



Technical Assistance Report

Project Number: 48345-001
Regional—Capacity Development Technical Assistance (R-CDTA)
December 2014

Sector and Thematic Analyses in Policy Development

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	X. Yao, Pacific Department (PARD)
Director	E. Veve, Urban, Social Development and Public Management Division, PARD
Team leader	L. Tora, Country Economist, PARD
Team member	M. Melei, Country Specialist, PARD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE	2
A. Impact and Outcome	3
B. Methodology and Key Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	4
APPENDIXES	
1. Design and Monitoring Framework	5
2. Cost Estimates and Financing Plan	7
3. Outline Terms of Reference for Consultants	8

CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48345-001	
Project Name	Sector and Thematic Analyses in Policy Development	Department /Division	PARD/PAUS
Country Borrower	REG 12 Pacific DMCs (excluding PNG and Timor-Leste)	Executing Agency	Asian Development Bank
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management	0.13	
Education	Education sector development	0.13	
Energy	Energy sector development and institutional reform	0.13	
Information and communication technology	ICT strategy and policy, and capacity development	0.13	
Transport	Transport policies and institutional development	0.13	
Water and other urban infrastructure and services	Urban policy, institutional and capacity development	0.13	
		Total	0.80
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 1: Cross-border infrastructure		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy Organizational development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities		
Partnerships (PAR)	Implementation South-South partner		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Regional	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.80	
Sovereign Capacity development technical assistance: Technical Assistance Special Fund		0.80	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.80	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. The Pacific Approach, 2010–2014 of the Asian Development Bank (ADB), identifies the need to promote more effective development processes in its 14 Pacific developing member countries (DMCs) and to foster connectivity, consensus, and a greater sense of Pacific community. The Pacific Approach sets out an agenda to help achieve this through ADB support for (i) inclusive and environmentally sustainable growth, (ii) good governance, and (iii) regional cooperation and integration.¹

2. ADB's Pacific Approach recognizes that most Pacific DMCs exhibit conditions of fragility. This fragility contributes to their complex development environments and, among other things, is characterized by weak state performance in the core functions of policy formulation and resource accumulation and low public sector management capacity. The Pacific Approach established that making policies without adequate analysis of sector or thematic issues was a common governance shortcoming in these DMCs, and that this often led to poor decisions that were not in the public interest and undermined achievement of national development goals.

3. Pacific DMC governments are requesting that ADB provide technical assistance (TA) for sector and thematic analysis to inform and strengthen their decision making and improve their policies. During 2009–2012, for example, ADB approved TA projects that provided analytical support to improve policy formulation in the Pacific DMCs in such diverse areas as the environment, water issues, transport, health, national planning, and state-owned enterprise reform.² The TA for Sector and Thematic Analyses in Policy Development will help Pacific DMCs make better policies, improve policy dialogue with development partners, and enhance aid effectiveness by providing dedicated analysis of development issues important to individual countries and to other DMCs across the region. It will also build capacity in the development and use of this analysis. This approach is consistent with ADB's 2014 Midterm Review of Strategy 2020 emphasis on promoting South–South knowledge sharing.³ Lessons from previous assistance, as well as discussions with the governments of the Cook Islands, Kiribati, Nauru, Solomon Islands, and Tonga, has informed the development of the impact, outcome, and outputs of the TA, as well as its costs, implementation arrangements, and the terms of reference for consulting services.⁴ The design and monitoring framework is in Appendix 1.

II. ISSUES

4. Deciding on policies without undertaking the proper sector or thematic analysis has significant opportunity costs. This means that public funds and staffing resources are committed to poorly designed and targeted policies and budgets that hinder Pacific DMC efforts to achieve their national development goals, for example, increasing agricultural crops for export or improving water quality and access. This opportunity cost is particularly high in the Pacific DMCs because their organizational and technical capacity and financial resources are limited. These DMCs, their universities, and the regional technical organizations lack the ability to

¹ ADB. 2009. *ADB's Pacific Approach, 2010–2014*. Manila.

² ADB. 2012. *Technical Assistance for Results-Based Strategy and Sector Planning in the Pacific*. Manila; ADB. 2011. *Technical Assistance for Pacific Economic Management—Enhanced Economic Management (Subproject 2)*. Manila; ADB. 2009. *Technical Assistance for Private Sector Development Initiative, Phase 2*. Manila; ADB. 2012. *Technical Assistance for Enhancing ADB's Engagement in Fragile and Conflict-Affected Situations*. Manila.

³ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

⁴ The TA first appeared in the business opportunities section of ADB's website on 8 December 2014.

produce the necessary analysis and fill the region's significant knowledge gaps.⁵ The problem is made more acute by the lack of appropriate government staff needed to meet the broad range of policy challenges the DMCs face. Pacific DMCs recognize that thorough, bottom-up analysis of their sector challenges and cross-cutting development themes is vital and will (i) help them identify and define their strategic priorities more clearly, (ii) help them design better policy, (iii) improve coordination and mobilization of development assistance, and (iv) allow effective prioritization and sequencing in policy implementation.⁶

5. Recent development partner engagement in policy dialogue with Pacific governments in support of policy-based operations have practically demonstrated the use of sector and thematic analyses to guide policy priority setting and development.⁷ This alignment of policy dialogue, analysis, and capacity building, moves way from what has been seen as ad hoc, fragmented, and unsustainable technical assistance to develop national and regional capacity in analysis and policy development in the Pacific DMCs.⁸ There is considerable scope for sector or thematic-specific dialogue with government to be similarly supported by such analysis.

6. Although demand for sector and thematic analysis has increased, and the Pacific countries and their development partners have more incentive to collaborate and coordinate to address knowledge gaps, DMCs need to take ownership of the analysis that results from ADB assistance and actually apply it in their policy formulation for the process to succeed (footnote 6). It is therefore important that ADB remains open and responsive to the expressed country needs, within the boundaries of its own strategy on engagement in each DMC. This will ensure that ADB's TA resources will be used in areas where ADB can bring a comparative advantage to analyses whose findings governments will remain committed to and follow up on in a sustainable way. In addition, when meeting sector and thematic analytical needs, ADB will give priority to work that cannot be supported through existing country or regional TA, such as its Private Sector Development Initiative and Pacific economic management TA projects (footnote 2). This will help to avoid duplication and ensure that ADB and other development partners are extending limited TA resources across country and knowledge needs.

7. Experience and lessons from TAs by ADB and other development partners show that analyses and knowledge should (i) suit the preferences of specific audiences, and (ii) reinforce consistent messaging to facilitate follow-through and ongoing implementation. Many small Pacific DMCs face similar development challenges, and so cross-learning and multicountry assessments are an effective way to develop solutions that are appropriate across the region and deepen the understanding of development constraints and the effective policy responses.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

8. The TA project will support the efforts of the governments of 12 of the 14 Pacific DMCs to improve policy formulation and decision making through rigorous sector and thematic

⁵ Pacific Islands Forum Secretariat. 2013. *Pacific Plan Review: Report to Pacific Leaders*. Suva.

⁶ ADB. 2009. *Special Evaluation Study: ADB Support for Public Sector Reforms in the Pacific—Enhance Results through Ownership, Capacity, and Continuity*. Manila; ADB. 2011. *Evaluation Study: Asian Development Bank's Support for Promoting Good Governance in Pacific Developing Member Countries*. Manila.

⁷ During 2009–2014, ADB approved 15 projects totaling about \$112 million to support policy reforms in the Cook Islands, the Marshall Islands, Nauru, Samoa, Solomon Islands, Tonga, and Tuvalu. This amounted to 9% of ADB's total assistance in the Pacific. Other development partners provided about \$150 million in similar support over the same period. In 2015, the ADB Board is scheduled to consider a further five policy-based programs amounting to \$18 million.

⁸ ADB. 2014. *Thematic Evaluation Study: ADB Support for Enhancing Governance in its Public Sector Operations*. Manila.

analyses. Papua New Guinea and Timor-Leste are not included because they can get country level assistance.

A. Impact and Outcome

9. The impact will be implementation of policies developed by the assessments achieve their stated objectives. Achievement of the impact will be measured by incorporation of these policies into national planning documents (including sector plans and Ministry corporate plans) and funding in the national budgets. The outcome will be uptake of improved sector and thematic assessments in participating Pacific DMCs.

B. Methodology and Key Activities

10. The TA aims to deliver rigorous sector and thematic assessments to Pacific DMC governments. It will focus initially on analyses for the governments of the Cook Islands, Kiribati, Nauru, Solomon Islands, and Tonga, all of which have requested this support. The TA will seek to develop capacity through the promotion and sharing of national and regional knowledge and good practices. Building on previous experience and lessons learned, the TA is designed to serve as a facility for ADB that is flexible and responsive without imposing significant transaction costs on Pacific DMCs (footnote 2). This is particularly relevant for Pacific DMCs that have been continuously requesting small scale TA to assist with analyses.

11. **Output 1: Improvement in sector and thematic assessments.** The TA will finance sector and thematic assessments that will underpin policy formulation, improve the quality of policy dialogue, identify and prioritize opportunities for sector investments, and support the implementation of sector projects. Sectors and themes that may be covered in the Cook Islands, Kiribati, Solomon Islands, and Tonga in the first 6 months of TA implementation are transport, information and communication technology, education, and energy. In Kiribati and Nauru, these may include the water sector and other urban infrastructure and services, particularly urban housing. The assessments produced will also inform the preparation of future ADB country partnership strategies and expanded country operations business plans. Assessments in other Pacific DMCs will be included under the TA, subject to the prioritization criteria in para. 19.

12. **Output 2: Promotion of South–South knowledge cooperation.** The TA will promote South–South knowledge cooperation through the production of targeted publications and organization of regional seminars and workshops that will highlight common experiences, lessons learned, and good practices. The TA will share the results of the analyses with participating Pacific DMCs and other stakeholders through country reports, technical reports, and knowledge products. Lessons learned and good practices identified through the TA activities will be disseminated at the regional level when opportunities arise.

13. The TA design has assumed that the participating Pacific DMCs will remain politically stable; that strong national and subregional demand for the type of analysis the TA can support will continue; that the DMC governments will be willing to use the analysis results to guide policies and planning; that skilled and experienced consultants will be available and recruited in a timely manner for the TA activities; and that suitable government counterpart contributions will be readily available. All TA support operations will focus on reinforcing ADB's engagement across specific sectors and themes in the Pacific, helping to understand and improve the design and implementation of key sector or thematic activities, and providing new areas for ADB assistance.

C. Cost and Financing

14. The TA is estimated to cost \$800,000, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). Details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

15. ADB will be the executing agency. ADB's Pacific Department will be responsible for implementation in cooperation with the national ministries and agencies concerned. No TA activities will be undertaken in the territory of a Pacific DMC until a no-objection confirmation has been obtained from the government of that DMC.

16. The TA will be implemented over 48 months, starting in December 2014. Should the need arise, additional financing will be sought for this TA from cofinanciers or trust funds. Such additional financing would allow for upscaling the number of sector and thematic assessments or knowledge products and events set as output targets in the design and monitoring framework (Appendix 1).

17. The TA will finance an estimated 18 person-months of international and 7 person-months of national consulting services. Depending on what is appropriate to each task, the consultants will be engaged through a firm or individually. This will be done in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference for the consulting positions are in Appendix 3. The proceeds of the TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

18. Because demand for the TA resources is expected to be high, they will be allocated for analyses of priority issues and on subject matters that have no alternate source of ADB support under the Private sector development initiative, the Pacific economic management, and the Pacific regional infrastructure facility TA projects, since each of these is also providing ongoing assistance for knowledge development and sharing in the region (footnote 2). ADB will solicit country requests for support through country team leaders twice a year. These requests will be prioritized based on whether (i) the issue aligns with current priority areas for ADB assistance in the country or identified future priority assistance areas; (ii) a lead agency in-country is identified to follow through on promoting the policy issue and implementation; (iii) the issue has broad relevance to other Pacific countries; (iv) no other ADB TA could meet the need for assistance; and (v) no other development partner is able to undertake the requested assistance.

19. The TA will be overseen by the project officer, with specific tasks also monitored regularly by relevant country officers and project specialists. A review of the TA, including the criteria for edibility, will be undertaken after 18 months of TA implementation.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis for Sector and Thematic Analyses in Policy Development, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Implementation of policies developed by the assessments achieve their stated objectives</p>	<p>By 2020:</p> <p>Policies developed in areas supported by the technical assistance in participating countries are proving effective (Baseline 2013: 0)</p>	<p>National policy monitoring mechanisms</p> <p>National plan monitoring and evaluation reports</p> <p>Strategic policy statements</p> <p>National budget statements and estimates</p> <p>Country performance assessment results</p>	<p>Assumptions</p> <p>The political situation in the participating Pacific DMCs will remain stable.</p> <p>Adequate country resources will be directed to implementing policies.</p> <p>Risk</p> <p>Political interference occurs in policy development and implementation.</p>
<p>Outcome</p> <p>Uptake of improved sector and thematic assessments</p>	<p>By end 2018:</p> <p>Policies in at least 5 supported sectors and/or themes in participating countries are based on analyses undertaken (Baseline 2013: 0)</p>	<p>Country operations business plans</p> <p>Program and/or project board documents</p>	<p>Assumptions</p> <p>Changes in government policies are based on knowledge.</p> <p>Pacific DMCs have national ownership of strategies, policies, and plans.</p> <p>Risk</p> <p>Governments fail to take action on policy advice produced by TA analyses.</p>
<p>Outputs</p> <p>1. Improvement in sector and thematic assessments</p>	<p>Government adoption or endorsement of at least 8 sector or thematic assessments by December 2018 (Baseline 2013: 0)</p>	<p>Endorsement letter from central or line ministry</p>	<p>Assumptions</p> <p>Governments will demand wide-ranging assessments and analyses.</p> <p>Skilled consultants will be recruited in a timely manner.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
2. Promotion of South–South knowledge cooperation	At least 5 knowledge products produced and/or events conducted that are of (sub)regional interest by December 2018 (Baseline 2013: 0)	Media releases Workshop reports	Risk Suitable government counterparts are not available.
Activities with Milestones 1. Improvement in sector and thematic assessments 1.1 Through requests for proposals from DMCs twice a year, identify a total of at least 8 sectors and/or themes for regional, subregional, or national assessments (January 2015, then following monthly solicitation of proposals every 6 months) 1.2 Recruit consultants to undertake sector and thematic assessments (ongoing) 1.3 Analyze sector and thematic needs (ongoing) 1.4 Engage governments and stakeholders to discuss priority sector and thematic needs and potential for new investments (August 2018) 1.5 Develop sector and thematic assessments through participatory processes (October 2018) 1.6 Support for policy dialogue on sector and thematic issues (ongoing) 2. Promotion of South–South knowledge cooperation 2.1 Recruit consultants to undertake (sub)regional and cross-country assessments (April 2018) 2.2 Analyze policy issues, per stakeholder requests (October 2018) 2.3 Engage with governments and stakeholders to develop knowledge product or events (October 2018) 2.4 Prepare knowledge products and undertake outreach for these products through regional workshops and seminars (October 2018)		Inputs ADB: \$800,000	

ADB = Asian Development Bank, DMC = developing member country.
 Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	350.0
ii. National consultants	100.0
b. International and local travel	80.0
c. Reports and communications	10.0
2. Training, seminars, and conferences ^b	
a. Facilitators	30.0
b. Training program	200.0
3. Contingencies	30.0
Total	800.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b This will cover workshop expenses, such as (i) a resource person's honorarium, airfare, per diem, and miscellaneous travel expenses; (ii) participants' airfares and per diem; (iii) venue rental; (iv) meals and beverage costs; and (v) other workshop-related expenses, including the cost of ADB staff acting as resource persons and representation costs following Budget, Personnel and Management Systems Department and Strategy and Policy Department joint memo on Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget, dated 26 June 2013.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The Asian Development Bank (ADB) will engage consulting services to support the implementation of its technical assistance (TA) for Sector and Thematic Analyses in Policy Development in 12 Pacific developing member countries (DMCs). The TA will require 18 person-months of international services and 7 person-months of national consulting inputs. The TA is designed to respond flexibly to the needs for sector and thematic assessments, and consulting services requirements will therefore be determined on a case-by-case basis. The consultants will comprise a pool of sector specialists and policy advisors (international and national advisers) who will work under the guidance of the country team leaders and country, regional, or sector directors. The terms of reference will be cleared by ADB's Operations Services and Financial Management Department before the positions are advertised and recruitment is undertaken. All consultants will be engaged in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Proceeds of the TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

2. **Sector specialists** (national and international, maximum 25 person-months, intermittent). Sector specialists will have postgraduate degree or an equivalent qualification that is appropriate to the specific task in economics, urban planning, environmental science, political science, governance, health, education, information and communication technology, trade facilitation and security, or civil engineering. The specialists will have at least 5 years of experience in a senior management position in the task-specific sector or theme. The specialists will work under the guidance of ADB sector specialists and sector directors and will consult with country team leaders and country or regional directors to ensure that country-specific issues are reflected in the assessments.

3. A multidisciplinary team of economists and other specialists with expertise in undertaking applied analytical work in the relevant sectors will be selected to carry out a review and assessment of the relevant governments' sector and thematic strategies (where these exist); development assistance to the sector; and sector performance, issues, and opportunities.

4. Specific tasks will be determined on an as-needed basis, depending on the priority areas of the selected Pacific DMC. The tasks could include

- (i) consulting with the governments of the Cook Islands, Kiribati, Solomon Islands, and Tonga to review strategies in the transport, information and communication technology, education, and energy sectors and identifying potential sector opportunities;
- (ii) consulting with the governments of Kiribati and Nauru to review strategies in the water and other urban infrastructure sectors, particularly urban housing, and identifying potential sector opportunities;
- (iii) reviewing the sector and thematic performances of these and other selected DMCs and identifying pertinent issues;
- (iv) analyzing Pacific region-wide lessons learned from comparable sector and thematic studies;
- (v) identifying development priorities in each sector and theme;
- (vi) working closely with relevant sector and thematic agencies and development partners to ensure proposed options complement ongoing activities to avoid duplication; and

- (vii) preparing sector or thematic assessments for the selected governments and ADB, using existing applicable guidelines or frameworks (e.g., Second Governance and Anticorruption Action Plan).

5. **Policy advisors** (national and international, unallocated consulting inputs). Policy advisors will be recruited as needed to respond to needs emerging during TA implementation. Depending on the task, policy advisors will have skills in at least one of the following areas: business, economics, public policy and planning, environmental science, political science, finance, governance, education, health, urban planning and development, social development, information and communication technology, trade facilitation and security, and civil engineering.

6. **Other specialists** (national and international, maximum 4 person-months, intermittent). The specific responsibilities for specialists preparing demand-driven policy briefs, technical notes, good practice studies, or other knowledge products, will be determined on a case-by-case basis. The specialists will provide both analytical and operationally relevant inputs and recommendations. Their tasks may include

- (i) consulting with a Pacific DMC to carry out the analysis of policy issues that it has requested;
- (ii) engaging with the government and stakeholders to develop policy options;
- (iii) reviewing lessons on similar issues from around the Pacific region and replicating best practices that are applicable to the Pacific DMC that has requested the analysis;
- (iv) preparing relevant policy briefs, technical papers, or other knowledge products, as needed; and
- (v) organizing seminars and workshops that highlight common national and regional experiences, lessons, and good practices.