



Regional: Building Capacity in the Urban Sector Through Differentiated Approaches

Project Name	Building Capacity in the Urban Sector Through Differentiated Approaches	
Project Number	55066-001	
Country	Regional Micronesia, Federated States of Kiribati Palau Marshall Islands	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 6877-REG: Building Capacity in the Urban Sector Through Differentiated Approaches	
	Technical Assistance Special Fund	US\$ 3.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Private sector development	
Sector / Subsector	Water and other urban infrastructure and services - Other urban services - Urban sanitation - Urban water supply	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>The proposed knowledge and support technical assistance (TA) will assess immediate and long-term needs to sustain urban services across the small Pacific Island Countries (PICs). The TA will identify innovative capacity building and supplementation to urban services utilities and enhance urban services in the Pacific. The TA will explore investment approaches to help long-term urban services operations for a better coronavirus disease (COVID-19) recovery era and beyond.</p> <p>1. The proposed regional knowledge and support technical assistance (TA) will assess and support immediate and long-term capacity development and supplementation needs to sustain the delivery of urban services by public utilities across selected Pacific developing member countries (DMCs). The TA will pilot the newly approved Pacific Approach 2021-2025 and support a stronger and more sustainable recovery trajectory from the coronavirus disease (COVID-19) pandemic. The TA will assess the potential to apply similar approaches to addressing capacity gaps in other public entities in the fragile and conflict-affected situations and small island developing states of the Pacific.</p> <p>The TA follows the Pacific Approach 2021-2025 which emphasizes delivering sustainable services. It is in the Asian Development Bank's (ADB) current Pacific Regional Operations Business Plan, 2020-2022. The proposed TA activities are well aligned with ADB Strategy 2030. TA outputs will contribute to the implementation of several Operational Priorities, especially Strengthening Governance and Institutional Capacity (OP6) and Making Cities more Livable (OP4). The TA is also aligned with the Sustainable Development Goals, particularly 6: clean water and sanitation, and 11: Sustainable Cities and Communities.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>Findings of the Pacific Approach. The Pacific Approach identifies five development barriers across the Pacific DMCs: (i) capacity and governance constraints, (ii) narrow-based and vulnerable economies, (iii) high-cost structures, (iv) unequal access to services and opportunities and (v) distance from major markets. The smaller DMCs rely heavily on development partner support. These countries face severe capacity constraints in part because of their remote location, small populations and out-migration, but also by limited in-country education and training opportunities. As a result, infrastructure and service delivery sectors struggle to find and retain skilled workers. These capacity constraints impact on the execution of development initiatives and the sustainability of infrastructure projects. Most of these infrastructure operators have a limited ability to plan for and respond to disasters and health emergencies, including COVID-19, which can derail long-term country development efforts. The public service utilities in the Pacific DMCs require support to bridge skills gaps, build institutional capacity, and expedite reforms to improve the overall performance and achieve and sustain development impacts.</p> <p>Requirements of sustainable and resilient Water and urban (solid waste and sanitation) services from Pacific DMCs. ADB continues to invest in urban services alongside other donors. However, water and urban infrastructure projects supported by ADB in the Pacific region have a lower project success rate than similar projects in other regions, mainly due to scoring low on the likelihood of sustainability. The utilities struggle to find skilled workers in areas including management, engineering, finance professionals etc. Such constraints have impacted all areas of operations - in strategic planning, service delivery, maintenance, financial management and so on. Most urban service providers in Pacific DMCs (typically state-owned enterprises) underperform commercially, and many rely on state subsidies or equity injections. Assets are often inadequately maintained due to limited operations and maintenance (O&M) budgets, diversion of O&M budgets to other uses, and shortages of qualified staff. Corresponding underperformance and underinvestment in O&M contribute to a vicious cycle of poor financial viability and the rapid deterioration of assets which shortens asset life, diminishes service quality, and leads to a range of operational problems such as contaminated drinking water and excessive leaks from water pipes. A reduction in asset life results in high-cost replacements and more frequent rehabilitation, creating huge opportunity and environmental costs. Limited access to safe and reliable water and sanitation services exacerbated by poor management capacity and inadequate O&M financing magnify the risk of water-borne diseases such as diarrhea and dysentery, which contributes to malnutrition, anemia, and stunting and is a leading factor in infant mortality rates in Pacific DMCs. Women, children, the elderly, and the most vulnerable households bear a disproportionate share of the burden for poor service coverage and poor quality of services.</p> <p>Prolonged coronavirus pandemic has worsened the situation. Urban utilities in Pacific DMCs have had less access to external professional experts due to lockdowns and travel restrictions. Utilities have also been constrained in the financing due to the reduced revenue and nonavailability of subsidies from the government due to the shrinking budget. External support for operations is urgently required to maintain or strengthen urban services quality and prevent the rapid deterioration of urban assets. Such support will contribute to a stronger and more resilient recovery from the pandemic while addressing chronic challenges facing countries in fragile and conflict-affected situations.</p>	
Impact	Sustainable services in Pacific DMCs delivered (one priority in Pacific Approach 2021-2025)	
Project Outcome		
Description of Outcome	Urban service operation capacity in Pacific DMCs improved	
Progress Toward Outcome		
Implementation Progress		

Description of Project Outputs	Capacity supplementation for urban services implemented Operations financing gaps assessed and options to address gaps identified
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Kiribati - Nation-wide; Marshall Islands - Nation-wide; Micronesia, Federated States of - Nation-wide; Palau - Nation-wide

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Responsible ADB Officer	Blaik, Stephen
Responsible ADB Department	Pacific Department
Responsible ADB Division	PAUW
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable	
Concept Clearance	11 Nov 2021
Fact Finding	-
MRM	-
Approval	14 Dec 2021
Last Review Mission	-
Last PDS Update	14 Dec 2021

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Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
3,000,000.00	0.00	0.00	0.00	0.00	0.00	3,000,000.00	-	0.00

Project Page	https://www.adb.org/projects/55066-001/main
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