



OED REACH

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Based on the Evaluation of World Bank Assistance to Pacific Member Countries..

Evaluation of World Bank Assistance to Pacific Member Countries

- During the past decade, progress was made in improving social indicators among the Pacific Member Countries (PMCs), but per capita economic growth remains low, income poverty is significant, and aid dependence remains high. Inadequate policy and institutional frameworks in most PMCs are an important factor in the poor economic performances.
- The Bank had little impact on the overriding objective of the PMCs over the past decade — stimulating growth in key productive sectors. The Bank limited its lending due to the high levels of grant funding. It produced some high quality economic and sector work, but its role as a knowledge bank was undermined by infrequent interaction with clients; lack of country-specificity and follow-up assistance to help implement recommendations; and weak relationship with other donors. Throughout the decade, moreover, the Bank's assistance was weakened by a lack of strategic objectives at either the sector or country-level to guide its interventions.
- The Bank should develop a regional engagement framework focused on improving public expenditure policies and programs and on removing policy and institutional bottlenecks to private sector growth, and it should develop specific objectives and levels of engagement for each country. The Bank should also strengthen its collaboration with other donors and ensure that its strategy in the Pacific is adequately funded and staffed.

Background

The nine Pacific Member Countries (PMCs) of the World Bank Group—Fiji Islands, Kiribati, Marshall Islands, the Federated States of Micronesia, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu—are highly diverse and scattered over a large expanse of the Pacific Ocean. During the past decade, their main challenge has been to stimulate sustainable growth in the productive sectors in order to reduce dependence on external aid, increase resilience to external shocks, and meet the rising expectations of the Pacific Islanders. Progress was made during the decade in improving social sector indicators due partly to high levels of targeted

donor aid. But while there are marked differences among the PMCs, economic growth has been sluggish; the productive sectors are performing well below their potential; income poverty is significant; aid dependence remains high; and there are signs of stress such as weakening traditional support systems, growing ranks of urban unemployed, and exhaustion of some natural resources.

Progress has been limited by the challenging Pacific context. Along with the development constraints common to small island states, the PMCs face exceptional geographic isolation; some PMCs are still wrestling with nation-building tasks; some social and cultural practices are not conducive to market-oriented

activity; and political instability continues to undermine progress in some countries. Significant governance and economic management shortcomings in some PMCs also resulted in persistence of poor policy and institutional environments for private sector growth, weak fiscal management, and ineffective aid programs from other donors.

Bank Assistance

This evaluation found that the Bank did not have a substantial impact on the central objective facing the PMCs during the decade – that of stimulating growth in the main productive sectors of the PMCs. The Bank provided two distinct phases of assistance to the PMCs. During 1992-1997, a “minimalist” approach was adopted that mostly comprised analytical work through a biannual Regional Economic Report (RER). After 1997, there was a significant increase in Bank lending. Other than in a CAS for the Solomon Islands in 1993, however, the Bank did not present a formal strategy for any of the PMCs until the Pacific Regional Strategy in 2000.

During the “minimalist” phase of assistance, the Bank produced some high quality analytical work that helped develop a consensus around what needs to be done to stimulate growth in the PMCs. However, the Bank’s role as a knowledge provider was undermined by: (i) lack of country-specific analysis and operationally useful recommendations; (ii) poor client relationships, infrequent interaction, and a lack of follow-up assistance to help implement recommendations; and (iii) a weak relationship with other donors, through which the Bank might have helped further implementation of its policy recommendations.

During the second, more active period, the Bank improved its relationship with both the PMCs and other donors, particularly after relocation of the Country Director to Sydney in 2000. It sustained high quality analytical work through the RERs (although follow-up remained inadequate); and undertook several promising interventions in infrastructure development and disaster preparedness. During this period, the Bank also engaged in a series of social sector interventions in Samoa, Solomon Islands, Vanuatu, and Tonga. The relevance of these Bank interventions is uncertain, however, given the need for a high degree of selectivity due to the Bank’s small role; an apparent reluctance to borrow for social sector interventions in some PMCs due to the availability of grants; and the high level of engagement in these sectors by other donors.

weakened by a lack of specific country or sector-level objectives, which led to a: (i) focus on inputs rather than outcomes, and (ii) a diffusion of both its lending and non-lending activities rather than concentrating them 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 to improve the environment for private sector growth in any of the PMCs, despite the need for such reforms in at least seven of the PMCs. Finally, the Bank’s funding of its activities in the Pacific was below the funding of its assistance in other low-population countries, undermining implementation and effectiveness.

Recommendations

A challenge remains for the Bank to define a set of relevant objectives; an appropriate level of engagement; and cost-effective instruments for its assistance in the Pacific. OED recommends that:

- A regional framework be developed focused on improving fiscal management, including the use of external aid, and on removing bottlenecks to growth in the productive sectors;
- Within this regional framework, the Bank define a specific set of objectives for each PMC, a corresponding level of engagement, and a set of lending and non-lending intervention options for each country;
- The country-level objectives be complemented by prioritized support for a highly select set of regional-level interventions, such as support in the fisheries sector; and in the air and sea transport industries;
- The Bank should also broaden and deepen its collaboration with other large bilateral and multilateral donors in the region;
- Finally, the Bank should ensure that its strategy in the Pacific is adequately funded and staffed in order that its results objectives might be met and not just outputs delivered.

Government and Management Response

Management broadly agreed with the recommendations of the report and indicated that they were being incorporated into the Regional Strategy. The Government of Fiji indicated agreement with the main recommendations of the report. The other PMCs did not comment on the report.

Throughout the decade the Bank’s assistance was



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