressures. Sustaining Fiji's past record of macro-economic stability and raising public sector efficiency are high priorities. Engaging more of the population in the development process also remains a central concern, with signs of weakening support systems and limited economic infrastructure and opportunities in rural areas affecting more than half the population and causing increasing strains on Fiji's urban areas. Among the constraints to greater private sector investment and growth are high cost and erratic utility provision; price controls on a range of consumer goods and services; high interest rate spreads and limited access to financial services; and an ineffective commercial litigation system.

Lack of follow-up activities undermined the Bank's contribution to infrastructure development in Fiji. All four Bank-financed infrastructure projects in Fiji were rated satisfactory at completion. Two road projects (FY88-92 and FY92-99) helped Fiji establish an effective arterial road network; increased the participation of private firms in road works; and improved road safety. The projects were less effective, however, in helping strengthen the Department of Public Works, which continues to have serious capacity and managerial difficulties. A telecom project (FY89-97) helped commercialize Fiji's telecom utility, modernize the telecom network, and broaden access to services. While this was a relevant contribution at the time, the project did not, however, go to the "next stage" of helping establishing a competitive framework in the sector. The current monopolistic framework in telecom remains the key constraint to greater efficiency, quality, and reach of telecommunication services. A housing project (FY90-99) helped introduce a new sector policy framework; develop affordable housing plots; and finance loans for housing construction. While the project met its physical objectives, the managerial and financial performance of the Housing Authority deteriorated significantly and project benefits were not sustained. Lack of low-income housing and increasing squatter settlements continue to be of increasing concern in Fiji's main urban areas. At several points during the decade, the government of Fiji expressed strong concerns about the lack of Bank activity in the country.

Fiji at a glance

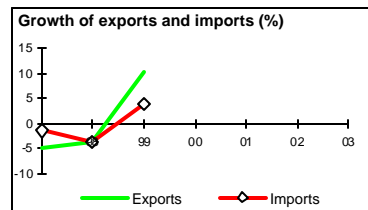
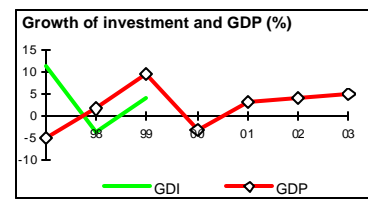
9/15/04

POVERTY and SOCIAL	Fiji	East Asia & Pacific	Lower-middle-income		
2003					
Population, mid-year (millions)	0.84	1,855	2,655		
GNI per capita (Atlas method, US\$)	2,360	1,080	1,480		
GNI (Atlas method, US\$ billions)	2.0	2,011	3,934		
Average annual growth, 1997-03					
Population (%)	1.1	1.0	0.9		
Labor force (%)	2.6	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	52	40	50		
Life expectancy at birth (years)	70	69	69		
Infant mortality (per 1,000 live births)	17	32	32		
Child malnutrition (% of children under 5)	..	15	11		
Access to an improved water source (% of population)	47	76	81		
Illiteracy (% of population age 15+)	..	10	10		
Gross primary enrollment (% of school-age population)	109	111	112		
Male	109	112	113		
Female	109	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	1.1	1.6	1.8	2.3	
Gross domestic investment/GDP	21.1	16.0	
Exports of goods and services/GDP	43.6	52.4	
Gross domestic savings/GDP	15.7	8.9	
Gross national savings/GDP	14.8	9.8	
Current account balance/GDP	-5.8	-5.0	-3.7	..	
Interest payments/GDP	2.0	1.2	0.4	0.3	
Total debt/GDP	38.9	19.8	11.5	11.8	
Total debt service/exports	8.0	8.5	5.8	..	
Present value of debt/GDP	11.1	..	
Present value of debt/exports	41.2	..	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	2.0	2.1	4.1	5.0	..
GDP per capita	0.9	1.1	3.3	3.5	..
Exports of goods and services	..	1.3



STRUCTURE of the ECONOMY

	1983	1993	2002	2003
(% of GDP)				
Agriculture	18.4	19.8	16.2	..
Industry	19.7	25.9	27.0	..
Manufacturing	9.2	14.6	15.7	..
Services	61.9	54.3	56.8	..
Private consumption	64.0	72.6	..	..
General government consumption	20.3	18.5	..	..
Imports of goods and services	49.0	59.4	..	..
	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	2.4	-1.0	2.2	..
Industry	2.4	2.8	0.0	..
Manufacturing	5.1	2.8	-4.0	..
Services	1.1	3.4	6.5	..
Private consumption	..	..	..	..
General government consumption	..	1.9	..	..
Gross domestic investment	..	-1.7	..	..
Imports of goods and services	..	0.8	..	..



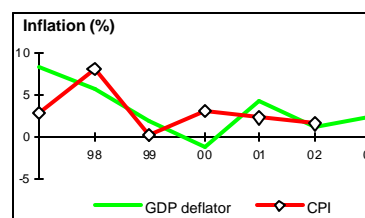
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

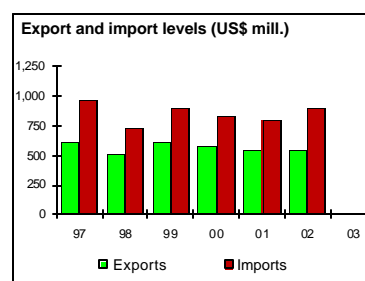
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	5.2	5.2	1.6	..
Implicit GDP deflator	7.2	5.2	1.3	2.4
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	25.8	23.1	..
Current budget balance	..	0.3	3.7	..
Overall surplus/deficit	..	-3.3	-7.2	..



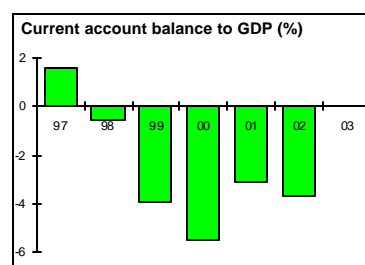
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	452	546	..
Sugar	..	150	107	..
Gold	..	43	36	..
Manufactures	188	..
Total imports (cif)	..	756	893	..
Food	..	108	154	..
Fuel and energy	..	86	151	..
Capital goods	..	235	206	..
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



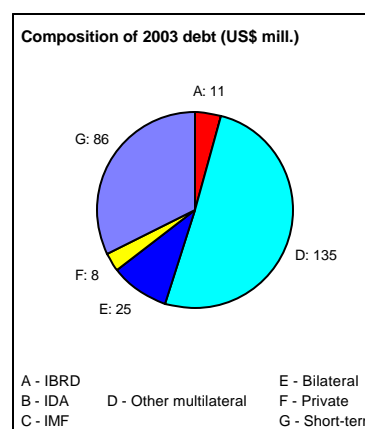
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	491	878	487	..
Imports of goods and services	552	974	759	..
Resource balance	-61	-96	-111	..
Net income	-28	-54	-78	..
Net current transfers	25	69	122	..
Current account balance	-65	-81	-67	..
Financial items (net)	58	35	21	..
Changes in net reserves	6	46	46	..
Memo:				
Reserves including gold (US\$ millions)	..	270	..	..
Conversion rate (DEC. local/US\$)	1.0	1.5	2.2	1.9



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed	437	324	208	265
IBRD	70	44	12	11
IDA	0	0	0	0
Total debt service	41	77	28	29
IBRD	8	16	5	3
IDA	0	0	0	0
Composition of net resource flows				
Official grants	15	24	6	..
Official creditors	33	-24	-2	0
Private creditors	8	0	-6	-6
Foreign direct investment	32	91	77	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	15	0	0
Disbursements	20	2	0	0
Principal repayments	3	12	4	2
Net flows	17	-11	-4	-2
Interest payments	4	4	1	1
Net transfers	13	-15	-5	-3



Note: This table was produced from the Development Economics central database.

9/15/04

FIJI

Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	7.9	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	99.4	..	99.8	..
Percentage of cohort reaching grade 5 (%)	..	..	88.5	..
Youth literacy rate (% ages 15-24)	97.8	98.6	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	98.9	..	103	..
Ratio of young literate females to males (% ages 15-24)	99.6	99.8	..	..
Share of women employed in the nonagricultural sector (%)	29.9	30.2	37.8	..
Proportion of seats held by women in national parliament (%)	..	4	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	31	25	22	21
Infant mortality rate (per 1,000 live births)	25	21	18	17
Immunization, measles (% of children under 12 months)	84	94	90	88
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	75	..
Births attended by skilled health staff (% of total)	..	..	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	34	30.4
Tuberculosis cases detected under DOTS (%)	..	51	59	66
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	45.5	..	44.6	..
Nationally protected areas (% of total land area)	..	1.1	1.1	1.1
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	1.1	1	0.9	..
Access to an improved water source (% of population)	..	..	47	..
Access to improved sanitation (% of population)	..	..	43	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	57.6	87.2	212.9	228.7
Personal computers (per 1,000 people)	..	..	46.7	48.8
General indicators				
Population	736.0 thousand	770.0 thousand	817.0 thousand	823.0 thousand
Gross national income (\$)	1.3 billion	1.9 billion	1.7 billion	1.7 billion
GNI per capita (\$)	1,760.00	2,440.00	2,100.00	2,130.00
Adult literacy rate (% of people ages 15 and over)	88.6	91	..	..
Total fertility rate (births per woman)	3.1	3.3	2.8	2.6
Life expectancy at birth (years)	66.7	67.7	69.1	69.5
Aid (% of GNI)	3.9	2.3	1.6	1.9
External debt (% of GNI)	32	13.1	11.4	11.4
Investment (% of GDP)	14.3	13.6	13.5	..
Trade (% of GDP)	129.5	113	136.1	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

FIJI**World Bank Financed Projects**

(active between 1992 and 2003)

1988-92 - Road Upgrading Project (ADB) L2871

1989-97 - Third Telecommunications Project L3074

1990-99 - Housing Project L3188

1992-99 - Road Upgrading II Project L3491

Published Country Specific Analytical and Advisory Services

Fiji - Pacific Islands Stakeholder Participation in Development, Working Paper (1998)

Fiji - Restoring Growth in a Changing Global Environment, Economic Report (1995)

Fiji: Informal Settlements – 27036 Japan Funded (FY98-00)

Fiji: Transport Planning – 27552 WBTF (FY99-02)

Fiji: Management of External Reserves (TA)

Fiji: Restructuring of National Bank of Fiji (TA)

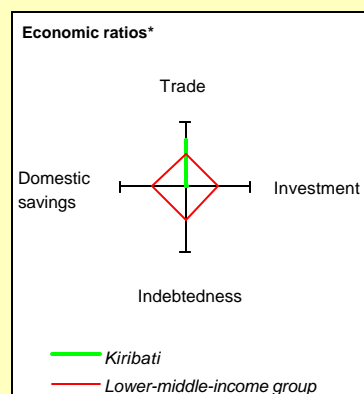
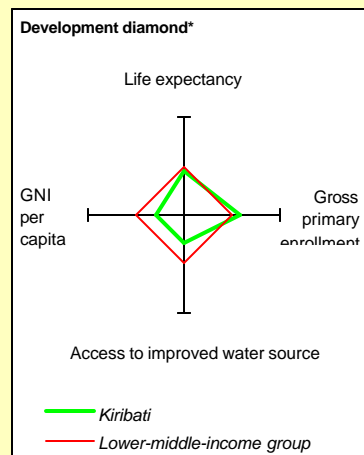
Kiribati

Kiribati has managed its public revenues well, but has been unable to encourage growth in private productive activities. With a 2003 GNI per capita of US\$880, Kiribati is the second poorest of the nine PMCs after the Solomon Islands. It is one of the most remote of the PMCs, and its population of 96,000 is spread across an area roughly the size of Europe. Prudent management of revenues from phosphate exports (prior to 1980) and fishing license has enabled Kiribati to build substantial external reserves (estimated at 7 years of imports). This, in turn, enabled maintenance of a stable economic environment in the face of volatile financial flows. The government has established a significant public sector role in investment, employment, and service delivery and the public sector is estimated to account for more than 75 percent of formal sector employment. Private productive activities have been largely confined to subsistence fishing and agriculture, copra production, and small-scale service activities around the capital city. Since 1995, the government has endeavored to encourage growth in private activity, particularly in tourism, commercial fisheries, and small-scale activities such as seaweed production and black pearl mining in the outer islands. Growth has been constrained, however, by the large and ineffective public sector, barriers to foreign ownership of land, distortionary price controls, and other barriers to trade and investment. While Kiribati's social indicators have been improving, they remain relatively low in the region. The infant mortality in Kiribati, for example is the highest among all PMCs and life expectancy is the lowest. Limited economic opportunities in the outer islands, moreover, has led to squatter settlements and pressure on urban services in the capital city.

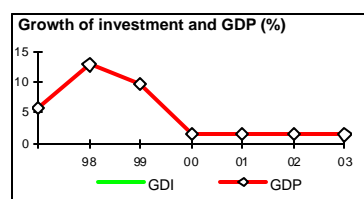
Kiribati at a glance

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POVERTY and SOCIAL	Kiribati	East Asia & Pacific	Lower-middle-income		
2003					
Population, mid-year (millions)	0.10	1.855	2.655		
GNI per capita (Atlas method, US\$)	880	1,080	1,480		
GNI (Atlas method, US\$ billions)	0.08	2.011	3.934		
Average annual growth, 1997-03					
Population (%)	2.4	1.0	0.9		
Labor force (%)	..	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	47	40	50		
Life expectancy at birth (years)	63	69	69		
Infant mortality (per 1,000 live births)	51	32	32		
Child malnutrition (% of children under 5)	..	15	11		
Access to an improved water source (% of population)	48	76	81		
Illiteracy (% of population age 15+)	..	10	10		
Gross primary enrollment (% of school-age population)	131	111	112		
Male	130	112	113		
Female	132	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	0.03	0.03	0.05	0.06	
Gross domestic investment/GDP	59.3	
Exports of goods and services/GDP	13.2	19.5	
Gross domestic savings/GDP	-28.0	
Gross national savings/GDP	89.3	
Current account balance/GDP	..	-27.5	
Interest payments/GDP	
Total debt/GDP	
Total debt service/exports	
Present value of debt/GDP	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	1.3	5.4	1.4	1.4	..
GDP per capita	-0.8	2.9	-0.7	0.4	..
Exports of goods and services

**STRUCTURE of the ECONOMY**

	1983	1993	2002	2003
<i>(% of GDP)</i>				
Agriculture	26.5	23.5	14.2	..
Industry	8.4	6.6	10.9	..
Manufacturing	2.0	0.9	0.8	..
Services	65.1	69.9	75.0	..
Private consumption	79.2	..	..	..
General government consumption	48.8	..	..	..
Imports of goods and services	100.6	91.5	..	..
	1983-93	1993-03	2002	2003
<i>(average annual growth)</i>				
Agriculture	-4.5	0.5	-4.5	..
Industry	-1.8	16.7	-7.8	..
Manufacturing	-0.7	7.6	-3.0	..
Services	2.4	4.9	3.2	..
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	..	..	..	..
Imports of goods and services	..	..	..	..



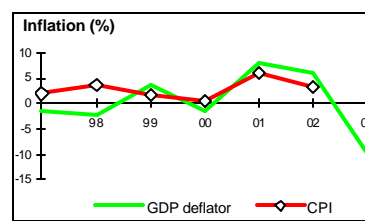
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

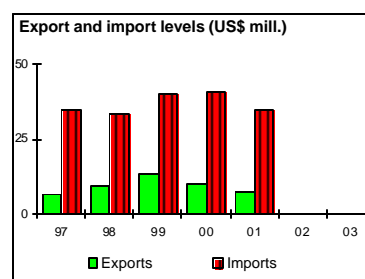
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices (% change)				
Consumer prices	6.3	6.1	3.2	..
Implicit GDP deflator	2.5	3.5	6.0	-9.7
Government finance (% of GDP, includes current grants)				
Current revenue	..	63.7	..	..
Current budget balance	..	9.3	..	..
Overall surplus/deficit	..	6.4	..	..



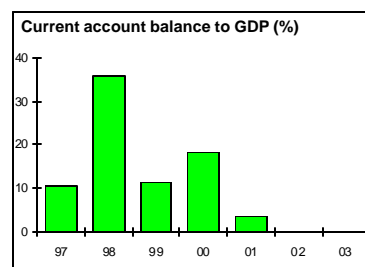
TRADE

	1983	1993	2002	2003
TRADE (US\$ millions)				
Total exports (fob)
Coira
Fish
Manufactures
Total imports (cif)
Food
Fuel and energy
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



BALANCE of PAYMENTS

	1983	1993	2002	2003
BALANCE of PAYMENTS (US\$ millions)				
Exports of goods and services	6	..	..	..
Imports of goods and services	25	..	..	..
Resource balance	-19	..	..	..
Net income	6	5	..	..
Net current transfers	19	..	..	..
Current account balance	..	-9	..	..
Financial items (net)	..	21	..	..
Changes in net reserves	-3	-12	..	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.1	1.5	1.8	1.5



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
EXTERNAL DEBT and RESOURCE FLOWS (US\$ millions)				
Total debt outstanding and disbursed
IBRD
IDA
Total debt service
IBRD
IDA
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment
Portfolio equity
World Bank program				
Commitments
Disbursements
Principal repayments
Net flows
Interest payments
Net transfers

KIRIBATI

Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	97.8	88.9	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	0	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	88	77	70	69
Infant mortality rate (per 1,000 live births)	65	57	52	51
Immunization, measles (% of children under 12 months)	75	47	76	88
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	72	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	35	200	232.6
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	38.4	..	38.4	..
Nationally protected areas (% of total land area)	..	..	36.6	36.6
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.3	0.3	0.3	..
Access to an improved water source (% of population)	..	..	48	..
Access to improved sanitation (% of population)	..	..	48	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	16.6	26.1	47.9	57.3
Personal computers (per 1,000 people)	..	..	10.5	11.4
General indicators				
Population	72,000.00	80,000.00	93,000.00	95,000.00
Gross national income (\$)	52.3 million	75.4 million	99.1 million	90.9 million
GNI per capita (\$)	730	940	1,070.00	960
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	4	4.5	3.8	3.6
Life expectancy at birth (years)	56.8	59.4	61.9	62.8
Aid (% of GNI)	41.9	19.3	13.3	21.6
External debt (% of GNI)	..	..	..	..
Investment (% of GDP)	93.1	..	..	..
Trade (% of GDP)	158.9	104.6	94.1	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 target: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 target: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 target: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 target: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Kiribati

Published Country Specific Analytical and Advisory Services

Kiribati: Stakeholder Participation in Development Series (1998)

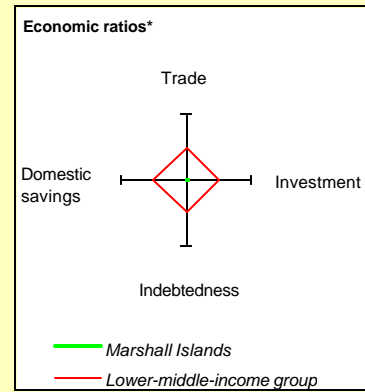
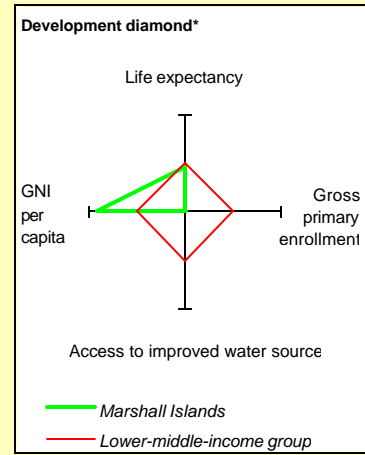
Marshall Islands

While the Marshall Islands has been reducing its dependence on US grants, it has not yet been able to develop a viable economy. The Republic of the Marshall Islands (RMI) has been a beneficiary of grants from the USA under the Compact of Free Association since 1986. During the initial 15 year agreement, it was expected that RMI would generate economic self-sufficiency. While the overall level of aid dependence has been reduced, this goal has not yet been reached and the economy continues to be dependent on Compact funding (which accounts for approximately half of GDP each year). With the decline in the level of grants over the decade, GDP dropped by –1 percent a year over a ten year period. Economic activities largely comprise services that are driven by public expenditure and a US army installation. Public administration accounts for 30 percent of GDP. Manufacturing accounts for just 1.5 percent of GDP and is limited to a subsidy-dependent copra processing plant and a tuna loin processing plant established in 2000. During the 1990s, the government made several attempts to reduce its dependence on grants and to generate a more sustainable economy. A heavy public expenditure program on infrastructure financed by commercial borrowing in the early 1990s failed to stimulate a supply response and led to a financial crisis in 1995. In 1996, the government began implementing an ADB-supported reform program aimed at fiscal stabilization, public sector reform, and private sector development. While some progress was made in fiscal stabilization and public sector down-sizing, the program had lost momentum by 1999 and was not fully implemented [see ADB report]. Estimates indicate that the unemployment rate is around 30 percent and according to ADB, 20 percent of the people remain in poverty. Although a new 20 year compact agreement with the US has eased the immediate fiscal pressure, the major development challenge for RMI remains to stimulate private activity in its main productive sectors: fishing, tourism and agriculture. Along with the disincentive effects of high levels of transfers, key obstacles to private investment and growth include one of the highest minimum wage levels in the Pacific; extensive public involvement in commercial activities; insecure land tenure; cumbersome investment approval processes; and an extensive reserve list for small-scale activities that discourages foreign investment.

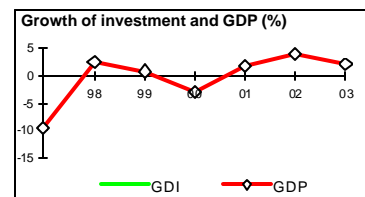
Marshall Islands at a glance

9/15/04

POVERTY and SOCIAL	Marshall Islands	East Asia & Pacific	Lower-middle-income		
2003					
Population, mid-year (millions)	0.05	1.855	2.655		
GNI per capita (Atlas method, US\$)	2,710	1,080	1,480		
GNI (Atlas method, US\$ billions)	0.14	2,011	3,934		
Average annual growth, 1997-03					
Population (%)	1.0	1.0	0.9		
Labor force (%)	..	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	66	40	50		
Life expectancy at birth (years)	65	69	69		
Infant mortality (per 1,000 live births)	54	32	32		
Child malnutrition (% of children under 5)	..	15	11		
Access to an improved water source (% of population)	..	76	81		
Illiteracy (% of population age 15+)	..	10	10		
Gross primary enrollment (% of school-age population)	..	111	112		
Male	..	112	113		
Female	..	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	0.04	0.09	0.11	0.11	
Gross domestic investment/GDP	
Exports of goods and services/GDP	
Gross domestic savings/GDP	
Gross national savings/GDP	
Current account balance/GDP	..	0.3	30.1	..	
Interest payments/GDP	
Total debt/GDP	
Total debt service/exports	
Present value of debt/GDP	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	6.4	-2.1	4.0	2.0	..
GDP per capita	2.6	-3.2	4.0	2.0	..
Exports of goods and services

**STRUCTURE of the ECONOMY**

	1983	1993	2002	2003
<i>(% of GDP)</i>				
Agriculture	..	13.2	..	..
Industry	..	11.7	..	..
Manufacturing	..	0.7	..	..
Services	..	75.2	..	..
Private consumption
General government consumption
Imports of goods and services
	1983-93	1993-03	2002	2003
<i>(average annual growth)</i>				
Agriculture
Industry
Manufacturing
Services
Private consumption
General government consumption
Gross domestic investment
Imports of goods and services



Note: 2003 data are preliminary estimates.

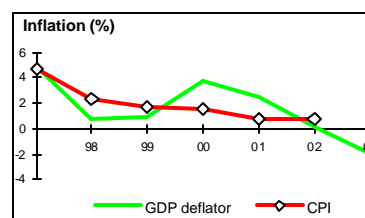
This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Marshall Islands

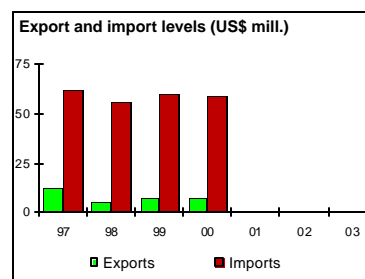
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices (% change)				
Consumer prices	..	5.0	0.8	..
Implicit GDP deflator	2.8	5.0	0.2	-1.9
Government finance (% of GDP, includes current grants)				
Current revenue	..	82.5	78.9	..
Current budget balance	..	5.7	23.5	..
Overall surplus/deficit	..	-15.0	9.1	..



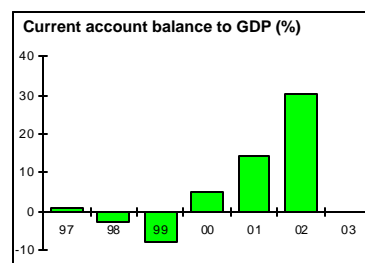
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	8	..	..
n.a.
n.a.
Manufactures
Total imports (cif)	..	61	..	..
Food
Fuel and energy
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	..	..	..	..
Imports of goods and services	..	..	..	..
Resource balance	..	..	..	..
Net income	..	2	16	..
Net current transfers	..	..	..	..
Current account balance	..	0	32	..
Financing items (net)	..	-10	-46	..
Changes in net reserves	..	10	14	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.0	1.0	1.0	1.0



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed
IBRD
IDA
Total debt service
IBRD
IDA
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment
Portfolio equity
World Bank program				
Commitments
Disbursements
Principal repayments
Net flows
Interest payments
Net transfers

Note: This table was produced from the Development Economics central database.

9/15/04

MARSHALL ISLANDS

Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	..	..	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	3	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	92	81	68	66
Infant mortality rate (per 1,000 live births)	63	59	55	54
Immunization, measles (% of children under 12 months)	52	57	89	80
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	..	75	84.4
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	..	..	..	..
Access to an improved water source (% of population)	..	..	..	..
Access to improved sanitation (% of population)	..	..	..	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	11.2	71.9	85.6	87.2
Personal computers (per 1,000 people)	0.1	0.3	45.8	53
General indicators				
Population	46,000.00	49,000.00	53,000.00	53,000.00
Gross national income (\$)	81.2 million	113.5 million	117.5 million	126.3 million
GNI per capita (\$)	1,760.00	2,320.00	2,220.00	2,380.00
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	..	..	..	..
Life expectancy at birth (years)	70.5	67.9	65.2	..
Aid (% of GNI)	0.3	33.2	60.9	48.4
External debt (% of GNI)	..	..	..	..
Investment (% of GDP)	..	..	..	..
Trade (% of GDP)	..	..	..	..

Source: *World Development Indicators database, April 2004*

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 target: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 target: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 target: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 target: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

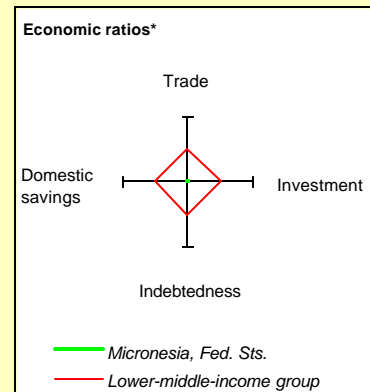
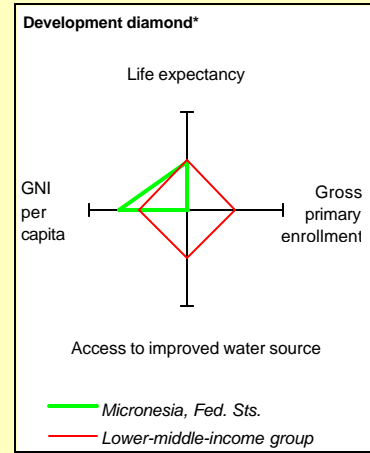
Federated States of Micronesia

Micronesia has made some progress in encouraging private sector activity, but still remains highly dependent on US funding. The Federated States of Micronesia (FSM) comprises four states, each with substantial autonomy in the provision of economic and social services to their respective populations. As with the Marshall Islands, FSM has received significant US compact funding since independence. A public sector-driven economy has emerged and in recent years, government expenditure accounted for about 70 percent of GDP and public sector wages are more than double private sector wages. Some states show considerably more diversity than others, however. The state of Yap, in particular, has garment manufacturing and tourism industries, a larger share of private sector employment, and a lower differential between public and private sector wages (IMF, 2003). In 1996, FSM initiated a Public Sector Reform program, supported by ADB in an effort to reduce the dominant role of the public sector in the economy. While the program achieved initial success in reducing the wage bill, some of these gains were subsequently eroded [ADB]. Lack of alternative employment opportunities in the private sector proved a key obstacle to the downsizing effort. FSM's key challenges remain to gradually reduce dependence on US grants and encourage growth in private commercial activity in fisheries and tourism.

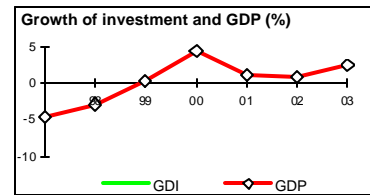
Micronesia, Fed. Sts. at a glance

9/15/04

POVERTY and SOCIAL	Micronesia. Fed. Sts.	East Asia & Pacific	Lower- middle- income		
2003					
Population, mid-year (millions)	0.13	1,855	2,655		
GNI per capita (Atlas method, US\$)	2,090	1,080	1,480		
GNI (Atlas method, US\$ billions)	0.26	2,011	3,934		
Average annual growth, 1997-03					
Population (%)	2.0	1.0	0.9		
Labor force (%)	..	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	29	40	50		
Life expectancy at birth (years)	69	69	69		
Infant mortality (per 1,000 live births)	20	32	32		
Child malnutrition (% of children under 5)	..	15	11		
Access to an improved water source (% of population)	..	76	81		
Illiteracy (% of population age 15+)	..	10	10		
Gross primary enrollment (% of school-age population)	..	111	112		
Male	..	112	113		
Female	..	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	0.11	0.20	0.23	0.24	
Gross domestic investment/GDP	37.7	
Exports of goods and services/GDP	3.4	
Gross domestic savings/GDP	-43.2	
Gross national savings/GDP	
Current account balance/GDP	..	-6.6	
Interest payments/GDP	
Total debt/GDP	
Total debt service/exports	
Present value of debt/GDP	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	4.4	-0.3	0.8	2.4	..
GDP per capita	2.2	-2.2	-0.8	-0.1	..
Exports of goods and services



STRUCTURE of the ECONOMY	1983	1993	2002	2003
(% of GDP)				
Agriculture	44.5	..	..	..
Industry	..	..	..	..
Manufacturing	0.4	..	..	..
Services	..	..	..	..
Private consumption	84.9	..	..	..
General government consumption	58.3	..	..	..
Imports of goods and services	84.3	..	..	..
	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	..	..	..	..
Imports of goods and services	..	..	..	..



Note: 2003 data are preliminary estimates.

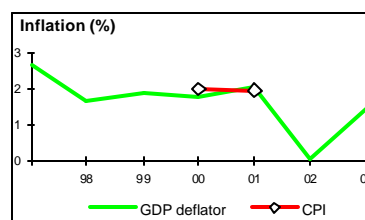
This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Micronesia, Fed. Sts.

PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices
Implicit GDP deflator	..	3.0	0.0	1.5
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	79.1	69.1	..
Current budget balance	..	16.8	13.5	..
Overall surplus/deficit	..	-4.4	2.4	..



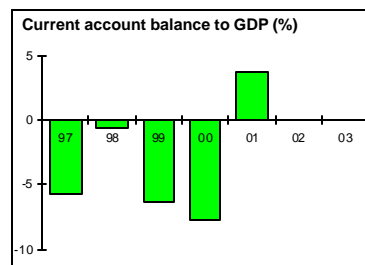
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	2	30	..	..
n.a.	..	..	..	..
Fish	..	25	..	..
Manufactures	..	..	..	..
Total imports (cif)	49	109	..	..
Food	..	..	..	..
Fuel and energy	..	..	..	..
Capital goods	..	..	..	..
Export price index (1995=100)	..	..	..	..
Import price index (1995=100)	..	..	..	..
Terms of trade (1995=100)	..	..	..	..



BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	..	..	..	..
Imports of goods and services	..	..	..	..
Resource balance	..	..	..	..
Net income	..	-16	-14	..
Net current transfers	..	123	99	..
Current account balance	..	-13	..	..
Financing items (net)	..	15	..	..
Changes in net reserves	..	-2	24	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.0	1.0	1.0	1.0



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed
IBRD
IDA
Total debt service
IBRD
IDA
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment
Portfolio equity
World Bank program				
Commitments
Disbursements
Principal repayments
Net flows
Interest payments
Net transfers

Note: This table was produced from the Development Economics central database.

9/15/04

MICRONESIA, FED. STS.
Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	..	..	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	0	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	31	26	24	24
Infant mortality rate (per 1,000 live births)	26	22	20	20
Immunization, measles (% of children under 12 months)	81	90	84	84
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	92.8	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	16	17	49.8
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	..	..	..	..
Access to an improved water source (% of population)	..	..	..	..
Access to improved sanitation (% of population)	..	..	..	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	25	73.7	86.7	..
Personal computers (per 1,000 people)	..	..	..	..
General indicators				
Population	96,000.00	107.0 thousand	120.0 thousand	122.0 thousand
Gross national income (\$)	169.2 million	242.5 million	236.2 million	240.5 million
GNI per capita (\$)	1,760.00	2,270.00	1,970.00	1,970.00
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	4.8	4.2	3.7	3.5
Life expectancy at birth (years)	63.5	66	68	68.6
Aid (% of GNI)	0.2	32.4	56.9	45.6
External debt (% of GNI)	..	..	..	..
Investment (% of GDP)	..	..	..	..
Trade (% of GDP)	..	..	..	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Palau

Significant US grants have enabled Palau to maintain a high per capita income, although challenges remain to ensure self-reliance after 2009. Palau is the smallest member of the World Bank, with a 2003 population of 20,000 people. Following independence in 1994, Palau entered into a Compact of Free Association with the US that provides Palau with large grant transfers until 2009 and establishes a Trust Fund for use after Compact grants cease. The high level of Compact funds has made Palau the wealthiest of the nine PMCs, with a 2003 per capita income of \$7500. Palau maintains a very open economy, with no restrictions on international current and capital account transactions and most imports are subject to a 3 percent tariff rate. The main productive activity is tourism. A key challenge for Palau is to strengthen its fiscal management as 2009 approaches in order to ensure real per capita growth of the trust fund. The government is also committed to increasing private sector activity, particularly tourism, in order to achieve economic self-reliance. Among the constraints at present are limited flight connections and high airfares; a restrictive and cumbersome foreign investment regime; and difficult access to land. Several steps have been initiated to address these issues including establishing a land lease system for foreign investors, establishing a Public Land Bank; amending the foreign investment law; and enabling competition in air flights.

Palau at a glance

9/15/04

	Palau	East Asia & Pacific	Upper-middle-income		
POVERTY and SOCIAL					
2003					
Population, mid-year (millions)	0.02	1,855	335		
GNI per capita (Atlas method, US\$)	7,500	1,080	5,340		
GNI (Atlas method, US\$ billions)	0.15	2,011	1,788		
Average annual growth, 1997-03					
Population (%)	1.8	1.0	1.2		
Labor force (%)	..	1.1	1.8		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	69	40	76		
Life expectancy at birth (years)	70	69	73		
Infant mortality (per 1,000 live births)	24	32	19		
Child malnutrition (% of children under 5)	..	15	..		
Access to an improved water source (% of population)	79	76	89		
Illiteracy (% of population age 15+)	..	10	9		
Gross primary enrollment (% of school-age population)	..	111	104		
Male	..	112	104		
Female	..	111	104		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	..	0.08	0.13	0.13	
Gross domestic investment/GDP	
Exports of goods and services/GDP	..	23.3	16.9	..	
Gross domestic savings/GDP	
Gross national savings/GDP	
Current account balance/GDP	..	10.7	-12.8	..	
Interest payments/GDP	
Total debt/GDP	
Total debt service/exports	
Present value of debt/GDP	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)	..	2.8	1.1	1.5	..
GDP per capita	..	0.5	1.1	1.5	..
Exports of goods and services

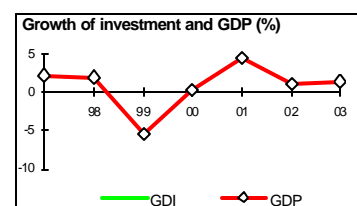
Development diamond*

Economic ratios*

STRUCTURE of the ECONOMY

	1983	1993	2002	2003
<i>(% of GDP)</i>				
Agriculture	..	10.6	..	..
Industry	..	8.7	..	..
Manufacturing	..	0.7	..	..
Services	..	80.7	..	..
Private consumption
General government consumption
Imports of goods and services	..	55.6	82.4	..

	1983-93	1993-03	2002	2003
<i>(average annual growth)</i>				
Agriculture
Industry
Manufacturing
Services
Private consumption
General government consumption
Gross domestic investment
Imports of goods and services



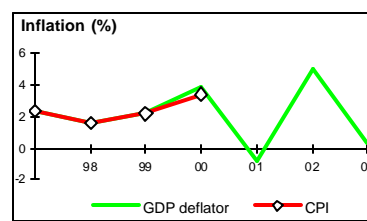
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

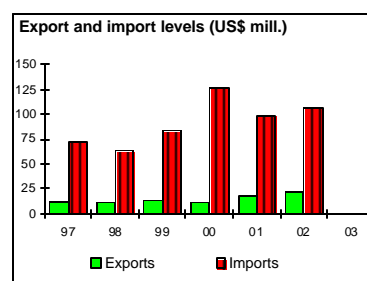
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices
Implicit GDP deflator	..	5.0	4.9	0.3
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	65.1	46.9	..
Current budget balance	..	8.7	1.2	..
Overall surplus/deficit	..	3.7	-3.4	..



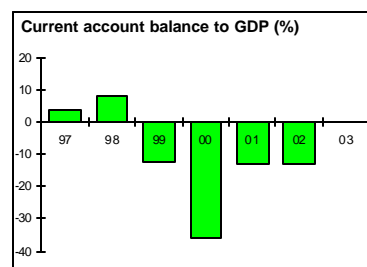
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	18	22	..
n.a.
n.a.
Manufactures
Total imports (cif)	..	42	107	..
Food
Fuel and energy
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	..	35	77	..
Imports of goods and services	..	54	130	..
Resource balance	..	-19	-53	..
Net income	..	3	18	..
Net current transfers	..	24	19	..
Current account balance	..	8	-17	..
Financing items (net)	..	-8	20	..
Changes in net reserves	..	0	-4	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.0	1.0	1.0	1.0



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed
IBRD
IDA
Total debt service
IBRD
IDA
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment
Portfolio equity
World Bank program				
Commitments
Disbursements
Principal repayments
Net flows
Interest payments
Net transfers

Note: This table was produced from the Development Economics central database.

9/15/04

PALAU
Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	..	..	84.2	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	0	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	34	31	29	29
Infant mortality rate (per 1,000 live births)	28	26	24	24
Immunization, measles (% of children under 12 months)	98	99	91	99
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	99	..	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	129	..	110
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	76.1	..	76.1	..
Nationally protected areas (% of total land area)	..	..	..	2.6
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	15.6	14	12.7	..
Access to an improved water source (% of population)	..	..	79	..
Access to improved sanitation (% of population)	..	..	100	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	..	..	..	..
Personal computers (per 1,000 people)	..	..	..	..
General indicators				
Population	15,000.00	17,000.00	20,000.00	20,000.00
Gross national income (\$)	..	99.5 million	132.2 million	136.4 million
GNI per capita (\$)	..	5,850.00	6,610.00	6,820.00
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	3.1	2.9	..	2.5
Life expectancy at birth (years)	66.9	69.5	70.4	..
Aid (% of GNI)	0	145.1	25	22
External debt (% of GNI)	..	..	..	..
Investment (% of GDP)	..	..	..	..
Trade (% of GDP)	58.9	78	95.8	99.3

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

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Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Samoa

Among the PMCs, Samoa has made the most progress in establishing a framework for participatory growth. Samoa has been implementing a gradual, comprehensive economic reform program since 1996. The agenda included maintenance of prudent fiscal and monetary policies, liberalization of the financial sector, rationalization of the tax and tariff systems, and civil service reforms. Significant investments in infrastructure, health, and education followed by an emphasis on asset management and institutional reform helped create a sound basic economic and social infrastructure network in the country. Political stability, strong leadership, timely passage of relevant legislation, and close consultations with the private sector helped the program progress steadily. Concentration of the population on one island also facilitated provision of public services and infrastructure. The reform effort has generated a stable macroeconomic environment and average annual GDP growth of nearly 5 percent since 1997. Key growth sectors were fisheries, which grew at nearly 25 percent a year; commerce; tourism; and communication services. High levels of inward remittances (21 percent of GDP in 2002) helped raise income levels and provided a source of investment capital for small-holders.²¹ GDP per capita increased by over 4 percent since 1997 and access to health and education services, clean water, and electricity is close to universal. Despite Samoa's strong performance, however, further measures are needed to enhance the productive response. Some two thirds of the population are engaged in primary agricultural production, where growth has stagnated; the trade deficit is around 45 percent of GDP, with merchandise exports accounting for only 7 percent of GDP; and the main growth sector, fisheries, has been highly vulnerable to migration patterns of tuna stocks.

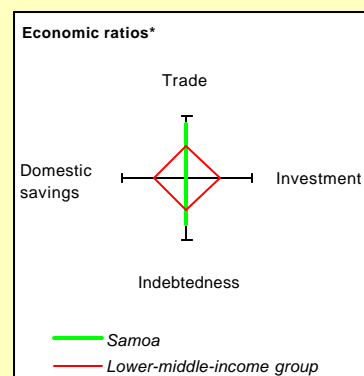
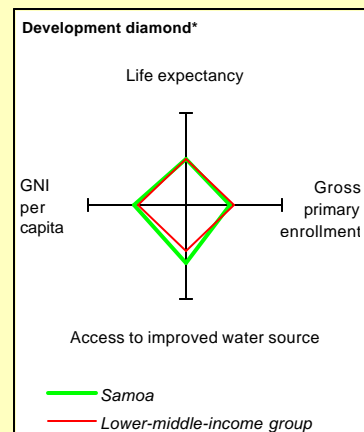
Effective contributions were made to infrastructure development in Samoa. Samoa was the most active PMC borrower during the decade, with seven projects being active during the decade. Bank loans currently account for about 34 percent of Samoa's external debt. Four projects were completed during the past decade and all four were rated satisfactory at completion. An ADB-supervised power project (FY87-95) helped Samoa become fully reliant on indigenous hydropower that replaced more expensive and environmentally damaging diesel generating plants. Through two telecom projects (FY89-95 and FY03-current) the Bank helped upgrade and expand Samoa's telecom network and is now helping introduce competition and private participation in the sector. The ADB-supervised Multiproject (FY86-94) had intended to reduce both donor and government transaction costs by financing several sub-projects that were considered too small for individual external financing. While the project achieved most of its physical objectives, it did not in itself display the cost-effectiveness of the multisectoral approach. Considerable delays, a heavy burden on implementing agencies, and specialized supervision required in each sub-sector limited its cost-effectiveness. An infrastructure project (FY90-98) helped Samoa restore its road network after Cyclone Val and made substantial contributions to sector institutional strengthening. In particular, the project introduced a participatory framework for developing strategies to mitigate the impact of natural disasters, which has become a model for similar efforts in other parts of the region. Strong ownership by the government and a timely, flexible, and responsive Bank approach facilitated this effort. A follow-on second infrastructure project (FY98-03) has helped Samoa upgrade its airports, road and coastal infrastructure networks and re-orient responsible agencies toward sustainable management of their assets. The on-going Health Project (FY00-06) aims to help implement a health sector reform strategy, although it has suffered from considerable delays due to the inability to recruit suitable local consultants.

²¹ According to the Ministry of Finance, regions in Samoa that have the highest inward remittances also show the highest economic activity.

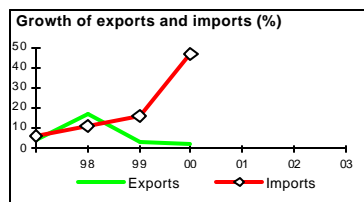
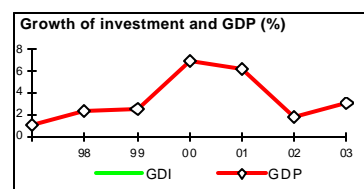
Samoa at a glance

9/15/04

	Samoa	East Asia & Pacific	Lower-middle-income		
POVERTY and SOCIAL					
2003					
Population, mid-year (millions)	0.18	1,855	2,655		
GNI per capita (Atlas method, US\$)	1,600	1,080	1,480		
GNI (Atlas method, US\$ billions)	0.28	2,011	3,934		
Average annual growth, 1997-03					
Population (%)	1.1	1.0	0.9		
Labor force (%)	..	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	22	40	50		
Life expectancy at birth (years)	69	69	69		
Infant mortality (per 1,000 live births)	20	32	32		
Child malnutrition (% of children under 5)	4	15	11		
Access to an improved water source (% of population)	99	76	81		
Illiteracy (% of population age 15+)	1	10	10		
Gross primary enrollment (% of school-age population)	103	111	112		
Male	104	112	113		
Female	101	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	..	0.12	0.26	0.32	
Gross domestic investment/GDP	
Exports of goods and services/GDP	
Gross domestic savings/GDP	
Gross national savings/GDP	
Current account balance/GDP	..	-32.6	
Interest payments/GDP	..	1.1	0.5	0.4	
Total debt/GDP	..	163.4	88.9	113.2	
Total debt service/exports	12.3	6.9	
Present value of debt/GDP	63.7	..	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	..	4.1	1.8	3.1	..
GDP per capita	..	3.1	0.6	1.9	..
Exports of goods and services	..	12.1

**STRUCTURE of the ECONOMY**

	1983	1993	2002	2003
<i>(% of GDP)</i>				
Agriculture
Industry
Manufacturing
Services
Private consumption
General government consumption
Imports of goods and services
	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	..	-0.9	-7.2	..
Industry	..	1.5	-5.6	..
Manufacturing	..	-0.4	-4.7	..
Services	..	7.4	7.7	..
Private consumption
General government consumption
Gross domestic investment
Imports of goods and services	..	9.1



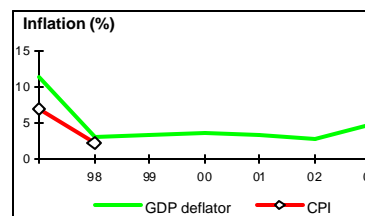
Note: 2003 data are preliminary estimates.

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* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

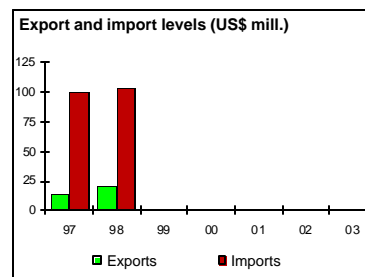
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	16.6	1.8	..	..
Implicit GDP deflator	..	..	2.9	4.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	60.7	..	..
Current budget balance	..	18.5	..	..
Overall surplus/deficit	..	-21.9	..	..



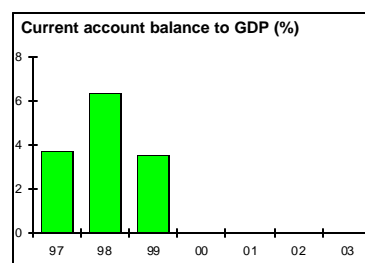
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	6	..	..
n.a.
n.a.
Manufactures
Total imports (cif)	..	87	..	..
Food
Fuel and energy
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



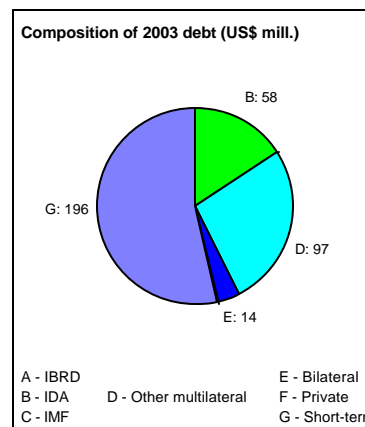
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	27	42	..	..
Imports of goods and services	57	126	..	..
Resource balance	-30	-83	..	..
Net income	-3	0	..	..
Net current transfers	36	45	..	..
Current account balance	..	-39	..	..
Financing items (net)	..	30	..	..
Changes in net reserves	-5	8	..	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.5	2.6	3.4	3.0



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed	75	194	234	365
IBRD	0	0	0	0
IDA	9	40	51	58
Total debt service	6	5	8	11
IBRD	0	0	0	0
IDA	0	0	1	1
Composition of net resource flows				
Official grants	15	22	18	..
Official creditors	4	22	-1	1
Private creditors	-2	0	0	0
Foreign direct investment	0	5	1	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	6	0	5
Disbursements	1	9	1	3
Principal repayments	0	0	1	1
Net flows	1	9	0	2
Interest payments	0	0	0	0
Net transfers	1	8	0	2



Note: This table was produced from the Development Economics central database.

9/15/04

SAMOA
Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	4.2	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	97	94.9	..
Percentage of cohort reaching grade 5 (%)	..	86.3	93.8	..
Youth literacy rate (% ages 15-24)	99	99.2	99.4	99.5
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	112.5	106.9	103.6	..
Ratio of young literate females to males (% ages 15-24)	99.8	99.9	100.1	100.1
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	4	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	42	29	26	25
Infant mortality rate (per 1,000 live births)	33	24	21	20
Immunization, measles (% of children under 12 months)	89	96	92	99
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	130	..
Births attended by skilled health staff (% of total)	76	..	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	34	30.4
Tuberculosis cases detected under DOTS (%)	..	55	50	74.6
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	45.9	..	37.1	..
Nationally protected areas (% of total land area)	..	3.5	3.6	4.1
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.8	0.8	0.8	..
Access to an improved water source (% of population)	..	..	99	..
Access to improved sanitation (% of population)	..	..	99	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	25.6	46.4	68.1	71.8
Personal computers (per 1,000 people)	..	0.6	6.2	6.7
General indicators				
Population	160.0 thousand	165.0 thousand	174.0 thousand	176.0 thousand
Gross national income (\$)	..	230.2 million	250.2 million	251.3 million
GNI per capita (\$)	..	1,390.00	1,440.00	1,430.00
Adult literacy rate (% of people ages 15 and over)	98	98.3	98.7	98.7
Total fertility rate (births per woman)	4.8	4.5	4.3	4
Life expectancy at birth (years)	66.3	68.1	69.1	69.4
Aid (% of GNI)	29	22.4	17.7	14.5
External debt (% of GNI)	56	87.9	84.1	90.2
Investment (% of GDP)	..	..	..	..
Trade (% of GDP)	..	94.5	114.2	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

SAMOA

World Bank Financed Projects

(active between 1992 and 2003)

1986-94 - Multiproject Loan (ADB) C1657

1987-95 - Power Project (ADB) C1781

1989-95 - Telecom (ADB) C2034

1990-98 - Emergency Road Rehabilitation L2132

1998-03 - Infrastructure Management L3193

2000-06 - Health Sector Management L3421

2003-08 - Telecommunications and Postal Services L3724

Published Country Specific Analytical and Advisory Services

1998 - Samoa: Pacific Islands Stakeholder Participation in Development (Working Paper Series)

1998 - Samoa: Health sector review - Meeting the Challenges of Development

Samoa Marine Biodiversity Protection and Management Project -GM-P059257

Solomon Islands

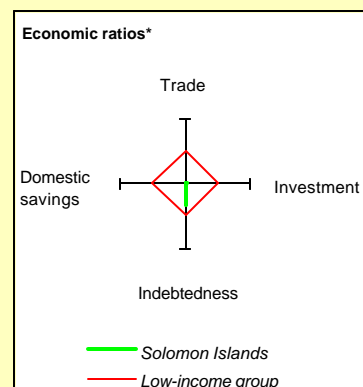
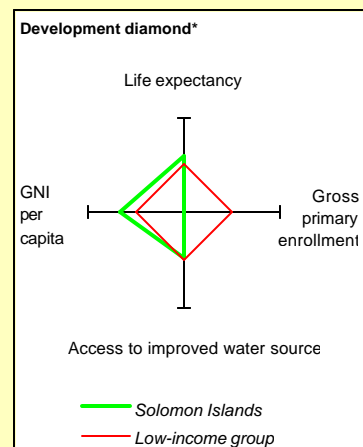
The Solomon Islands has been struggling, following political turmoil and poor economic management. The Solomon Islands has abundant natural resources, including an extensive sea area, fertile land, an 80 percent forest cover, and gold and mineral deposits. With a 2003 GNI per capita of \$600, however, it is the poorest of the nine PMCs. As in Vanuatu, a dual economy persists, with over 75 percent of the population remaining entirely outside the formal economy. The formal sector comprises logging, tree crop plantations, commercial fishing, and a large public sector. Economic policy since independence has been characterized by uneven fiscal management and emergence of an environment not conducive to broad participation in growth. A logging boom in the mid-1990s raised GDP growth to over 5 percent per annum between 1992 and 1996. However, the collapse of the timber market during the 1997 East Asian crisis exposed the fragility of the economy and its underlying policy weaknesses. In 1998, facing an impending macroeconomic crisis, a reform-minded government began implementing a broad Bank-supported adjustment program to stabilize the economy and stimulate a private sector supply response. While good initial progress was made, this was interrupted by an outbreak of ethnic-related violence in mid-1999 that resulted in a coup a year later. Although a peace agreement was reached in 2000, a lawless situation persisted until the mid-2003. Australian military intervention helped restore law and order. The four year-long violence took its toll, however, with the formal economy in virtual collapse and the government facing a severe financial crisis. Export revenues fell by over 50 percent since 1997, with crops, fisheries, gold mining and tourist arrivals all falling dramatically. GDP contracted by 4.5 percent a year, dropping Solomon Islands from a lower-middle income country to a least-developed one. Meanwhile, forestry resources, which have been the main source of government income during the crisis, are being depleted at several times their sustainable rate. While the extensive subsistence systems have prevented absolute hardship, access to basic social services has deteriorated and social indicators are expected to decline.

Lending in Solomon Islands had limited impact, partly undermined by the civil conflict. Four projects were active in the Solomon Islands between 1992-2003, including the first and only structural adjustment credit (SAC) to the PMCs. Just one of the three completed projects was rated satisfactory at completion. The SAC (FY99-01) was a relevant intervention, supporting a reform-minded government and aimed at phasing in the basic policy framework for a market-oriented and private sector-led economy. Initial implementation of the program was effective: fiscal and monetary discipline stabilized the economy; enforcement of forestry legislation helped bring down unsustainable deforestation rates; and improvements were made in the investment approval process. Following the outbreak of civil unrest in 2000, the government's attention was diverted and these efforts could not be sustained. Two education projects (FY86-93 and FY93-02) contributed to a nearly four-fold increase in the number of secondary school enrollments, including increasing access to secondary education in remote islands. The primary means was through the introduction of a model for Community High Schools, which local communities emulated with community funds (at considerably lower costs than project-funded ones). While this was a sound achievement in the difficult environment of Solomon Islands, the projects were unable to bring about an increase in the quality of education provided, as measured by student performance on aptitude tests. Moreover, while the projects focused on secondary education, there was a drop in primary school enrolment rates in the 1990s. The Bank also supported development of a strategic plan in education, which other donors are presently funding. The Health Project (FY00-ongoing) aimed to improve reproductive health and malaria programs and strengthen national planning capacity in the health sector. Implementation of the project was disrupted, however, when the Bank suspended disbursements following the government's failure to service its existing debt obligations.

Solomon Islands at a glance

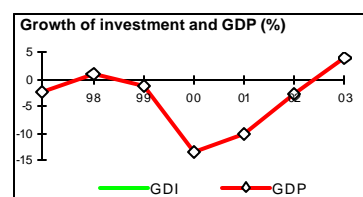
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POVERTY and SOCIAL	Solomon Islands	East Asia & Pacific	Low-income		
2003					
Population, mid-year (millions)	0.46	1.855	2.310		
GNI per capita (Atlas method, US\$)	600	1.080	450		
GNI (Atlas method, US\$ billions)	0.27	2.011	1.038		
Average annual growth, 1997-03					
Population (%)	2.8	1.0	1.9		
Labor force (%)	2.7	1.1	2.3		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	17	40	30		
Life expectancy at birth (years)	69	69	58		
Infant mortality (per 1,000 live births)	20	32	82		
Child malnutrition (% of children under 5)	21	15	44		
Access to an improved water source (% of population)	71	76	75		
Illiteracy (% of population age 15+)	..	10	39		
Gross primary enrollment (% of school-age population)	..	111	92		
Male	..	112	99		
Female	..	111	85		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	0.12	0.26	0.25	0.26	
Gross domestic investment/GDP	36.8	
Exports of goods and services/GDP	60.9	
Gross domestic savings/GDP	15.2	
Gross national savings/GDP	21.4	
Current account balance/GDP	-11.7	-2.8	
Interest payments/GDP	0.1	1.0	0.9	1.5	
Total debt/GDP	27.7	57.8	72.0	72.3	
Total debt service/exports	0.9	5.8	
Present value of debt/GDP	51.8	..	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	5.5	-2.2	-2.7	3.8	..
GDP per capita	2.3	-4.8	-5.3	0.6	..
Exports of goods and services



STRUCTURE of the ECONOMY

	1983	1993	2002	2003
(% of GDP)				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Private consumption	60.8	..	..	..
General government consumption	23.9	..	..	..
Imports of goods and services	82.4	..	..	..
	1983-93	1993-03	2002	2003
(average annual growth)				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	..	..	..	..
Imports of goods and services	..	..	..	..



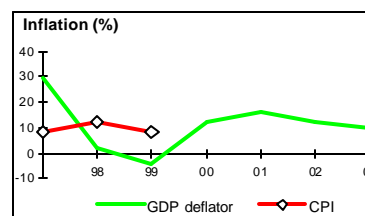
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

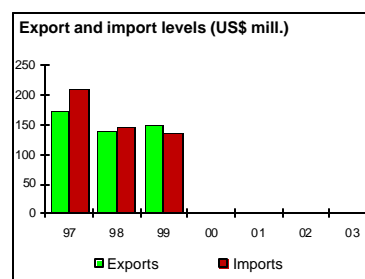
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices				
(% change)				
Consumer prices	6.1	9.1	..	..
Implicit GDP deflator	-0.8	5.4	12.1	9.8
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	41.2	..	..
Current budget balance	..	10.9	..	..
Overall surplus/deficit	..	-7.8	..	..



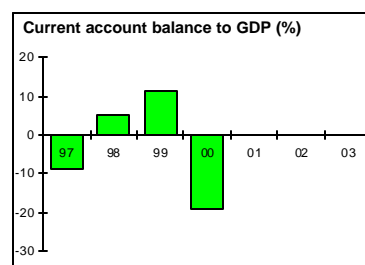
TRADE

	1983	1993	2002	2003
(US\$ millions)				
Total exports (fob)	..	129	..	..
Loas	..	70	..	..
Fish (frozen)	..	9	..	..
Manufactures	..	20	..	..
Total imports (cif)	..	137	..	..
Food
Fuel and energv
Capital goods
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



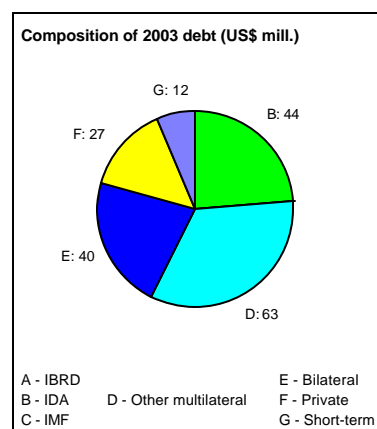
BALANCE of PAYMENTS

	1983	1993	2002	2003
(US\$ millions)				
Exports of goods and services	77	172	..	..
Imports of goods and services	96	217	..	..
Resource balance	-18	-45	..	..
Net income	-8	-5	..	..
Net current transfers	12	42	..	..
Current account balance	-15	-7	..	..
Financing items (net)	24	4	..	..
Changes in net reserves	-10	3	..	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	1.1	3.2	6.7	7.5



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
(US\$ millions)				
Total debt outstanding and disbursed	34	151	180	186
IBRD	0	0	0	0
IDA	2	20	41	44
Total debt service	1	10	6	9
IBRD	0	0	0	0
IDA	0	0	1	1
Composition of net resource flows				
Official grants	12	10	12	..
Official creditors	7	1	10	-3
Private creditors	0	0	-3	-3
Foreign direct investment	0	23	-7	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	0	17	0	0
Disbursements	2	1	0	0
Principal repayments	0	0	0	1
Net flows	2	1	0	0
Interest payments	0	0	0	0
Net transfers	2	1	0	-1



SOLOMON ISLANDS
Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	21.3	21.1	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	84.9	81.2	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	83.2	84	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	33.3	..	..	..
Proportion of seats held by women in national parliament (%)	..	2	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	36	30	25	24
Infant mortality rate (per 1,000 live births)	29	25	21	20
Immunization, measles (% of children under 12 months)	70	68	78	78
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	130	..
Births attended by skilled health staff (% of total)	..	85	85	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	57	67	57.2
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	92.2	..	90.6	..
Nationally protected areas (% of total land area)	..	0	0	0.3
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.5	0.4	0.4	..
Access to an improved water source (% of population)	..	..	71	..
Access to improved sanitation (% of population)	..	..	34	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	14.7	18.4	19.3	17.1
Personal computers (per 1,000 people)	..	23.3	39.3	40.5
General indicators				
Population	319.0 thousand	367.0 thousand	431.0 thousand	443.0 thousand
Gross national income (\$)	233.5 million	330.5 million	264.5 million	256.0 million
GNI per capita (\$)	730	900	610	580
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	5.9	5.7	5.4	5.3
Life expectancy at birth (years)	64.5	66.7	68.6	69.3
Aid (% of GNI)	22.1	14.9	20	11
External debt (% of GNI)	58.1	49.5	55.3	75.3
Investment (% of GDP)	29	..	..	..
Trade (% of GDP)	119.6	..	..	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

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Solomon Islands

World Bank Financed Projects

(active between 1992 and 2003)

1986-93 - Education II C1686

1993-02 - Education III C2500

1999-01 - SAC C3252

2000-05 - Health Sector Development Project C3313

Published Country Specific Analytical and Advisory Services

1998 - Solomon Islands: Pacific Islands Stakeholder Participation in Development (Working Paper)

Solomon Islands: IDF for Population Policy and Planning – 27271 WBTF (FY99-03)

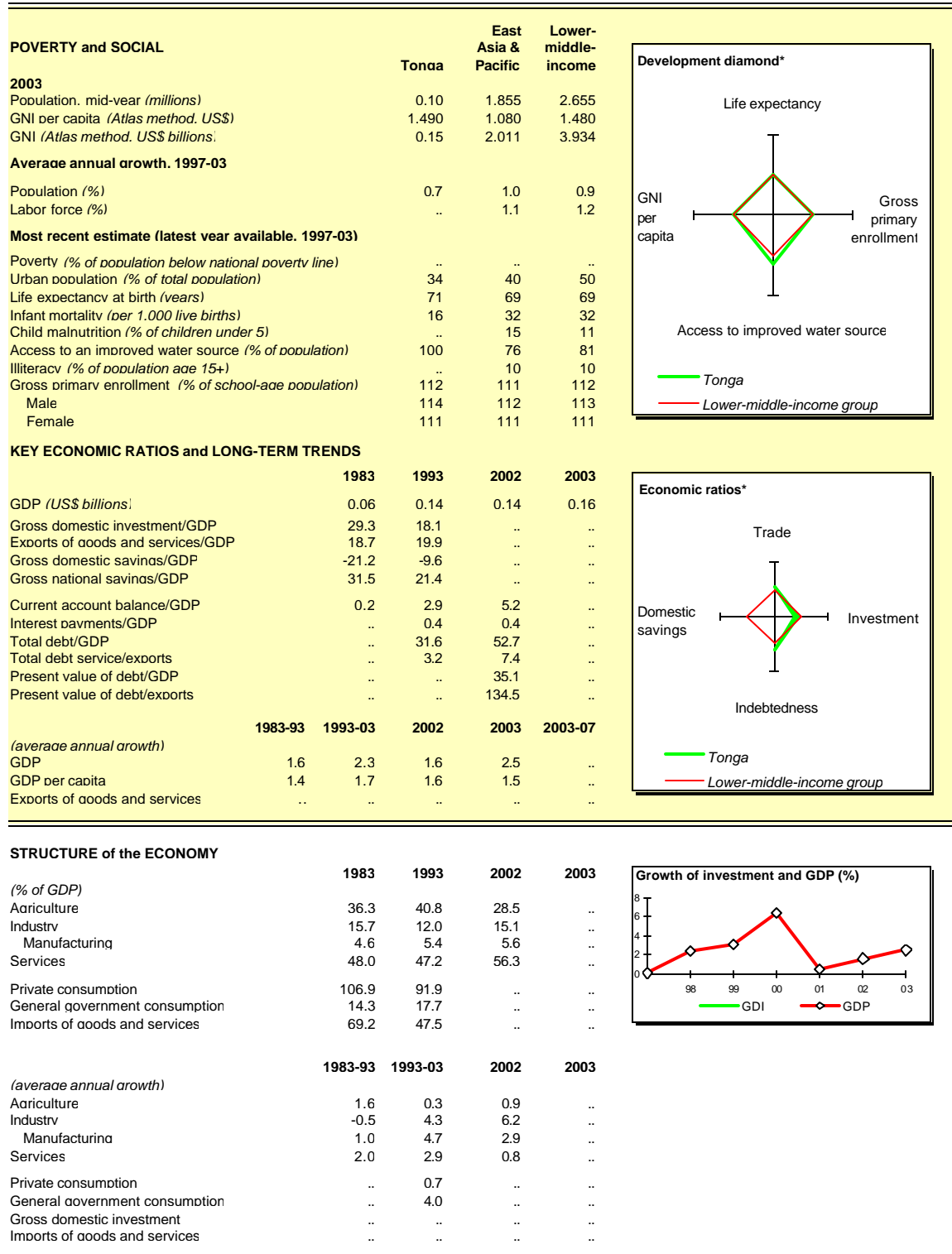
Tonga

Tonga has raised its social indicators, although its economy remains fragile. With some of the most fertile islands in the Pacific, an extensive fishing zone, and attractive outer islands, Tonga has good growth potential in agriculture, fisheries, and tourism. Prudent macroeconomic policies during much of the 1990s helped Tonga maintain stability and achieve a growth rate of 2.3 percent over the decade. Squash production, though volatile, dominated exports, while tourist arrivals grew by 6 percent a year. Social indicators were sustained at high levels, with literacy and access to education, health, and clean water facilities close to universal. Growth, however, also reflected a substantial increase in government services, and the productive sectors appear to be performing well below their potential. For example, despite having a fishing zone six times larger than Samoa's, in 2002 Tonga exported just one third the value of fish that Samoa did. Strains in the economy are apparent, with expansionary policies pushing inflation to over 10 percent in 2002 and official reserves declining sharply following ill-advised investments with the Tonga Trust Fund (which lost the equivalent of 25 percent of GDP in 2000). Limited employment opportunities have caused high rates of emigration and Tonga's economy remains the most reliant on remittances among the PMCs, equaling nearly 40 percent of GDP. Various constraints prevent greater private economic activity, including the land regime with concentrated ownership among the royal family and nobles; significant public involvement in commercial activities; large commercial interests among the royal family (including in power, telecommunications, and banking); a heavy burden on farmers and wage earners from both government taxes and church contributions; a high tariff regime; and a complex investment approval process. In mid-2002, the government announced an ambitious ADB-backed reform program and to date, progress has been made setting the legislative framework for this effort.

With limited lending, Bank contributions in Tonga were modest. Two projects were active in Tonga during the decade. The joint ADB/Bank Development Bank project (FY90-96) helped establish a market-based interest rate structure, but failed to strengthen the Tonga Development Bank (TDB) as an effective term-lending institution. Continued poor lending and accounting practices along with politically-motivated decision-making allowed a large proportion of the funds to be used for unviable sub-projects. By the end of the project TDB was in severe financial difficulty. However, subsequent managerial changes, more political autonomy, assistance from New Zealand, and some application of the Bank's prior recommendations helped TDB recently emerge as a financially sound and commercially-oriented lending institution. The Cyclone Recovery project (FY02-05) was appraised rapidly by the Bank in response to Cyclone Waca in 2001. The project is focusing on low-income replacement housing and strengthening the national emergency response and risk management framework. To date, it is being implemented effectively, although limited familiarity with Bank procedures has caused some delays.

Tonga at a glance

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Note: 2003 data are preliminary estimates.

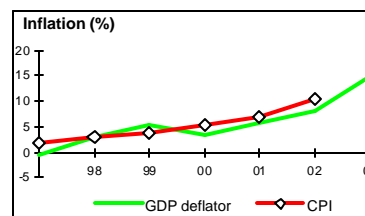
This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Tonga

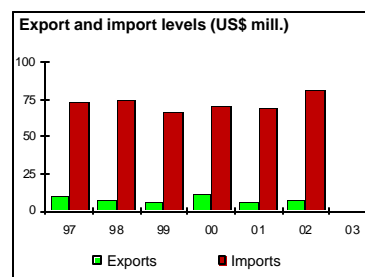
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices (% change)				
Consumer prices	9.6	0.9	10.5	..
Implicit GDP deflator	8.3	0.0	8.0	14.6
Government finance (% of GDP, includes current grants)				
Current revenue	..	43.9	31.3	..
Current budget balance	..	19.3	4.8	..
Overall surplus/deficit	..	2.1	1.4	..



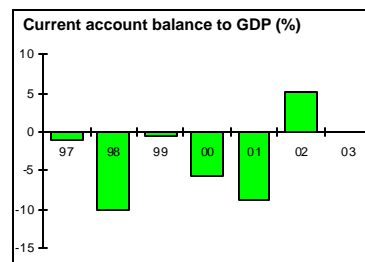
TRADE

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Total exports (fob)	..	12	8	..
Squash	..	9	3	..
Fish	..	2	3	..
Manufactures	0	..
Total imports (cif)	..	61	82	..
Food	..	15	..	..
Fuel and energy	..	9	..	..
Capital goods	..	12	..	..
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



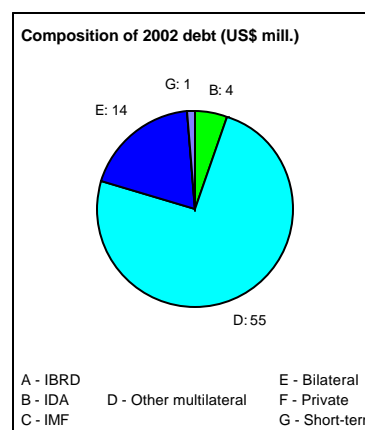
BALANCE of PAYMENTS

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Exports of goods and services	14	28	34	..
Imports of goods and services	47	69	79	..
Resource balance	-34	-41	-45	..
Net income	3	3	-1	..
Net current transfers	31	42	53	..
Current account balance	0	4	7	..
Financing items (net)	0	4	-13	..
Changes in net reserves	0	-8	6	..
Memo:				
Reserves including gold (US\$ millions)	..	37	..	..
Conversion rate (DEC, local/US\$)	1.1	1.4	2.2	2.2



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	..	44	74	..
IBRD	..	0	0	..
IDA	..	3	4	..
Total debt service	..	2	3	..
IBRD	..	0	0	..
IDA	..	0	0	..
Composition of net resource flows				
Official grants	..	15	4	..
Official creditors	..	2	4	..
Private creditors	..	0	0	..
Foreign direct investment	..	2	2	..
Portfolio equity	..	0	0	..
World Bank program				
Commitments	..	0	6	..
Disbursements	..	0	0	..
Principal repayments	..	0	0	..
Net flows	..	0	0	..
Interest payments	..	0	0	..
Net transfers	..	0	0	..



Note: This table was produced from the Development Economics central database.

9/15/04

TONGA

Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	..	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	99.9	..
Percentage of cohort reaching grade 5 (%)	83.5	..	88.6	..
Youth literacy rate (% ages 15-24)	..	99.2	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	..	..	104.6	..
Ratio of young literate females to males (% ages 15-24)	..	99.9	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	3	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	27	24	21	20
Infant mortality rate (per 1,000 live births)	23	20	17	16
Immunization, measles (% of children under 12 months)	86	94	93	90
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	92	..	92.1	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	34	30.4
Tuberculosis cases detected under DOTS (%)	..	54	53	163.9
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	5.6	..	5.6	..
Nationally protected areas (% of total land area)	..	..	1.1	5.1
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.8	1.1	1.2	..
Access to an improved water source (% of population)	..	..	100	..
Access to improved sanitation (% of population)	..	..	..	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	45.8	71.1	111.6	146.7
Personal computers (per 1,000 people)	..	6.1	14.2	20.2
General indicators				
Population	96,000.00	97,000.00	101.0 thousand	101.0 thousand
Gross national income (\$)	111.0 million	159.2 million	155.8 million	145.6 million
GNI per capita (\$)	1,160.00	1,640.00	1,540.00	1,440.00
Adult literacy rate (% of people ages 15 and over)	..	98.8	..	..
Total fertility rate (births per woman)	4.2	4.2	3.6	3.4
Life expectancy at birth (years)	68.8	70.3	71	71.3
Aid (% of GNI)	25.6	24.8	14.3	16.4
External debt (% of GNI)	46.2	40.9	44.7	54.3
Investment (% of GDP)	18.5	22.2	20.9	..
Trade (% of GDP)	99	89	71	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Tonga

World Bank Financed Projects (active between 1992 and 2003)

1990-96 - Development Bank II C2084

1992-06 - Cyclone Emergency and Recovery Management C3647

Published Country Specific Analytical and Advisory Services

Tonga: Pacific Islands Stakeholder Participation in Development (Working Paper) 1998

Tonga: Telecom Pre – 29461 Japan Funded (FY97-00)

Tonga: Health Sector Support – 51646 Japan Funded (FY03-04)

Vanuatu

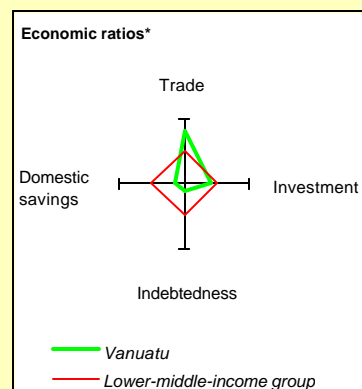
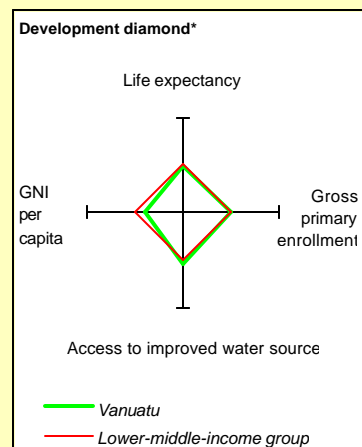
Vanuatu has been unable to advance its structural adjustment efforts and a dual economy persists. In Vanuatu, a sharply divided dual economy persists, with a broad subsistence sector accounting for the livelihoods of 80 percent of the population but just 10 percent of GDP and a narrow, expatriate-dominated formal sector comprising plantations, retail trade, and tourism. The country is highly prone to natural disasters and is rated the “most vulnerable” country in the world by the Commonwealth Secretariat’s Vulnerability Index. Frequent political change is an issue, with 10 changes in government over the past ten years. The challenging task of nation-building in a country with a widely dispersed population speaking over 100 languages has been complicated by a dual French/English colonial heritage. Between 1992-03, GDP grew an average of 2.4 percent a year, driven largely by tourism-related services and kava. However, copra, cattle, and manufacturing (the principal merchandise exports) all showed minimal or negative growth and merchandise exports declined from 9 percent of GDP in 1992 to 6.5 percent in 2002. In 1997, the government began implementing a broad ADB-supported reform program to stimulate the private sector and help realize the country’s considerable growth potential in agricultural crops, beef, fishing, and tourism. The program saw some progress, particularly in enacting legislation to improve governance and in improving fiscal management. However, it was not fully implemented and has not borne the desired results to date. GDP contracted by -1.5 percent a year between 1999 and 2002 (partly due to natural disasters) and the country remains the most aid dependent of the non-US compact PMCs, with aid receipts in 2000 equaling 33 percent of GDP. A range of obstacles continues to impede broader-based growth, including the land ownership issue; monopolies in meat and agricultural product marketing; poor rural infrastructure and inter-island transport; inefficient utility provision and port operation; and high costs and limited reach of financial services.

Bank lending had limited impact in Vanuatu. Four loans were active in Vanuatu between 1992 and 2002, with only one project having a satisfactory outcome. A joint Multiproject (FY86-93) endeavored to address cost, loan size, and staff deployment issues in small states by covering several sectors in one operation. The project had very limited success, however, with sub-projects suffering from a range of implementation difficulties, including erroneous site selections, poor engineering, and politically-motivated decision-making. According to ADB, there was no project manager or accountant for two years; supervision by ADB staff and consultants was weak; and the Bank did not participate in a single supervision mission. The Urban Housing project (FY91-99) failed to achieve its objective of increasing access to housing for middle and lower income groups in urban areas. Evaluations point to weaknesses in the design of the project, which focused on direct public involvement in land development, construction, and finance. Implementation, moreover, was undermined by frequent changes in government, which affected project staffing as well as adherence to project conditions. The first Education Project (FY89-99) helped construct two junior secondary schools that continue to have among the best facilities in country and introduced some effective teacher training programs. The Second Education project (FY01-03) aimed to help address the language issue by introducing teaching in vernacular languages during early education stages. This project was cancelled without disbursing, however, as the current government was not satisfied with its design and was unwilling to borrow for “soft” sectors. The Bank has also funded several studies of the education system and helped prepare an Education Master Plan. However, despite 15 years of Bank involvement in the education sector in Vanuatu, literacy rates remain low and the education system continues to have insufficient places; is inefficient, with high repetition and dropout rates; favors urban areas; and is biased toward training for the formal sectors rather than rural conditions.

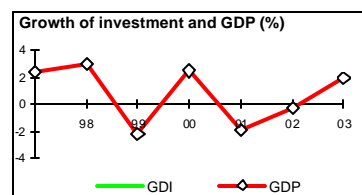
Vanuatu at a glance

9/15/04

POVERTY and SOCIAL	Vanuatu	East Asia & Pacific	Lower-middle-income		
2003					
Population, mid-year (millions)	0.21	1.855	2.655		
GNI per capita (Atlas method, US\$)	1.180	1.080	1.480		
GNI (Atlas method, US\$ billions)	0.25	2.011	3.934		
Average annual growth, 1997-03					
Population (%)	2.7	1.0	0.9		
Labor force (%)	..	1.1	1.2		
Most recent estimate (latest year available, 1997-03)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	23	40	50		
Life expectancy at birth (years)	69	69	69		
Infant mortality (per 1,000 live births)	34	32	32		
Child malnutrition (% of children under 5)	..	15	11		
Access to an improved water source (% of population)	88	76	81		
Illiteracy (% of population age 15+)	..	10	10		
Gross primary enrollment (% of school-age population)	112	111	112		
Male	112	112	113		
Female	111	111	111		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1983	1993	2002	2003	
GDP (US\$ billions)	0.10	0.18	0.23	0.28	
Gross domestic investment/GDP	25.7	21.9	
Exports of goods and services/GDP	58.5	47.3	
Gross domestic savings/GDP	12.0	12.4	
Gross national savings/GDP	22.6	21.5	
Current account balance/GDP	-8.1	-5.3	
Interest payments/GDP	0.2	0.3	0.3	..	
Total debt/GDP	10.4	23.2	35.7	..	
Total debt service/exports	1.9	1.4	
Present value of debt/GDP	23.4	..	
Present value of debt/exports	
	1983-93	1993-03	2002	2003	2003-07
(average annual growth)					
GDP	2.1	1.3	-0.3	2.0	..
GDP per capita	-0.5	-1.6	-2.7	0.1	..
Exports of goods and services	1.2

**STRUCTURE of the ECONOMY**

	1983	1993	2002	2003
<i>(% of GDP)</i>				
Agriculture	26.1	17.5	..	..
Industry	7.6	9.2	..	..
Manufacturing	3.1	4.6	..	..
Services	66.3	73.3	..	..
Private consumption	52.0	59.3	..	..
General government consumption	36.1	28.4	..	..
Imports of goods and services	72.2	56.9	..	..
	1983-93	1993-03	2002	2003
<i>(average annual growth)</i>				
Agriculture	-1.6	2.5	..	..
Industry	6.0	1.3	..	..
Manufacturing	7.6	2.4	..	..
Services	2.7	1.6	..	..
Private consumption	1.3	..	..	..
General government consumption	-0.4	..	..	..
Gross domestic investment	3.8	..	..	..
Imports of goods and services	0.1	..	..	..



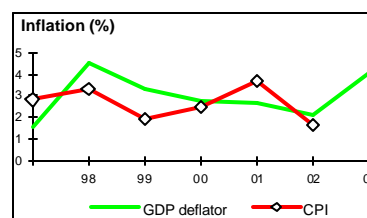
Note: 2003 data are preliminary estimates.

This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

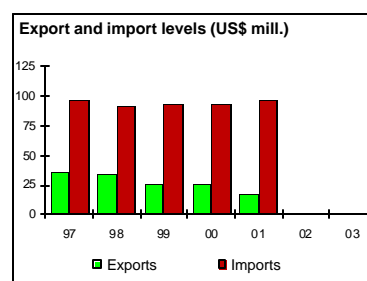
PRICES and GOVERNMENT FINANCE

	1983	1993	2002	2003
Domestic prices (% change)				
Consumer prices	1.7	3.6	1.6	..
Implicit GDP deflator	1.8	-1.2	2.1	4.0
Government finance (% of GDP, includes current grants)				
Current revenue	..	36.3	..	..
Current budget balance	..	12.2	..	..
Overall surplus/deficit	..	-1.4	..	..



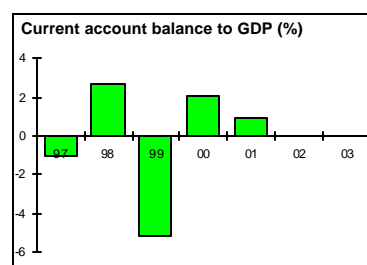
TRADE

	1983	1993	2002	2003
TRADE (US\$ millions)				
Total exports (fob)	..	23	..	..
Coira	..	6	..	..
Beef	..	1	..	..
Manufactures
Total imports (cif)	..	79	..	..
Food	..	12	..	..
Fuel and energv	..	7	..	..
Capital goods	..	21	..	..
Export price index (1995=100)
Import price index (1995=100)
Terms of trade (1995=100)



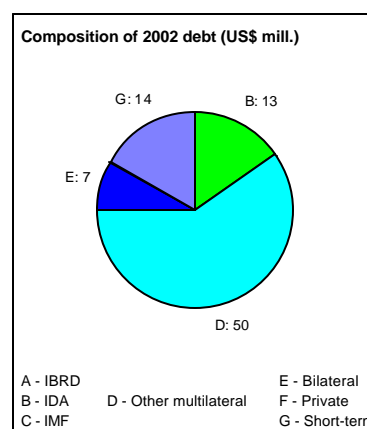
BALANCE of PAYMENTS

	1983	1993	2002	2003
BALANCE of PAYMENTS (US\$ millions)				
Exports of goods and services	56	92	..	..
Imports of goods and services	63	96	..	..
Resource balance	-7	-4	..	..
Net income	-17	-24	..	..
Net current transfers	16	18	..	..
Current account balance	-8	-10	..	..
Financing items (net)	9	14	..	..
Changes in net reserves	-1	-4	..	..
Memo:				
Reserves including gold (US\$ millions)	..	..	..	..
Conversion rate (DEC. local/US\$)	99.4	121.6	139.2	122.2



EXTERNAL DEBT and RESOURCE FLOWS

	1983	1993	2002	2003
EXTERNAL DEBT and RESOURCE FLOWS (US\$ millions)				
Total debt outstanding and disbursed	11	42	84	..
IBRD	0	0	0	..
IDA	0	11	13	..
Total debt service	1	2	2	..
IBRD	0	0	0	..
IDA	0	0	0	..
Composition of net resource flows				
Official grants	11	11	8	..
Official creditors	0	0	-1	..
Private creditors	0	0	0	..
Foreign direct investment	6	26	15	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	2	0	0	..
Disbursements	0	0	0	..
Principal repayments	0	0	0	..
Net flows	0	0	0	..
Interest payments	0	0	0	..
Net transfers	0	0	0	..



Note: This table was produced from the Development Economics central database.

9/15/04

VANUATU
Millennium Development Goals

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	..	..	..	..
Poverty gap at \$1 a day (%)	..	..	..	..
Percentage share of income or consumption held by poorest 20%	..	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	12.1	..	..
Population below minimum level of dietary energy consumption (%)	..	..	..	..
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	..	..	93.2	..
Percentage of cohort reaching grade 5 (%)	90.2	..	95.1	..
Youth literacy rate (% ages 15-24)	..	..	..	..
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	91	..	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (%)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	2	..	..
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	70	56	44	42
Infant mortality rate (per 1,000 live births)	52	43	35	34
Immunization, measles (% of children under 12 months)	66	60	94	44
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	130	..
Births attended by skilled health staff (% of total)	..	89.1	..	..
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..
Number of children orphaned by HIV/AIDS	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	..	..	84	90.6
Tuberculosis cases detected under DOTS (%)	..	..	60	36.8
7. Ensure environmental sustainability	<i>2015 target = various (see notes)</i>			
Forest area (% of total land area)	36.2	..	36.7	..
Nationally protected areas (% of total land area)	..	0	0	0.3
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0.4	0.4	0.4	..
Access to an improved water source (% of population)	..	..	88	..
Access to improved sanitation (% of population)	..	..	100	..
Access to secure tenure (% of population)	..	..	..	..
8. Develop a Global Partnership for Development	<i>2015 target = various (see notes)</i>			
Youth unemployment rate (% of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	17.8	25.9	36.1	56.9
Personal computers (per 1,000 people)	..	7.4	13.2	14.8
General indicators				
Population	147.0 thousand	168.0 thousand	201.0 thousand	206.0 thousand
Gross national income (\$)	166.8 million	211.8 million	222.3 million	221.1 million
GNI per capita (\$)	1,130.00	1,260.00	1,110.00	1,070.00
Adult literacy rate (% of people ages 15 and over)	..	..	..	..
Total fertility rate (births per woman)	5.5	4.9	4.4	4.3
Life expectancy at birth (years)	64.5	66.6	68.1	68.5
Aid (% of GNI)	30.6	21	14.6	11.9
External debt (% of GNI)	24.7	22.2	30.4	36.2
Investment (% of GDP)	34.9	23.2	21.5	..
Trade (% of GDP)	126.2	100.6	107.4	..

Source: World Development Indicators database, April 2004.

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

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Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Vanuatu

World Bank Financed Projects (active between 1992 and 2003)

1986-93 - Multi-Project (ADB) C1666

1989-99 - Education C1964

1991-99 - Housing C2262

2001-03 - Second Education C3543

Published Country Specific Analytical and Advisory Services

Vanuatu: Pacific Islands Stakeholder Participation in Development (Working Paper) 1999

Vanuatu Utility Reform Program, TA, 1998.

Annex B: Statistical Annexes

Annex Table 1 : Key Economic and Social Indicators, 1992-2003	79
Annex Table 2 : Official Development Aid to the Pacific Region, 1992-2002	
a: Official Development Aid to the Pacific Region	81
b: Breakdown of Donor Aid Commitments By Sector, 1992-2002.....	82
c: Share of Aid Commitments, by Sector, 1992-2002	83
Annex Table 3 : World Bank Loans to the Pacific Region, Active 1992-2004.....	84
Annex Table 4 : Ratings for Pacific Islands and Comparator Countries	
a: OED Ratings, FY92-04.....	85
b: Ratings for Active Projects.....	85
Annex Table 5 : Pacific Islands-Project Costs	
a: Cost of Bank Programs in the Pacific and the Caribbean, FY92-04	86
b: Administrative Expenses by Source of Financing, FY92-04	87
Annex Table 6 : World Bank Management for the Pacific Member Countries, 1992-04	88
Annex Table 7 : World Bank Lending to Low Population Countries	
a: Lending to Low Population Countries, (Net), 1992-2002.....	89
b: Lending to Low Population Countries, (Gross), 1992-2002	90

Annex Table 1. Pacific Islands: Key Economic and Social Indicators, 1992-2003

	Fiji	Kiribati	Marshall Islands	Micro-nesia	Palau	Samoa	Solomon Islands	Tonga	Vanuatu	East Asia & Pacific	Lower middle income	Belize	Cape Verde	Grenada	Maldives	Mauritius
GDP growth (annual %)	3.2	4.1	-0.5	0.9	1.4	4.1	0.3	2.3	2.4	7.5	3.5	5.3	5.9	2.8	7.4	5.0
GNI per capita, Atlas method (current US\$)	2,259	949	2,146	2,052	6,956	1,424	758	1,609	1,194	788	1,283	2,955	1,265	3,123	2,079	3,555
GDP per capita, PPP (current international \$)	4,653					4,745	2,027	5,618	2,982	3,228	4,143	5,316	4,286	5,895		8,536
GDP (current US\$m)	1,842	47	97	213	108	219	303	152	227	1,425,119	3,303,687	695	531	335	503	4,089
Agriculture, value added (% of GDP)	18.1	19.9	14.0		6.5			32.1	16.3	17.3	12.6	17.0	11.8	8.9		8.7
Manufacturing, value added (% of GDP)	14.8	0.9	1.5		1.1			5.1	4.8	31.3	23.9	11.0	9.1	6.9		23.4
Agriculture, value added (annual % growth)	0.6	-0.9				-0.3		1.8	2.7	3.1	2.3	5.5	5.0	-1.4	3.2	0.7
Industry, value added (annual % growth)	3.7	9.3				1.7		4.8	1.2	9.8	4.1	23.4	5.4	5.1	9.1	5.0
Manufacturing, value added (annual % growth)	3.6	11.1				0.1		3.6	0.7	9.9	6.1	3.5	5.2	5.5	6.5	4.6
Services, etc., value added (annual % growth)	3.6	4.6				7.5		2.6	3.1	6.6	3.4	5.7	6.4	2.8	7.2	6.2
Imports of goods and services (% of GDP)	60	87			68	60		59	56	33	24	60	57	65	74	63
Exports of goods and services (% of GDP)	58	26			16	33		19	47	35	25	52	22	49	90	61
Imports of goods and services (annual % growth)	1.6					10.5		-2.4	1.6	11.8	6.5	6.1	9.6	3.0	6.7	4.7
Exports of goods and services (annual % growth)	2.2					11.4		-1.5	4.3	11.9	7.8	5.1	15.9	4.9	7.4	5.5
Manufactures exports (% of merch exports)	42.7	0.1						6.4	8.9	75.5	60.6	12.1	81.5	28.2	31.6	71.9
Gross domestic savings (% of GDP)	11.1	-45.1						-19.3	12.9	36.5	26.9	15.1	-8.6	18.7	46.0	24.6
Gross capital formation (% of GDP)	13.1	56.3						20.7	21.3	33.9	26.0	23.8	27.0	33.6	29.8	26.5
Gross fixed capital formation (% of GDP)	11.9	55.8						19.3	21.2	32.4	24.4	23.2	27.0	34.3	29.8	25.5
Gross private capital flows (% of GDP)	18.9	32.0				3.2	7.5	1.2	27.7	11.0	10.5	16.1	8.1	10.3	10.9	12.4
Private capital flows, total (% of GDP)	2.6						3.9	1.1	14.0			5.4	3.2	10.0	2.1	0.9
Private investment in telecoms (current US\$m)	69.5					2.5	10.0	5.8	5.5	4,398.1	16,198.2	0.0	20.0			182.8
Private investment in transport (current US\$m)	0.0									3,727.8	5,413.2	37.6				21.3
For direct investment, net inflows (% of GDP)	-3.0					2.1	2.3	1.4	10.9	3.7	2.4	3.3	3.3	9.6	2.1	1.1
For direct investment, net inflows (% of gross capital formation)	21.0							6.6	56.5	10.4	8.9	13.9	14.1	24.2	6.8	4.0
Aid (% of central government expenditures)	10.1								56.1					16.5	19.8	3.4
Aid (% of GNI)	2.5	22.5	46.9	39.2	59.1	18.6	15.9	17.4	17.5	0.7	0.7	3.7	23.4	3.8	7.7	0.8
Aid (% of gross capital formation)	18.5	139.5						87.3	80.4	1.9	2.4	15.0	87.5	13.1	19.9	2.8
Aid per capita (current US\$)	54	208	1,029	812	3,402	229	122	274	206	5	8	109	281	116	122	26
Current account balance (% of GDP)	-3.5	-11.9				-7.3	0.4	-0.6	-4.8			-9.3	-9.2	-18.6	-7.4	-0.3
Total reserves in months of imports	3.7					5.5	1.6	4.4	3.2	6.6	6.6	1.7	1.9	2.2	2.3	4.0
Gross national expenditure (% of GDP)	102	201						140	108			109	136	118	84	102
Money and quasi money (M2) as % of GDP	45.8			48.5		34.2	27.8	38.8	107.7	102.0	62.5	45.8	61.0	84.5	35.8	76.3
Money and quasi money growth (annual %)	5.2			-1.1		10.6	10.3	10.3	3.4			9.3	11.7	11.2	17.6	13.1
Total debt service (% of exports of goods and services)	5.8					5.1	5.1	3.7	1.3	12.8	19.7	14.4	6.8	7.1	4.1	8.9
Overall budget balance, excl. capital grants (% of GDP)	-4.5													0.2	-8.3	-1.3
Overall budget balance, incl. grants (% of GDP)	-4.3								-2.1	-1.3	-3.1			0.3	-5.5	-1.1
Expenditure, total (% of GDP)	29.1								17.2	12.7	18.8			29.0	35.9	23.7
Current revenue, excluding grants (% of GDP)	25.1								14.3	10.8	15.6			24.7	26.9	21.9
Tax revenue (% of GDP)	21.6								12.5	9.6	12.8			22.7	13.8	19.0
Taxes on goods & services (% of current revenue)	30.6								38.6	27.8	33.3			45.5	16.2	29.8
Taxes on income, profits and capital gains (% of current revenue)	31.2								0.0	31.0	20.1			21.3	1.9	12.2
Taxes on income, profits and capital gains (% of total taxes)	36.3								0.0					23.2	3.7	14.1
Taxes on int'l trade (% of current revenue)	22.8								46.3	12.9	10.5			20.1	33.6	33.1
Export duties (% of tax revenue)	1.9								4.6					0.1	0.0	1.1

	Fiji	Kiribati	Marshall Islands	Micro-nesia	Palau	Samoa	Solomon Islands	Tonga	Vanuatu	East Asia & Pacific	Lower middle income	Belize	Cape Verde	Grenada	Maldives	Mauritius
Military expenditure (% of central government expenditure)	6.4									18.9	13.6					1.2
International tourism, expenditures (% of total imports)	5.4	6.1				2.8	4.9	2.0	4.5	3.9	5.5	6.0	8.1	2.6	10.4	6.7
International tourism, number of arrivals (thousands)	338	5	6	17	55	72	14	29	48	51,051	106,213	156	57	113	365	517
Int'l tourism, receipts (% of total exports)	25.8	6.3				51.7	6.1	29.0	45.7	6.9	8.4	27.3	19.4	44.4	68.8	18.8
Population density (people per sq km)	43.3	116.9		160.6	41.1	59.7	14.1	137.3	15.0	110.5	44.9	9.8	101.6	290.3	861.9	568.7
Population growth (annual %)	1.0	2.2	1.0	2.0	2.4	0.8	2.7	0.5	d	1.1	1.1	2.4	2.5	0.8	2.4	1.2
Life expectancy at birth, total (years)	68.3	60.6	67.4	66.8	69.6	68.5	67.5	70.6	67.2	68.4	68.3	73.6	68.0	72.4	66.6	70.9
Literacy rate, adult total (% of people ages 15 and above)	90.7					98.4		98.8		84.2	84.7	90.0	71.1		96.3	82.7
Pupil-teacher ratio, primary	27.8	27.2	16.0		16.5	24.3	23.3	21.2	26.1	23.1	22.9	25.2	28.8	21.5	23.9	23.9
School enrollment, primary (% gross)	124	131				105	95	112	102	116	113	118	132	95	131	107
Mortality rate, infant (per 1,000 live births)	18.7	53.3	56.0	20.7	24.7	21.7	22.0	17.7	37.3	35.6	35.5	34.7	32.0	22.3	61.3	18.0
Health expenditure per capita (current US\$)	86.4	46.8	186.6	169.4	465.4	86.5	41.2	85.0	48.6	41.2	78.7	147.0	52.6	223.2	93.0	118.2
Health expenditure, public (% of GDP)	2.6	8.2	6.5	5.8	8.2	4.4	4.3	3.3	2.3	1.8	2.7	2.4	3.3	3.4	5.5	1.9
Immunization, measles (% of children ages 12-23 months)	87.6	73.8	73.5	81.9	81.0	94.6	74.8	92.5	72.6	84.7	86.3	87.0	75.5	91.2	96.4	83.0
Improved sanitation facilities (% of pop with access)	43.0				100.0	99.0	34.0		100.0	47.1	58.9	50.0	71.0	97.0	56.0	99.0
Improved water source (% of population with access)	47.0	48.0			79.0	99.0	71.0	100.0	88.0	75.9	81.0	92.0	74.0	95.0	100.0	100.0
Urban population (000 thousand)	3.8	0.3	0.3	0.3	0.1	0.4	0.6	0.3	0.4	6,144.8	11,631.3	1.1	2.1	0.4	0.7	4.9
Urban population (% of total)	47.5	40.2	65.6	27.8	70.1	21.9	15.2	32.4	20.9	34.9	46.1	48.1	51.0	36.8	26.8	42.1
Urban population (in thousands)	371	31	32	31		37	71	32	38	106	232	35	68	470		
Gross foreign direct investment (% of GDP)	14.9	2.3				0.0	4.4	1.2	11.7	4.0	3.3	9.4	2.2	1.6		
Gross national expenditure (% of GDP)	99.2	201.2						130.1	109.0	109.6	136.0	116.9		102.8		
Gross private capital flows (% of GDP)	18.8	32.0				3.2	7.8	1.5	28.4	14.2	6.7	10.0	11.4	11.7		
Private investment in telecoms (current US\$ million)	69.5	1.0				10.0	10.0		11.0		20.0			261.0		

Source: World Bank WDI database as of October 18, 2004.

Annex Table 2a: Official Development Aid to the Pacific Region, 1992-2002

A. Gross Disbursements (\$M):																	
	<i>IBRD</i>	<i>IDA</i>	<i>IFC</i>	<i>ADB</i>	<i>GEF</i>	<i>EC</i>	<i>UNDP</i>	<i>Total Multi-lateral Aid</i>	<i>Australia</i>	<i>France</i>	<i>Japan</i>	<i>New Zealand</i>	<i>United Kingdom</i>	<i>United States</i>	<i>Total All Donor Aid</i>	<i>IDA+IBRD % of Multilateral Aid</i>	<i>IDA+IBRD % of Total Aid</i>
Fiji	32.8		5.9	51.1		60.4	2.3	178.4	147.8	11.0	191.0	51.0	11.7	8.3	619.6	18%	5.3%
Kiribati				6.7		14.2	2.8	29.1	54.3	0.1	77.9	19.7	6.3	3.5	191.9	0%	0%
Marshall Islands				64.1			2.3	69.4	4.6		69.6	1.0		429.7	574.7	0%	0%
Micronesia				37.9			3.4	46.7	9.6	0.0	127.5	1.6		822.7	1,010.1	0%	0%
Palau				0.0			0.1	1.0	2.0	0.0	125.8	0.7		547.4	682.2	0%	0%
Samoa		31.7	0.9	32.5	0.5	44.7	5.4	135.3	95.1	1.9	142.0	62.1	0.4	8.5	452.5	23%	7.0%
Solomon Islands		25.5		22.5		122.3	7.3	190.6	134.5	2.3	144.7	45.4	41.7	7.5	585.5	13%	4.4%
Tonga		1.5		37.9		25.4	1.5	79.4	78.6	2.4	94.5	47.2	1.1	7.0	317.6	2%	0.5%
Vanuatu		6.1	5.5	37.1		33.1	2.1	94.4	110.5	96.4	56.7	38.5	20.6	4.0	421.9	6%	1.5%
Grand Total	32.8	64.9	12.3	289.7	0.5	299.9	27.2	824.4	637.0	114.1	1,029.6	267.2	81.8	1,838.6	4,855.8	12%	2.0%

B. Net Disbursements (\$M):																	
<i>Country</i>	<i>IBRD</i>	<i>IDA</i>	<i>IFC</i>	<i>ADB</i>	<i>GEF</i>	<i>EC</i>	<i>UNDP</i>	<i>Total Multi-lateral Aid</i>	<i>Australia</i>	<i>France</i>	<i>Japan</i>	<i>New Zealand</i>	<i>United Kingdom</i>	<i>United States</i>	<i>Total All Donor Aid</i>	<i>IDA+IBRD % of Multilateral Aid</i>	<i>IDA+IBRD % of Total Aid</i>
Fiji	-51.3		-2.0	-3.7		0.1	2.3	-28.6	145.2	10.7	188.2	51.0	-10.8	8.3	383.8	na	na
Kiribati				6.3		13.9	2.8	28.5	54.3	0.1	77.9	19.7	6.3	3.5	191.2	0%	0%
Marshall Islands				64.0			2.3	69.3	4.6		69.6	1.0		429.7	574.6	0%	0%
Micronesia				37.9			3.4	46.7	9.6	0.0	126.6	1.6		822.2	1,008.7	0%	0%
Palau				0.0			0.1	1.0	2.0	0.0	121.1	0.7		547.4	677.5	0%	0%
Samoa		27.4	0.9	17.5	0.5	38.8	5.4	107.6	95.1	1.7	142.0	62.1	-0.5	8.5	420.3	25%	6.5%
Solomon Islands		23.8		17.7		120.6	7.3	180.8	131.3	1.4	122.3	45.4	31.9	7.5	533.5	13%	4.5%
Tonga		1.3		34.8		18.7	1.5	68.8	78.4	2.2	94.5	47.2	0.3	7.0	296.9	2%	0.4%
Vanuatu		5.2	1.9	35.6		31.5	2.1	86.7	110.5	88.0	55.9	38.5	20.5	4.0	403.0	6%	1.3%
Grand Total	-51.3	57.6	0.8	210.1	0.5	223.5	27.2	561.0	631.1	104.2	998.0	267.2	47.6	1,838.1	4,489.4	1%	0.1%

Source: OECD Database as of 6 Feb 2004 (www1.oecd.org). OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA.

Annex Table 2b: Breakdown of Donor Aid Commitments By Sector, 1992-2002

<i>Sector</i>	<i>World Bank</i>	<i>ADB</i>	<i>Multilateral Total</i>	<i>Australia</i>	<i>EU Members Total</i>	<i>New Zealand</i>	<i>Japan</i>	<i>United States</i>	<i>ALL DONORS TOTAL</i>
SOCIAL INFRASTRUCTURE & SERVICES	53%	65%	43%	75%	57%	72%	23%	5%	37%
Education, Total	31%	9%	12%	32%	23%	59%	8%	0%	14%
Health, Total	14%	4%	3%	11%	13%	6%	7%	2%	6%
Population Programmes	0%	2%	1%	0%	0%	0%	0%	1%	0%
Water Supply & Sanitation	0%	13%	8%	7%	3%	2%	6%	0%	5%
Government & Civil Society	0%	33%	14%	18%	3%	4%	0%	0%	8%
Other Social Infrastructure & Services	9%	4%	4%	8%	14%	1%	3%	3%	5%
ECONOMIC INFRASTRUCTURE	29%	21%	22%	4%	25%	5%	49%	3%	19%
Transport & Storage	22%	3%	13%	2%	10%	2%	35%	0%	12%
Communications	7%	0%	1%	0%	10%	0%	1%	1%	1%
Energy	0%	5%	3%	1%	3%	0%	13%	2%	5%
Banking & Financial Services	0%	6%	3%	0%	2%	1%	0%	0%	1%
PRODUCTION SECTORS	0%	5%	13%	8%	7%	15%	24%	2%	11%
Agriculture - Forestry - Fishing, Total	0%	4%	4%	6%	6%	10%	22%	2%	8%
Industry - Mining - Construction, Total	0%	2%	1%	2%	1%	3%	0%	0%	1%
Trade & Tourism	0%	0%	8%	1%	0%	2%	1%	0%	2%
MULTISECTOR	0%	8%	9%	8%	4%	9%	4%	13%	9%
COMMODITY AID / GENERAL PROG. ASS.	0%	0%	8%	3%	0%	0%	0%	61%	18%
UNALLOCATED/UNSPECIFIED	18%	0%	4%	1%	3%	0%	0%	15%	5%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: OECD Creditor Reporting System Database CRS/Aid Activities - Commitments - Aggregated by sectors : 1992-2002. Data as of February 2004.

Annex Table 2c: Share of Aid Commitments, by Sector, 1992-2002

<i>Sector</i>	<i>World Bank</i>	<i>ADB</i>	<i>Other Multilateral</i>	<i>Multilateral Total</i>	<i>Australia</i>	<i>EU Members Total</i>	<i>New Zealand</i>	<i>Japan</i>	<i>United States</i>	<i>ALL DONORS TOTAL</i>
I.SOCIAL INFRASTRUCTURE & SERVICES	4%	17%	7%	28%	46%	6%	2%	14%	3%	100%
I.1 Education, Total	6%	6%	9%	22%	53%	8%	4%	13%	0%	100%
I.2 Health, Total	7%	7%	1%	15%	47%	6%	1%	23%	9%	100%
I.3 Population Programmes	0%	56%	36%	92%	1%	7%	0%	0%	0%	100%
I.4 Water Supply & Sanitation	0%	24%	16%	40%	27%	2%	0%	30%	0%	100%
I.5 Government & Civil Society	0%	39%	4%	44%	53%	2%	0%	0%	1%	100%
I.6 Other Social Infrastructure & Services	5%	9%	4%	18%	39%	13%	0%	13%	15%	100%
II.ECONOMIC INFRASTRUCTURE	4%	9%	14%	27%	4%	6%	0%	59%	4%	100%
II.1 Transport & Storage	5%	2%	18%	25%	4%	4%	0%	67%	0%	100%
II.2 Communications	19%	0%	3%	21%	2%	36%	0%	28%	13%	100%
II.3 Energy	0%	12%	5%	17%	6%	4%	0%	59%	14%	100%
II.4 Banking & Financial Services	0%	47%	33%	80%	5%	14%	1%	0%	0%	100%
III.PRODUCTION SECTORS	0%	5%	23%	28%	16%	3%	1%	52%	0%	100%
III.1 Agriculture - Forestry - Fishing, Total	0%	4%	8%	12%	16%	3%	1%	68%	0%	100%
III.2 Industry - Mining - Construction, Total	0%	26%	2%	28%	61%	7%	4%	0%	0%	100%
III.3 Trade & Tourism	0%	0%	78%	78%	7%	1%	1%	14%	0%	100%
IV. MULTISECTOR	0%	5%	16%	21%	22%	2%	1%	13%	40%	100%
VI. COMMODITY AID / GENERAL PROG. ASS.	0%	0%	10%	10%	2%	0%	0%	0%	88%	100%
XI. UNALLOCATED/UNSPECIFIED	10%	0%	8%	18%	2%	3%	0%	0%	77%	100%
XII.TOTAL	3%	9%	12%	23%	22%	4%	1%	23%	26%	100%

Source: OECD Creditor Reporting System Database CRS/Aid Activities - Commitments - Aggregated by sectors: 1992-2002. Data as of February 2004.

Annex Table 3: World Bank Loans to the Pacific Region, Active 1992-2004

Country	Active period (FY)	Status	ID	Lending Type	Project	TM	Sector Category	Sector	Lead Agency	Net Comt. Amount	Out come	Sustaina bility	ID Impact	Actual Total Bank costs	Bank Funds	Trust Funds	Bank costs/ Loan amount
Fiji	1988-92	Completed	P003683	IBRD	Road Upgrading		Infrastructure	Transport	ADB	23.4	SAT	LIK	MOD	na	na	na	na
Fiji	1989-97	Completed	P003688	IBRD	Third Telecom	Wright	Infrastructure	Telecom	ADB	7.6	SAT(M)	LIK	MOD	336,000	na	na	na
Fiji	1990-99	Completed	P003689	IBRD	Housing	Unger	Infrastructure	Urban Development		12.9	SAT(M)	UNC	MOD	645,611	645,471	140	5%
Fiji	1992-99	Completed	P003693	IBRD	Road Upgrading II	Paterson	Infrastructure	Transport		14.9	SAT	UNC	MOD	222,574	222,574	0	1%
Samoa	1986-94	Completed	P004854	IDA	Multiproject		Infrastructure	Rural infrastructure	ADB	3.1	SAT(M)	UNC	NEG	107,700	na	na	na
Samoa	1987-95	Completed	P004857	IDA	Afulilo Hydropower Project		Infrastructure	Power	ADB	3.7	SAT	UNC	NEG	na	na	na	na
Samoa	1989-95	Completed	P004861	IDA	Telecom		Infrastructure	Telecom	ADB	5.0	SAT	LIK	NEG	na	na	na	na
Samoa	1990-98	Completed	P004863	IDA	Emergency Road Rehabilitation	Paterson	Infrastructure	Transport		20.4	SAT	LIK	SUB	303,764	303,412	352	1%
Samoa	1998-	Ongoing	P052293	IDA	Infrastructure Asset Management	Paterson	Infrastructure	Infrastructure		14.8	S			707,904	494,701	213,203	5%
Samoa	2000-	Ongoing	P064926	IDA	Health project	Saadah	Social Sectors	Health		5.0	S			969,056	490,985	478,071	19%
Samoa	2003-	Ongoing	P075739	IDA	Telecom & Postal Sector Reform	Rosotto	Infrastructure	Telecom		4.5	S			325,440	285,440	40,000	7%
Samoa	2004-	Ongoing	P075523	IDA	Second Infrastructure Asset Mgmt. Project	Paterson	Infrastructure	Infrastructure		13.4	S			316,385	316,385	0	2%
Solomon Islands	1986-93	Completed	P004620	IDA	Education II		Social Sectors	Education		6.1	SAT(H)	LIK	SUB	na	na	na	na
Solomon Islands	1993-03	Completed	P004629	IDA	Education III	Menon	Social Sectors	Education		17.1	UNSAT	UNLIK	MOD	1,162,795	799,832	362,963	7%
Solomon Islands	1999-01	Completed	P061214	IDA	SAC	Ton	Structural Adjustment	Economic Policy		7.0	UNSAT (H)	UNC(H)	NEG	381,008	259,890	121,117	5%
Solomon Islands	2000-	Ongoing	P058358	IDA	Health Sector Development	Menon	Social Sectors	Health		4.0	U			685,194	347,120	338,074	17%
Tonga	1990-96	Completed	P004809	IDA	Development Bank II	Zhou	Financial Sector	Financial Sector	ADB	2.3	UNSAT	UNLIK	NEG	95,141	95,141	0	4%
Tonga	2002-	Ongoing	P075171	IDA	Cyclone Emergency Recovery Project	Paterson	Infrastructure	Infrastructure		5.9	S			190,259	190,259	0	3%
Tonga	2004-	Ongoing	P075230	IDA	Health Sector Support	Menon	Social Sectors	Health		10.9	S			591,310	350,509	240,801	5%
Vanuatu	1986-93	Completed	P004815	IDA	Multiproject		Infrastructure	Rural infrastructure	ADB	2.5	UNSAT	UNLIK	NEG	na	na	na	na
Vanuatu	1988-99	Completed	P004814	IDA	Education	Deen	Social Sectors	Education		8.6	SAT	LIK	MOD	563,755	531,236	32,520	7%
Vanuatu	1991-99	Completed	P004820	IDA	Housing	Unger	Infrastructure	Urban Development		1.6	UNSAT (H)	UNLIK	NEG	608,572	562,648	45,924	39%
Vanuatu	2001-04	Cancelled	P004823	IDA	Second Education	Collingwood	Social Sectors	Education						743,151	343,056	400,095	

Source: World Bank.

Annex Table 4: Rating for Pacific Islands and Comparator Countries

	<i>Total Evaluated (No)</i>	<i>Outcome % Sat (No)</i>	<i>Sustainability % Likely (No)</i>	<i>Inst Dev Impact % Subst (No)</i>	<i>Total Evaluated (\$M)</i>	<i>Outcome % Sat (\$)</i>	<i>Sustainability % Likely (\$)</i>	<i>Inst Dev Impact % Subst (\$)</i>
Fiji	4	100	50	0	58.7	100	53	0
Samoa	5	100	40	20	35.0	100	73	59
Solomon Islands	4	25	25	25	33.0	18	18	18
Tonga	2	50	0	0	4.0	48	0	0
Vanuatu	3	33	33	0	12.6	68	68	0
Cape Verde	10	100	80	70	99.0	100	86	80
Mauritius	13	69	77	54	175.0	84	86	65
Maldives	5	100	80	80	44.0	100	79	79
Belize	7	71	71	43	62.7	81	58	39
Grenada	2	100	100	50	13.5	100	100	53
EAP	516	81	69	45	56,955.0	86	80	51
World Bank	3,193	70	56	38	243,785.0	76	66	43

Source: OED internal Database, October 18, 2004.

Table 4b: Ratings for Active Projects

<i>Country</i>	<i># Proj</i>	<i>Net Comm Amt</i>	<i># Proj At Risk</i>	<i>% At Risk</i>	<i>Comm At Risk</i>	<i>% Commit at Risk</i>
Solomon Islands	1	4.0	0	0.0	0.0	0.0
Tonga	2	16.8	0	0.0	0.0	0.0
Samoa	4	26.8	0	0.0	0.0	0.0
Belize	1	13.0	0	0.0	0.0	0.0
Cape Verde	5	67.1	2	40.0	26.5	39.5
Grenada	4	27.9	1	25.0	6.0	21.6
Mauritius	2	13.6	0	0.0	0.0	0.0
Maldives	2	33.2	0	0.0	0.0	0.0
EAP	274	31,238.7	29	10.6	1,906.9	6.1
World Bank	1,505	116,163.6	231	15.3	18,862.9	16.2

Source: World Bank data as of October 18, 2004.

Annex Table 5: Pacific Islands - Project Costs

Table 5a: Cost of Bank Programs in the Pacific and the Caribbean, FY92-04					
PACIFIC					
<i>Country (C)</i>	<i>Total costs, \$m</i>	<i>ESW completion costs, \$m</i>	<i>Lending completion costs, \$m</i>	<i>Project Supervision costs, \$m</i>	<i>Technical Assistance costs, \$m</i>
Fiji	2,188.0	422.8	803.9	716.2	110.9
Kiribati	572.1	225.6	309.3		31.0
Marshall Island	14.7				14.7
Micronesia, Fed	14.4				14.4
Pacific Islands	10,287.8	8,148.9	205.1	31.9	110.6
Palau	68.6	34.1			34.4
Samoa	3,732.6	171.6	1,885.3	1,644.7	12.8
Solomon Islands	3,539.5	44.5	2,025.4	1,104.1	129.5
Tonga	937.1	50.8	720.0	150.4	
Vanuatu	1,845.6	378.8	686.1	686.2	24.9
Grand Total	23,200.2	9,477.2	6,635.0	4,333.5	483.2

CARIBBEAN					
<i>Country (C)</i>	<i>Total costs, \$m</i>	<i>ESW completion costs, \$m</i>	<i>Lending completion costs, \$m</i>	<i>Project Supervision costs, \$m</i>	<i>Technical Assistance costs, \$m</i>
Antigua and Bar	88.9	88.9			
Caribbean	15,286.1	4,358.8	1,161.2	1,016.1	1,386.8
Dominica	2,276.5	674.7	1,000.0	555.5	
Grenada	1,207.3	110.2	470.8	619.5	
St. Kitts and N	1,700.6	553.2	505.3	633.0	
St. Lucia	2,327.8	105.7	1,051.4	1,163.6	
St. Vincent and	1,436.7	125.1	1,030.4	278.3	
Trinidad and To	8,147.1	1,125.6	3,894.9	2,537.5	151.2
Grand Total	32,471.1	7,142.2	9,114.1	6,803.5	1,538.0

Source World Bank.

Table 5b: Administrative Expenses by Source of Financing, FY92-04 (In USD thousands)

PACIFIC						CARIBBEAN					
Business process	BANK INTERNAL FUND	TRUST FUND	TOTAL COST	TF, % of Process Cost	Process Cost, % of Total Cost	Business process	BANK INTERNAL FUND	TRUST FUND	Process Cost	TF, % of process Cost	Process Cost, % of Total
Client Training	49	529	578	91%	2%	ACS Support to Products	115		115	0%	0%
Country Economic & S	5,177	4,300	9,477	45%	41%	Client Training	79	36	114	31%	0%
Country Program Supp	757	257	1,015	25%	4%	Country Economic & S	6,648	495	7,142	7%	22%
Lending	4,110	2,525	6,635	38%	29%	Country Program Support	4,078	2	4,080	0%	13%
Project Supervision	3,397	936	4,333	22%	19%	Lending	6,904	2,210	9,114	24%	28%
Technical Assistance	311	172	483	36%	2%	Other Operational Su	417		417	0%	1%
Sector and Global Se	333	104	437	24%	2%	Project Supervision	6,549	255	6,803	4%	21%
Resource Mobilization	8		8	0%	0%	Sector and Global Service	633	40	674	0%	2%
Support Services	216	18	234	8%	1%	Support Services	2,473		2,473	0%	8%
						Technical Assistance	1,378	160	1,538	10%	5%
Total lending costs	7,507	3,461	10,969	32%	47%	Total lending costs	13,870	2,465	16,334	15%	50%
Total ESW and TA Costs	5,871	5,105	10,975	47%	47%	Total ESW and TA Costs	8,738	731	9,468	8%	29%
Grand Total	14,359	8,841	23,200	38%	100%	Grand Total	29,274	3,197	32,471	10%	100%

Source: World Bank.

Annex Table 6: World Bank Management for the Pacific Member Countries, 1992-04

<i>Year</i>	<i>Vice President</i>	<i>Country Director</i>	<i>Country Operations Division Chief</i>	<i>Country Coordinator</i>	<i>Country Officer</i>	<i>Country Economist</i>
1992	Gautam S. Kaji	Marianne Haug	Amar Bhattacharaya	...	John Caldwell	Hilarian Codippily
1993	Gautam S. Kaji	Marianne Haug	John D. Shilling	...	John Caldwell	Hilarian Codippily
1994	Gautam S. Kaji	Marianne Haug	Ajay Chhibber	...	Monique Garrity	Hilarian Codippily
1995	Russell J. Cheetham	Marianne Haug	Ajay Chhibber	...	Irene Davis	Hilarian Codippily
1996	Russell J. Cheetham	Marianne Haug	Ajay Chhibber	...	Irene Davis	Hilarian Codippily
1997	Cheetham/Hope/ Shirazi/Haug	Marianne Haug	Richard Calkins	...	Elizabeth Brower	Hilarian Codippily
1998	Jean Michel-Severino	Klaus Rohland	...	...	Elizabeth Brower	Hilarian Codippily
1999	Jean Michel-Severino	Klaus Rohland	...	...	Laurence B. Dunn	Hilarian Codippily
2000	Jemal-ud-din Kassum	Klaus Rohland	...	Natasha Beschorner	Laurence B. Dunn	Vivek Suri
2001	Jemal-ud-din Kassum	Klaus Rohland	...	Natasha Beschorner	Laurence B. Dunn	Vivek Suri
2002	Jemal-ud-din Kassum	Klaus Rohland (Nov) Xian Zhu	...	Natasha Beschorner	Laurence B. Dunn	Vivek Suri
2003	Jemal-ud-din Kassum	Xian Zhu	...	Natasha Beschorner	...	Vivek Suri (Aug) Manjula Luthria
2004	Jemal-ud-din Kassum	Xian Zhu	...	Natasha Beschorner	...	Manjula Luthria

Source: World Bank Intranet.

Table 7a. World Bank Lending to Low Population Countries (Net), 1992-2002

	IBRD/IDA Borrower	Population 2002	GNI per capita 2002	Net Aid Disbursements, Annual Average, 1993-2002			
				Aid as a % of GNI	Aid per capita, (US\$)	World Bank Aid per capita (US\$)	World Bank Aid as a percent of Total
Fiji	IBRD	823,300	2,160	2%	41.4	-5.3	-13%
Kiribati	IBRD	94,700	810	21%	192.9	0.0	0%
Marshall Islands	IBRD	53,200	2,350	51%	1,123.7	0.0	0%
Micronesia	IBRD	122,380	1,980	42%	881.4	0.0	0%
Palau	IBRD	19,900	7,140	73%	1,666.4	0.0	0%
Samoa	IDA	176,200	1,420	17%	220.9	12.0	5%
Solomon Islands	IDA	443,300	570	16%	124.8	6.0	5%
Tonga	IDA	101,160	1,410	18%	277.3	1.2	0%
Vanuatu	IDA	205,570	1,080	17%	200.9	1.3	1%
AVERAGE EAP LPCS		2,039,710	1,585	13%	224.7	0.3	0%
Sub-Total 5 EAP borrowing countries		1,749,530	1,512	7%	112.1	0.3	0%
Cape Verde	IDA	458,030	1,290	22%	273.3	29.4	11%
Comoros	IDA	585,940	390	15%	64.5	11.0	17%
Djibouti	IDA	656,510	900	15%	152.7	6.7	4%
Equatorial Guinea	IDA	481,420	700	14%	64.6	2.2	3%
Sao Tome & Principe	IDA	154,210	290	99%	300.8	26.8	9%
Seychelles	IBRD	83,590	6,530	3%	204.5	-2.7	-1%
AVERAGE AFR LPCS		2,419,700	966	18%	148.2	12.0	8%
Belize	IBRD	253,330	2,960	5%	143.7	12.9	9%
Dominica	Blend	71,800	3,180	10%	318.2	12.7	4%
Grenada	Blend	101,710	3,500	4%	127.5	13.0	10%
Guyana	IDA	771,970	840	17%	132.0	10.9	8%
St. Kitts-Nevis	IBRD	45,980	6,370	5%	283.5	19.7	7%
St. Lucia	Blend	158,520	3,840	5%	187.0	14.3	8%
St. Vincent & Grenadines	Blend	116,720	2,820	7%	164.2	2.1	1%
Suriname	IBRD	422,570	1,960	10%	141.8	0.0	0%
AVERAGE LAC LPCS		1,942,600	2,081	9%	152.5	8.8	6%
Bhutan	IDA	850,820	590	20%	88.6	2.7	3%
Maldives	IDA	286,680	2,090	8%	123.7	11.8	10%
AVERAGE SAR LPCS		1,137,500	968	13%	97.7	5.0	5%
AVERAGE ALL LPCs		7,539,510	1,421	12%	162.8	7.0	4%
LDCs, Total (Least Developed)		688,830,720	280	9%	23.5	3.2	14%
LMICs, Total (Low Middle Income)		2,410,658,560	1,390	0.6%	7.5	0.2	2.6%

Sources: WDI August 2003; OECD Database as of 6 Feb 2004 (www1.oecd.org). OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA. LPC: Low Population Countries are Member States of the World Bank with populations of less than 1 million people.

Table 7b: World Bank Lending to Low Population Countries (Gross), 1992-2002

	IBRD/IDA Borrower	Population 2002	GNI per capita 2002	Gross Aid Disbursements, annual average, 1993-2002			
				Aid as a % of GNI	Aid per capita, (US\$)	World Bank Aid per capita (US\$)	World Bank Aid as a percent of Total
Fiji	IBRD	823,300	2,160	3%	68.4	3.9	6%
Kiribati	IBRD	94,700	810	21%	193.6	0.0	0%
Marshall Islands	IBRD	53,200	2,350	51%	1,123.9	0.0	0%
Micronesia	IBRD	122,380	1,980	43%	882.6	0.0	0%
Palau	IBRD	19,900	7,140	74%	1,726.5	0.0	0%
Samoa	IDA	176,200	1,420	19%	238.4	14.5	6%
Solomon Islands	IDA	443,300	570	18%	137.5	6.4	5%
Tonga	IDA	101,160	1,410	19%	297.0	1.4	0%
Vanuatu	IDA	205,570	1,080	18%	210.8	1.8	1%
AVERAGE EAP LPCS		2,039,710	1,585	14%	242.6	4.5	2%
Sub-Total 5 EAP borrowing countries		1,749,530	1,512	8%	132.4	5.2	4%
Cape Verde	IDA	458,030	1,290	24%	287.3	29.9	10%
Comoros	IDA	585,940	390	17%	70.9	11.9	17%
Djibouti	IDA	656,510	900	17%	167.2	7.3	4%
Equatorial Guinea	IDA	481,420	700	15%	75.8	2.9	4%
Sao Tome & Principe	IDA	154,210	290	110%	333.6	28.7	9%
Seychelles	IBRD	83,590	6,530	5%	326.8	5.5	2%
AVERAGE AFR LPCS		2,419,700	966	20%	165.1	13.1	8%
Belize	IBRD	253,330	2,960	9%	252.6	25.3	10%
Dominica	Blend	71,800	3,180	13%	406.5	14.1	3%
Grenada	Blend	101,710	3,500	6%	175.8	13.6	8%
Guyana	IDA	771,970	840	25%	198.1	24.9	13%
St. Kitts-Nevis	IBRD	45,980	6,370	6%	369.1	21.0	6%
St. Lucia	Blend	158,520	3,840	7%	270.2	16.3	6%
St. Vincent&Grenadines	Blend	116,720	2,820	8%	197.5	3.4	2%
Suriname	IBRD	422,570	1,960	11%	150.5	0.0	0%
AVERAGE LAC LPCS		1,942,600	2,081	12%	210.8	16.3	8%
Bhutan	IDA	850,820	590	21%	91.0	2.9	3%
Maldives	IDA	286,680	2,090	9%	146.8	12.6	9%
AVERAGE SAR LPCS		1,137,500	968	14%	105.4	5.4	5%
AVERAGE ALL LPCs		7,539,510	1,421	14%	189.7	10.5	6%
LDCs, Total (Least Developed)		688,830,720	280	10%	27.7	3.9	14%
LMICs, Total (Low Middle Income)		2,410,658,560	1,390	1.0%	12.7	1.3	10.6%

Sources: WDI August 2003; OECD Database as of 6 Feb 2004 (www1.oecd.org). OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes (a) bilateral ODA, (b) grants and concessional and non concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing Loans) which have too low a Grant Element (q.v.) to qualify as ODA. LPC: Low Population Countries are Member States of the World Bank with populations of less than 1 million people.

LIST OF WORLD BANK ACTIVITIES IN THE PACIFIC REGION 1992 - 2003

A. WORLD BANK FINANCED PROJECTS (active between 1992 and 2003)

Fiji

1988-92 - Road Upgrading Project (ADB) L2871

1989-97 - Third Telecommunications Project L3074

1990-99 - Housing Project L3188

1992-99 - Road Upgrading II Project L3491

Samoa

1986-94 - Multiproject Loan (ADB) C1657

1987-95 - Power Project (ADB) C1781

1989-95 - Telecom (ADB) C2034

1990-98 - Emergency Road Rehabilitation L2132

1998-03 - Infrastructure Management L3193

2000-06 - Health Sector Management L3421

2003-08 - Telecommunications and Postal Services L3724

Solomon Islands

1986-93 - Education II C1686

1993-02 - Education III C2500

1999-01 - SAC C3252

2000-05 - Health Sector Development Project C3313

Tonga

1990-96 - Development Bank II C2084

2002-06 - Cyclone Emergency and Recovery Management C3647

Vanuatu

1986-93 - Multi-Project (ADB) C1666

1989-99 - Education C1964

1991-99 - Housing C2262

2001-04 - Second Education C3543

B. NON-LENDING SERVICES

Published Regional Economic Reports

2002 - Pacific Islands - Embarking on a Global Voyage: Trade Liberalization and Complementary Reforms in the Pacific

2000 - Cities, Seas, and Storms: Managing Change in Pacific Island Economies

1998 - Enhancing the Role of Government in Pacific Island Economies

1996 - Pacific Island Economies: Building a Resilient Economic Base for the Twenty First Century

Published Regional Sector Reports

1994 - Health Priorities and Options in the World Bank's Pacific Member Countries

1992 - Pacific Regional Energy Assessment Study

1992 - Higher Education Study

Published Country Specific Analytical and Advisory Services and Grant-Funded Technical Assistance

Fiji

Fiji - Pacific Islands Stakeholder Participation in Development, Working Paper (1998)

Fiji - Restoring growth in a changing global environment, Economic Report (1995)

Fiji: Informal Settlements – 27036 Japan Funded (FY98-00)

Fiji: Transport Planning – 27552 WBTF (FY99-02)

Fiji: Management of External Reserves (TA)

Fiji: Restructuring of National Bank of Fiji (TA)

Kiribati

Kiribati: Pacific Islands Stakeholder Participation in Development (Working Paper Series) 1998

Kiribati: Management of Revenue Reserve Fund TA

Kiribati: Public Expenditure Review TA (FY98)

Kiribati: Adaptation Project Preparation

Marshall IslandsMicronesia

Micronesia: Fisheries TA (FY94-96)

PalauSamoa

1998 - Samoa: Pacific Islands Stakeholder Participation in Development (Working Paper Series)

1998 - Samoa: Health sector review - Meeting the Challenges of Development

Samoa Marine Biodiversity Protection and Management Project -GM-P059257

Solomon Islands

Solomon Islands: Pacific Islands stakeholder participation in development (Working Paper) 1998

Solomon Islands: IDF for Population Policy and Planning – 27271 WBTF (FY99-03)

Solomon Islands: Reform of the National Provident Funds TA

Tonga

Tonga: Pacific Islands Stakeholder Participation in Development (Working Paper) 1998

Tonga: Telecom - 29461 Japan Funded (FY97-00)

Tonga: Health Sector Support – 51646 Japan Funded (FY03-04)

Vanuatu

Vanuatu: Pacific Islands Stakeholder Participation in Development (Working Paper) 1999

Vanuatu Utility Reform Program TA, 1998

Other Published Regional Analytical and Advisory Services and Grant-Funded Technical Assistance Projects

Pacific Island Adaptation Program coordination (TA FY00)

Regulatory Framework and Transaction Models for Private Participation in Infrastructure in Pacific Islands Countries, (Working Paper Meritec, 2001)

Working Apart or Together: The case for a Common Approach to Management of the Tuna Resources in Exclusive Economic Zones of Pacific Island Countries (Working Paper, 2000)

Summary Report Voices from the Village: A Comparative Study of Coastal Resource Management in the (Pacific Islands Discussion Paper Series, 1999)

Come Hell or High Water - Integrating Climate Change Vulnerability and Adaptation into Bank Work (Working Paper, 1999)

Coral Reefs - Challenges and Opportunities for Sustainable Management (1998)

Aspects of the Industry, Trade, and Marketing of Pacific Island Trochus (Pacific Islands Discussion Paper Series, 1997)

Managing Urban Environmental Sanitation Services in Selected Pacific Island Countries (Working Paper, 1995)

SELECTED WORLD BANK POLICY RECOMMENDATIONS TO THE PMC'S 1992–2002

1996: “Pacific Islands Economies: Building a Resilient Economic Base for the Twenty-First Century” (ER)

1. Enhance international competitiveness by:
 - a. Maintaining a stable macroeconomic environment through appropriate wage, exchange rate, and overall fiscal policies.
 - b. Implementing a progressive reduction of import duties to reduce the anti-export bias. This should be accompanied by introduction of new domestic revenue sources to off-set losses.
 - c. Reducing barriers to FDI by: (i) streamlining investment approval process, clarifying property rights, and easing requirements related to hiring expatriate workers; (ii) move away from the wide-ranging foreign investment incentives (discretionary, erode tax base, and encourage rent-seeking) and instead focus on improving the overall domestic enterprise environment; (iii) strengthen trade, aid, and investment links with rapidly growing Asian economies.
2. Promote tourism by:
 - a. Improving air access, flight frequency, and fare levels by rationalizing national airlines, developing regional and beyond network routes;
 - b. Better marketing of unique cultural attributes and careful protection of the environment;
 - c. Improving potential investor confidence in the investment environment.
3. Increase benefits from fisheries by:
 - a. Offshore fisheries: (i) Strengthening the fisheries resource management system to ensure sustainability of tuna stocks (including monitoring and control); (ii) increase access fees through collective action; (iii) and reduce the public role in commercial activities and prepare the groundwork for increased private involvement.
 - b. Coastal fisheries: (i) Shifting the focus of fisheries departments from fisheries development to fisheries management, including privatization of selected marketing facilities and distribution centers; (ii) privatizing or introducing cost-recovery mechanisms for fish aggregation devices; (iii) limiting public investment to promote new fisheries; (iv) reorienting training, extension, and research functions to areas where the public sector has a comparative advantage over the private sector; (v) streamlining procedures for license applications; and formulating export marketing strategies.
4. Improve conservation and management in the forestry sector by:
 - a. Immediately establishing effective systems to protect natural forests and preserve biodiversity.
 - b. Developing detailed plans for management of natural resources in conjunction with landowners and timber operators; developing and enforcing National Codes of Logging Practice.
 - c. Introducing stumpage and export taxes to increase government revenue; increasing royalties paid to landowners; merging field-based and output taxes; and adopting independent surveillance of exports.

5. Enhance regional collaboration by:
 - a. Limiting regional collaboration efforts to a small number of selected areas where the benefits outweigh the administrative costs etc.
 - b. Building trade relationships with larger, more dynamic trading blocs outside the region, especially APEC.
 - c. Developing cooperative arrangements in aviation and maritime transport.
 - d. Developing a common approach to natural resource management, i.e. forestry and fisheries, including a common Code of Conduct in logging etc.
 - e. Adopting and improving common provision of a few social and economic services, such as resolving difficulties facing USP/higher education; re-orienting regional training programs from liberal arts to business and technical skills; preparing common disaster response plans; and using an agency such as SPREP to address coastal zone management issues and marine conservation needs.

1992: Pacific Regional Energy Assessment (SR)

1. Develop indigenous energy resources (that hold promise for technical, economic, and financial viability) including:
 - a. Developing solar PV based utilities for remote islands;
 - b. Building large-scale and mini-hydro power plants where adequate sites and institutional support are available;
 - c. Promoting biomass use by agro industries.
2. Improve petroleum import regime by:
 - a. Regularly surveying petroleum landed costs and retail prices;
 - b. Formulating, monitoring, and enforcing storage safety and waste oil disposal standards.
3. Improve performance and efficiency in the power sector by:
 - a. Strengthening and transforming the existing power supply agencies in financially and managerially autonomous corporations, including treating the utility as a “business”.
 - b. restraining from additional investment in generation capacity as in most countries there is no justification for this.
4. Governments should move away from management and operation in the power sector and instead:
 - a. Develop appropriate incentives for both private and public sector enterprises in the sector;
 - b. Provide manpower training and planning to meet technical skill requirements;
 - c. Formulate and enforce policies to manage the environmental impacts of energy production, transport, and use;
 - d. Manage and coordinate donor resources, including through regional assistance mechanisms if necessary.

1994: Health Priorities and Options in the World Bank's Pacific Member Countries (SR No. 11620-EAP, October, 1994)

1. Recast health priorities and service delivery arrangements by:
 - a. Shifting towards a health policy centered on preventive and peripheral curative services (although without precluding continued government involvement in hospital-based care).
 - b. Pursuing an appropriate mix of facility-based and other initiatives and setting fees at levels that augment revenues without retarding demand or excluding the poor.
 - c. strengthening data collection and planning capacity
2. Develop appropriate manpower strategies by:
 - a. Moving beyond ad hoc responses to staff and service shortages toward coherent manpower strategies that can match supply with demand.
 - b. Developing salary scales and career paths that can recruit and retain doctors, nurses, and medical assistants.
 - c. Reducing the dependence on overseas training, ensuring that nurse training programs go beyond hospital-based apprenticeship to reflect primary healthcare and prevention, ensuring that employment to trainees is not guaranteed and using fees to ration demand for training places.
3. Improving cost recovery by:
 - a. Implementing greater recourse to patient fees and other user charges for goods and services that yield near-term therapeutic benefits.
 - b. designing well targeted preventive and education programs to alter behavior and personal consumption patterns and increasing the price of products known to have detrimental health effects (i.e. sugar, tobacco, alcohol).
 - c. Further experimenting with insurance operations as a means of improving cost recovery for tertiary care.
4. Encourage private service suppliers by:
 - a. Developing mechanisms to encourage non-government financing of curative care when individuals can afford it.
 - b. Removing other barriers to private practice, such as allowing private doctors to have referral or admission rights in public hospitals and ready access to laboratory, radiology, and pharmaceutical services.
 - c. Allowing nurses and medical assistants to practice privately, and removing obstacles preventing their private operation (i.e. inability to buy drugs which they can subscribe).
 - d. Not allowing donor top-up salaries to become the norm, but only to fill short-term gaps while training is underway.
5. Engage in cost-effective regional cooperation options by:
 - a. Developing a system where in-country and regional training institutions can provide all necessary skills except some specialized areas.
 - b. Enabling the Fiji School of Medicine to become an autonomous institution able to respond to needs, attract additional students and finance its operations without putting an additional burden on the Fiscal budget.

6. Improve the effectiveness of aid by:
 - a. Developing a strategic focus, including a strategic public expenditure program for the health sector.
 - b. FOR DONORS: Donors should not fund extensive recurrent costs on a permanent basis and should only initiate projects with PMCs when the implications of recurrent costs are fully documented to and agreed as part of an overall public expenditure plan.
 - c. DONORS: Donors should eschew advocacy or consciousness-raising and should refrain from programs or objectives related to particular diseases and should not try to substitute for missing public initiatives. Instead they should focus on capacity-building and helping public agencies define and perform the public goods and equity-related functions with are government responsibilities.
 - d. DONORS should indicate that their own future funding will be guided by the health strategies that emerge from rigorous health priority and objective setting exercises.

1998: Enhancing the Role of Government in the Pacific Island Economies (ER 18698, October, 1998)

Overall: Need to diversify production base and export markets and exercise greater prudential regulation over their respective financial sectors. Particular actions are required to reduce the fiscal and efficiency burden of large governments by focusing governments on core functions.

- a. Provide a stable macroeconomic environment by restoring fiscal balance through better public expenditure management and improved revenue collection. Improved public sector management will require: (i) greater openness and public scrutiny of budgetary processes, public accounts, loan agreements, guarantees, public sector contracts; (ii) reducing the size of the civil service; (iii) becoming more flexible in hiring practices in the civil service and moving to a performance-oriented remunerations system;
- b. Provide institutional infrastructure such as property rights, land-leasing mechanisms, peace, law and order;
- c. Provide an environment that encourages long-term investment such as stable, predictable, and uniformly applied tax and tariff regimes, market-oriented labor policies, and prudential regulation and governance of the financial sector;
- d. Provide basic education, health care, and physical infrastructure; in particular, shifting to improving preventive health, basic education, and asset maintenance; more focus on rural areas; ensuring adequate allocations for operation and maintenance; managing provision on commercial principles;
- e. Ensure that aid is properly embedded in the country's own set of priorities, for if not, it can be an impediment to sustainable growth. DONORS should ensure that their aid involves significant policy reform or capacity building and addresses key factors contributing to economic growth.

List of People Interviewed

External Aid Partners

Australia

Alan Moody, Director, Pacific II, AusAID, Canberra
 Peter Ellis, Director, Program Evaluation Section, AusAID, Canberra
 Natasha Smith, Pacific I, AusAID, Canberra
 Tony O'Dowd, Pacific II, AusAID, Canberra
 Cathy Bennett, Pacific III AusAID, Canberra
 Michelle Lowe, Economist, AusAID, Canberra
 Heather Smith, General Manager, International Economy Division, The Treasury, Canberra
 Mark Sewell, International Finance Division, The Treasury, Canberra
 Bob Davis, Australian High Commissioner in Solomon Islands, Honiara
 Stacy Greene, Second Secretary (Development Cooperation), Australian High Commission in Solomon Islands, Honiara

New Zealand

Don Clarke, Director, Global Programmes, NZAID, Wellington
 Ross Macfarlane, Pacific Regional Coordinator, NZAID, Wellington
 Mathew Daznell, Programme Manager, International Financial Institutions, NZAID, Wellington
 Glenys Karran, Programme Manager, Solomon Islands, NZAID, Wellington
 Sarah-Jane Marriott, Advisor International Development, NZAID, Wellington
 Peter Buckley, International Development Specialist, NZAID, Wellington
 Andrew Blazely, Senior Analyst, International and Defense, New Zealand Treasury, Wellington
 Matt Hodge, Analyst, International and Defense, New Zealand Treasury, Wellington
 Paul Ash, Senior Policy Officer, Pacific Division, New Zealand Ministry of Foreign Affairs and Trade, Wellington

Asian Development Bank (ADB)

Ray Cahoon, Deputy Country Director, South Pacific Regional Mission, ADB, Port Vila
 Pita Moala, Senior Project Implementation Officer, South Pacific Regional Mission, ADB, Port Vila

Japan International Cooperation Agency (JICA)

Masayoshi Ono, Project Formulation Advisor, Japan International Cooperation Agency (JICA) South Pacific Regional Office, Suva
 Mosese Waqa, Research Associate, JICA South Pacific Regional Office, Suva

International Monetary Fund/Pacific Financial Technical Assistance Center (IMF/PFTAC)

Luc Leruth, Project Coordinator, Pacific Financial Technical Assistance Center (PFTAC), Suva

United Nations Development Programme (UNDP)

Yuxue Xue, Deputy Resident Representative, UNDP Multi Country Office, Suva
 Shashikant Nair, Thematic Specialist–Governance, UNDP Multi Country Office, Suva

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

Serge Belloni, Regional Advisor, Development Policy, ESCAP Pacific Operations Center, Port Vila
 Siliga Kofe, Economic Affairs Officer, ESCAP Pacific Operations Center, Port Vila
 Charles Katoanga, Programme Officer, ESCAP Pacific Operations Center, Port Vila

AcademicAustralian National University, Canberra

David Hegarty, Convenor of the State, Society & Governance in Melanesia Project, Research School of Pacific and Asian Studies

Brian Brogan, Director, National Graduate School of Management

R.J. May, Senior Fellow, School of Pacific and Asian Studies

Benjamin Reilly, Senior Lecturer, Asia Pacific School of Economics and Government

Vicky Lukere, Visiting Fellow, State Society & Governance in Melanesia Project, Research School of Pacific and Asian Studies

University of the South Pacific, Suva

Ron Duncan, Executive Director, Pacific Institute of Advanced Studies in Development and Governance, USP, Suva

Mahendra Reddy, Senior Lecturer in Development Economics, Center for Development Studies, USP, Suva

Regional Agencies

Feleti Teo, Director, Forum Fisheries Agency, Honiara

Joel Opnai, Fisheries Management Adviser, Forum Fisheries Agency, Honiara

Emma Ferguson, Economic Advisor, Pacific Islands Forum Secretariat, Suva

Viliame Caniogo, Fiscal Reform Officer, Pacific Islands Forum Secretariat, Suva

Tony Neil, Executive Director, Pacific Power Association, Suva

Gordon Chang, Manager, Pacific Power Association, Suva

Fiji Islands

Hon. Jone Kubuabola, Minister for Finance and National Planning

Savenca Narube, Governor, Reserve Bank of Fiji

Amraiya Naidu, Ambassador at Large, Office of the Prime Minister

M. Tadulala, Deputy Secretary, Office of the Prime Minister

Pita Wise, Deputy Secretary for National Planning, Ministry of Finance and National Planning

Cama Tuiqilaqila Tuiloma, Deputy Secretary Planning and Design, Ministry of Works and Energy

Eroni Vatuloka, Auditor General, Office of the Auditor General

Jone Navakamocea, Chief Economic Planning Officer, Ministry of Finance and National Planning

Isoa Tamani, CEO, Land Transport Authority

Shiri Ram, General Manager Regulations, Land Transport Authority

Sainimili Nabou, Manager Strategic Planning, Land Transport Authority

Kiran Krishan Chandra, General Manager Corporate Services, Land Transport Authority

Lorraine Seeto, Chief Manager, Corporate Planning and Assurance, Reserve Bank of Fiji

Jesoni Vitusagavulu, CEO, Fiji Islands Trade and Investment Bureau

Paula Baleilevuka, Project Management Engineer, Public Works Department

Mr. Lingham, Director, Housing Authority

Winston Thompson, Chief Executive Officer, Telecom Fiji Limited

Hon. Ganesh Chand, Member of Parliament

Robert Keith-Reid, Journalist, Publisher, Island Business International

Connie Chew, Journalist, Publisher/Editor, Chew Publishing Co. Ltd

David Aidney, President, Fiji Employers' Federation

Michael Rynne, Chief Executive, Basic Industries Limited

Tonga

Hon. STT 'Utoikamanu, Minister of Finance
 Joyce Mafi, Governor, National Reserve Bank of Tonga
 'Otenifi Afu'alo Matoto, Managing Director, Tonga Development Bank
 Balwyn Faotusia, Acting Director of Planning, Central Planning Department
 'Aholotu Palu, Ministry of Finance
 Maliu Takai, Deputy Director, National Disaster Management Office, Ministry of Works
 Penisimani Vea, Project Manager, Tonga Cyclone Recovery Management Project
 Makelasi Moala Funaki, Finance Officer, Tonga Cyclone Recovery Management Project
 Robert Bolouri, President, Tonga Chamber of Commerce
 Christine M. 'Uta'atu, Proprietor, 'Uta'atu & Associates
 Bill Holden, General Manager, 'Alatini Fisheries Co Ltd.

Samoa

Hinauri Petana, Financial Secretary, Treasury Department
 Kolone Vaai, former Financial Secretary, Treasury Department
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 Nella Tavita, Principal Policy & Research Officer, Department of Trade, Commerce and Industry
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 Samoa Umbrella for Non Governmental Organisations (SUNGO),
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Rick Houenipwela, Governor, Central Bank of Solomon Islands
Shadrach Fanega, Permanent Secretary, Ministry of Finance
Barnabas Anga, Permanent Secretary, Ministry of Education & Training
Primo Afeau, Attorney General of the Solomon Islands
Denton Rarawa, Deputy Governor, Central Bank of Solomon Islands
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Guide to OED's Country Evaluation Rating Methodology

1. This methodological note describes the key elements of OED's country assistance evaluation (CAE) methodology.²²

CAEs rate the outcomes of Bank assistance programs, not Clients' overall development progress

2. An assistance program needs to be assessed on how well it met its particular objectives, which are typically a sub-set of the Client's development objectives. If an assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, OED rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

4. By the same token, an unsatisfactory assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

5. OED measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the

²² In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other AAA activities, the consistency of Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

Evaluation in Three Dimensions

6. As a check upon the inherent subjectivity of ratings, OED examines a number of elements that contribute to assistance program outcomes. The consistency of ratings is further tested by examining the country assistance program across three dimensions:

- (a) a *Products and Services Dimension*, involving a "bottom-up" analysis of major program inputs -- loans, AAA, and aid coordination;
- (b) a *Development Impact Dimension*, involving a "top-down" analysis of the principal program objectives for relevance, efficacy, outcome, sustainability, and institutional impact; and,
- (c) an *Attribution Dimension*, in which the evaluator assigns responsibility for the program outcome to the four categories of actors (see paragraph 4. above).

Rating Assistance Program Outcome

7. In rating the outcome (expected development impact) of an assistance program, OED gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. OED's task is then to validate whether the intermediate objectives produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

9. OED utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The assistance program achieved at least acceptable progress toward all major relevant objectives, <u>and</u> had best practice development impact on one or more of them. No major shortcomings were identified.
<i>Satisfactory:</i>	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
<i>Moderately Satisfactory:</i>	The assistance program achieved acceptable progress toward <i>most</i> of its major relevant objectives. No major shortcomings were identified.
<i>Moderately Unsatisfactory:</i>	The assistance program did <i>not</i> make acceptable progress toward <i>most</i> of its major relevant objectives, <i>or</i> made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>most</i> of its major relevant objectives, <i>and</i> either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Highly Unsatisfactory:</i>	The assistance program did not make acceptable progress toward <i>any</i> of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated as: *high, substantial, modest, or negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

11. **Sustainability** can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and,
- resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

EVALUATION OF WORLD BANK ASSISTANCE TO PACIFIC MEMBER COUNTRIES, 1992-2002

MANAGEMENT ACTION RECORD

<i>Major Monitorable OED Recommendations Requiring a Response</i>	<i>Management Response</i>
<p>➤ Develop a regional engagement framework focused around a select few objectives. OED's view is that these objectives should comprise (a) rationalizing public expenditure policies and programs, which would allow the PMCs themselves to be more proactive in ensuring optimal allocations and enhancing the development impact of aid flows; and (b) removing policy and institutional impediments to private activity to enable growth and more participation in the key productive sectors of the PMCs.</p>	<p>The Bank is preparing a new Pacific Islands Strategy for 2004-2008 to guide the Bank's engagement at the regional and country level. The goal of the Bank's engagement in the Pacific will be to create an environment conducive to economic growth with employment creation. The strategy strives to improve public sector capabilities as well as incentives for private sector growth by focusing on two main pillars (a) strengthening government capacity to manage economic reform through improved public expenditure policies and public sector reforms²³ (b) improving the business environment for domestic job creation while improving access to regional labor markets for Pacific islanders.</p>
<p>➤ Define a specific set of objectives; a corresponding level of engagement; and a set of lending and non-lending options particular to each country within the regional framework. The Bank should define the country-specific objectives and outcomes it seeks to influence in each PMC, as opposed to the past practice of defining a regional strategy largely in terms of inputs. Such an approach will necessitate selectivity both in terms of countries, where the Bank is engaged, and the sub-sectoral/thematic issues that it tackles.</p>	<p>The level of Bank involvement in individual Pacific Island countries varies considerably, given the predominance of other partners, particularly bilaterals. Within the underpinning framework of the new regional strategy, the level and composition of country-specific assistance will be guided by client consultations and remain flexible and demand-driven. The Pacific Islands Strategy document will include country annexes that outline the development challenges along with the role of other development partners. In this context, the annexes will define broad national-level objectives, and intermediate milestones of proposed Bank assistance programs, thus facilitating better monitoring and evaluation in the medium-term.</p>
<p>➤ Prioritize support for a highly select set of regional-level interventions, such as support in the fisheries sector; in air and sea transport industries; and in preparing to respond to natural disaster to complement country-level objectives.</p>	<p>Natural hazard and natural resource management are areas of comparative advantage where there is robust demand for World Bank services. The region's tuna fishery - though undoubtedly a key resource - is politically contentious; the Bank may offer its services as an "honest broker" through provision of technical advice. Australia and the Asian Development Bank have taken a leading role in the air and land transport sectors, though the Bank and IFC are becoming increasingly involved through regional-level analytical work on airlines and road asset management.</p>

²³ At a country-level this could have a broad focus as is the case currently in the Solomon Islands in the context of our review of budget stabilization efforts; or a specific sectoral focus on infrastructure management, hazard management or social sectors.

<i>Major Monitorable OED Recommendations Requiring a Response</i>	<i>Management Response</i>
<p>➤ Broaden and deepen collaboration with other donors. The Bank should continue to work toward developing clear and consistent messages with active donors in each country; develop closer ties with those donors with which contact has been less frequent (including with USA and Japan, the two largest financial donors in the region); and encourage the PMCs to take a more active role in donor coordination to ensure that donor activities are complementary.</p>	<p>The Bank intends to seek “constructive partnerships” with other donors through several avenues: (a) regular consultations with major partners, and greater outreach to the US, Japan and European Union; (b) collaboration in a few key areas, notably private sector development (regulatory reform, utilities, improving the business climate); (c) support for sector-wide approaches in education in selected countries; and (d) continued involvement in harmonization initiatives. Country-driven development strategies are largely absent in the region, as are other instruments, which typically facilitate donor coordination (e.g. SWAPs); the Bank aims to discuss further with government and partners how to progress this agenda and strengthen country ownership.</p>
<p>➤ Ensure that its strategy in the Pacific is fully funded and staffed in order that its objectives might be met and not just outputs delivered. Adequate financing of the Bank’s program in the Pacific would be facilitated by developing a coherent, realistic set of objectives, as recommended above.</p>	<p>The budget envelope for the Pacific Islands has increased significantly since FY00. Management will endeavor to maintain the budget at the FY05 level, acknowledging that our assistance per task to Pacific Island clients tends to be resource and time-intensive, since our programs in these countries are not comprehensive rendering clustering of tasks difficult. The Bank will seek to leverage other development partner resources where possible.</p>

Comments from the Government of Fiji

Comment on World Bank Assistance to Pacific Member Countries

The evaluation of World Bank (WB) assistance to Pacific countries has identified some key areas, which Fiji and other neighboring countries must rationalise to develop the economy further. The analysis/key indicators in the report provides a solid platform in which Fiji can work together with WB in combating the macroeconomic imbalances exist in our country.

On page 33, Annex A of the Evaluation of World Bank Assistance to Pacific Member Countries, the last sentence of the first paragraph highlights of the constraints to greater private sector investment and growth and these includes *difficult land access and tenure; high cost and erratic utility provision; price controls on a range of consumer goods and services; a complex foreign investment approval process; high interest rate spreads and limited access to financial services; and an ineffective commercial litigation system.*

It is not clear what WB is referring to under land access and tenure. With regards to ALTA, efforts have been put in place for displaced sugar cane farmers by Government to provide \$28,000 to those whose lease has expired. In addition, the government has developed land and tenants become owners of this security through leasing under crown or state land. These actions were undertaken prior and after the civilian coup in 2000.

With regards to a complex foreign investment approval, this was only applicable in 2000 as the Reserve Bank of Fiji put in place measure to conserve Fiji's foreign reserves level. The strictness in giving approval was in line with protecting Fiji's foreign reserves and the stability of the banking system. Thus limits were placed on amount institutional investors and business people could remit offshore. Moreover, safeguarding capital flight to sustain Fiji's financial system at that time was utmost important.

With reference to the Banks view on "high interest rate spread" noted above, in mid 1990's, the spread was marginally reduced compared to the 1980's when Fiji's financial system was heavily regulated. The spread was slightly reduced from around 8 percent to 5 percent but as the WB report states that this is still higher compared to other developing countries.

The government agreed with the report addressing the limited access to financial services especially to those in remote and outer islands. The government together with the Association of Banks in Fiji have managed to address this issue and to date the Australia New Zealand Bank (ANZ) and the Colonial National Bank (CNB) have been providing banking services to rural dwellers and those in remote islands through Postal agencies and mobile banking.

Development of a regional engagement framework would be beneficial for Fiji in the long run as this would rationalise public expenditure policies and programs which would

allow Fiji to be more proactive in ensuring optimal allocations and enhancing the development impact of aid flows and removing policy and institutional impediments to private activity to enable growth and more investment.

Via E-mail from Mr Isikeli Voiceduadua
Ministry of Finance & National Planning
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Chairman's Summary **Committee on Development Effectiveness**

(Meeting of February 16, 2005)

1. The Informal Subcommittee (SC) of the Committee on Development Effectiveness (CODE) met on February 16, 2005 to discuss the "Evaluation of World Bank Assistance to Pacific Member Countries, 1992-2002", prepared by the Operations Evaluation Department (OED). Written statements were issued by Messrs. Hermann and O'Brien.
2. **Background.** According to the OED report, despite progress in improving social indicators, the Pacific Member States (PMCs) still face difficult development challenges: low per capita economic growth, significant income poverty, and high aid dependence. The report emphasized that over the past decade the Bank had a limited role in the PMCs, initially adopting a minimalist approach that largely comprised analytical work through a biannual regional economic report and later increasing lending activities mainly in the social sectors. With the exception of Solomon Islands, the Bank did not present a formal strategy for any of the PMCs until the Pacific Regional Strategy in 2000. OED also noted that although the Bank produced some high quality analytical work (which was well received across the region), improved its partnership with the major donors by relocating the Country Director to the Region in 2000, and undertook a number of positive lending interventions, it did not have a significant impact on the PMCs' main objective over the past decade – improving the environment for private sector growth. According to the evaluation, the Bank's assistance and its role as a knowledge bank were weakened by: a lack of strategic objectives; infrequent interaction with clients and other donors; limited country-specific analysis and follow-up assistance; and low administrative resources, as compared to other low-population countries. OED also noted that the relevance of Bank lending in the social sectors was questionable, given the need for selectivity and the engagement of other donors with grant financing in these areas.
3. Overall, OED rated the outcome the of Bank assistance to PMCs as moderately unsatisfactory, with negligible impact on institutional development and unlikely sustainability. The main recommendations of the OED report included: (i) developing a regional engagement framework focusing on improving public expenditure management and removing bottlenecks for private sector growth; (ii) defining specific objectives and levels of engagement for each country while complementing them with regional-level objectives; (iii) improving collaboration with other donors; and (iv) ensuring that its strategy in the PMCs is adequately funded and staffed.
4. Management largely agreed with the OED analysis and stressed that it would incorporate the lessons of the report in the new Pacific Strategy, currently under preparation. Management noted that many of the report's recommendations, such as a focus on public expenditure management and private sector growth, have already been taken on board, and it added that the new strategy will seek to strike a better balance between regional and country-level activities, stressing country ownership and employing a demand-driven approach.
5. **Main Conclusions and Next Steps.** The Subcommittee welcomed the evaluation and commended OED for a candid and comprehensive assessment. Members appreciated the frank acknowledgement of challenges and agreed with the OED rating of the outcome of Bank assistance. They encouraged management to consider the report's recommendations when formulating the new regional strategy and stressed the importance of drawing lessons from the Bank's experience in PMCs for future involvement in small, low-population states where the Bank is not the primary lender.

The following points were raised.

6. **Lessons learned.** Members noted that the previous evaluation of the Bank's work in the 1980s (completed in 1992) had similar findings and that few lessons learned were incorporated in the Bank's program in the 1990s. In that context, they were interested in how the upcoming Regional Strategy would address the latest OED recommendations. Management replied that the new strategy has already taken note of OED recommendations and would focus on raising the efficiency of public expenditures (especially in the social sectors), and on encouraging private sector growth. Some members felt that the report could have paid more attention to the issues of poverty and income inequality, as well as based some of its recommendations on the MDG-related situation in the region. A speaker wished the report had more details on particular reasons for the Bank's inactivity in the region during the past decade, i.e. whether it was due to difficulties with clients, costs of doing business, or other issues. Management acknowledged that in the past the Bank had taken a minimalist approach in the region, to some extent due to presence of other major donors, abundance of grant resources, and higher-than-usual costs of doing business. Management also noted that decisions to decentralize and develop a regional strategy are clear indications of changes in the Bank's strategy.

7. **Role of the Bank.** Members agreed with the report's conclusion that access to financial resources has not been the binding constraint for development in the region, and welcomed its recognition of the high potential of non-lending work, if properly disseminated and followed up. They concurred with the report's recommendation to define focused and measurable country-specific objectives and levels of engagement, but also acknowledged that the Bank's usual toolkit (encouraging PRSPs and preparing CASs) might not be applicable on its usual scale in the PMCs. Members noted the report's criticism of the Bank's involvement in social sector work and were interested whether sector-wide approaches could be employed in some sectors (e.g. education). They agreed with the report's recommendations to focus on private sector growth, public expenditure management, governance, and building institutional capacity, as compared to previous engagement in social sectors. At the same time, several members noted the importance of the Bank's continuous engagement in social sectors for donor harmonization and alignment initiatives. Among other areas for potential Bank involvement, members mentioned analysis of niche markets, infrastructure, regional integration, and natural disaster preparedness. Management replied that while it has already engaged in dialogue with some countries on disaster insurance, niche markets, and regional trade, it would look cautiously at infrastructure financing, taking into account issues of limited capacity and sustainability.

8. **Non-lending activities.** Members agreed that the Bank has a comparative advantage in providing objective and credible policy advice and welcomed the suggested focus on analytical and advisory services. Some members noted the importance of not overstating the role of lending and stressed the need for more selectivity, paying more attention to the potential of non-lending activities. Management noted that it is aware of the high costs of doing business in the region and will take additional caution to ensure that many small and costly operations do not crowd out analytical products. Some speakers felt that the report could have benefited from utilizing the CPIA as a diagnostic tool for identifying weaknesses.

9. **Results and resource allocation.** Members noted that due to the absence of a formal Bank strategy from 1992-2000 the program lacked focus and measurable goals, which made it difficult to assess its relevance and effectiveness. They felt that the Bank had limited its administrative resources in the PMCs, which had a negative impact on the quality and quantity of its services, and expressed hope that, in addition to donor trust funds, the Bank will be able to allocate additional resources to support its commitments in the region. Management added that it

is planning to increase resources available for Pacific operations, and stressed the importance of cooperation with other bilateral and multilateral partners to catalyze and expand its contribution. There were also questions whether the selected evaluation time period (ten years) was correct for identifying recent trends and lessons to be learned, taking into account important changes that occurred during that period such as personnel changes and decentralization of the country office. OED noted that ten years is generally considered to be an appropriate period for an in-depth evaluation. OED also added that, based on its observations and analysis, there were few concrete outcomes to justify disaggregating its rating into sub-periods.

10. **Client orientation.** A member was interested in the reasons for limited client response to the report and whether additional efforts could have been made to generate client interest and feedback. OED replied that although it has received few formal written responses to the report, there were clear indications that the report has been received and studied by the countries. Many members stressed the importance of taking into account individual country needs and requests for assistance while developing a general Regional framework for Bank assistance. At the same time, one member noted that small states with very small bureaucracies often present a challenging environment for being demand driven, and that under those circumstances the Bank could be more proactive in identifying and providing advice in specific areas. OED and management agreed with the importance of regional integration, but noted that the specific geographical constraints in the Pacific, significant cultural diversity, as well as limited number of regional institutions, make it an extremely challenging task. Management agreed with the notion of demand-driven cooperation, and stressed its readiness to step up both lending and non-lending activities in the region, in case of increased client demand.

11. **Cooperation and coordination.** Members emphasized that although the Bank is and will remain a limited donor in the region, it should play a more active role in promoting donor coordination and harmonization. At the same time, some members were interested whether the Bank has enough leverage, given its small share in regional aid finances, to play such a role. OED noted that the report emphasized the importance of creating local capacity, which has proved to be the most efficient mechanism for aid coordination worldwide. Members stressed the need to coordinate efforts with other donor initiatives for improving data management and statistical capacity in the PMCs. They were supportive of the favorable review of the IFC involvement in PMCs (South Pacific Project Facility, FIAS, “Doing Business” database) and expressed interest in the possibility of expanding the role of IFC to provide support for private sector development. Management agreed that IFC could play an important role in many aspects of the new strategy and noted that it will try to integrate its participation to the extent possible.

Chander Mohan Vasudev
Chairman

Map of East Asia and Pacific Region

East Asia and Pacific Region



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