

The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font inside a black square.

Technical Assistance Report

Project Number: 55074-001
Knowledge and Support Technical Assistance (KSTA)
September 2021

Supporting Quality Infrastructure and Effective Project Implementation in the Pacific

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DMC	–	developing member country
FIDIC	–	Federation International Des Ingenieurs-Conseils (International Federation of Consulting Engineers)
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

NOTE

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

Vice-President	Ahmed M. Saeed, Operations 2
Director General	Leah C. Gutierrez, Pacific Department (PARD)
Deputy Director General	Emma M. Veve, PARD
Regional Director	Masayuki Tachiiri, Pacific Subregional Office (SPSO), PARD
Team leader	Jagath Peththawadu, Unit Head, Project Administration, SPSO, PARD
Team members	Ganiga Ganiga, Senior Project Officer (Infrastructure), Papua New Guinea Resident Mission (PNRM), PARD Pivithuru Indrawansa, Senior Project Officer (Infrastructure), Pacific Liaison and Coordination Office, PARD Sandeepani Kodituwakku, Project Management Specialist, Portfolio, Results, and Quality Control Unit, PARD Vijay Narayan, Senior Project Officer, SPSO, PARD Koichi Takei, Counsel, Office of the General Counsel Maria Theresa Villareal, Unit Head, Portfolio Management, PNRM, 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
KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE TECHNICAL ASSISTANCE	2
A. Impact and Outcome	2
B. Outputs, Methods, and Activities	3
C. Cost and Financing	3
D. Implementation Arrangements	3
IV. THE PRESIDENT'S DECISION	4
APPENDIXES	
1. Design and Monitoring Framework	5
2. Cost Estimates and Financing Plan	7
3. List of Linked Documents	8

KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 55074-001
Project Name	Supporting Quality Infrastructure and Effective Project Implementation in the Pacific	Department/Division PARD/SPSO
Nature of Activity Modality	Capacity Development Regular	Executing Agency Asian Development Bank
Country	REG (COO, FIJ, FSM, KIR, NAU, NIU, PAL, PNG, RMI, SAM, SOL, TON, TUV, VAN)	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Public sector management	Public administration	1.50
	Total	1.50
3. Operational Priorities	Climate Change Information¹	
✓ Strengthening governance and institutional capacity	GHG Reductions (tons per annum)	0.000
	Climate Change impact on the Project	Low
	ADB Financing	
	Adaptation (\$ million)	0.00
	Mitigation (\$ million)	0.00
	Cofinancing	
	Adaptation (\$ million)	0.00
	Mitigation (\$ million)	0.00
Sustainable Development Goals	Gender Equity and Mainstreaming	
SDG 9.1	No gender elements (NGE)	✓
	Poverty Targeting	
	Geographic Targeting	✓
4. Risk Categorization	Low	
5. Safeguard Categorization	Safeguard Policy Statement does not apply	
6. Financing		
Modality and Sources	Amount (\$ million)	
ADB	1.50	
Knowledge and Support technical assistance: Technical Assistance Special Fund	1.50	
Cofinancing	0.00	
None	0.00	
Counterpart	0.00	
None	0.00	
Total	1.50	
Currency of ADB Financing: US Dollar		

¹ The project reduces greenhouse gas emissions. However, it does not fall under the eligibility criteria for climate mitigation finance as defined by the joint multilateral development bank methodology on tracking climate finance, which notes that not all activities that reduce greenhouse gases in the short term are eligible to be counted towards climate mitigation finance. Accordingly, greenfield fossil fuel projects are excluded, and climate mitigation finance is considered zero.

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will help increase the capacity of executing and implementing agencies and fiduciary institutions to implement projects funded by the Asian Development Bank (ADB) in the Pacific developing member countries (DMCs).

2. ADB's Strategy 2030, along with the fragile and conflict-affected situations and small islands developing states approach, acknowledge that Pacific DMCs face a high degree of fragility and have a considerable need for institutional strengthening.¹ The strategy requires ADB to tailor implementation processes to the Pacific DMC context and strengthen collaboration with other development partners and civil society organizations to make ADB operations fragility- and conflict-sensitive. ADB committed to augment resources to accommodate the added preparation and supervision costs arising from security and other related needs to ensure countries that overcome conflict and fragility do not slip back into those conditions.

3. The ADB Pacific Approach, 2021–2025, covering 12 small Pacific Island countries, identified vulnerability to shocks, weak service delivery, and slow growth as core challenges, while recognizing that the coronavirus disease (COVID-19) pandemic is the most severe economic shock the countries have faced to date and that the fallout is expected to be felt through to 2023 or 2024.²

4. ADB's Pacific Department included TA for supporting quality infrastructure and effective project implementation in the Pacific in its 2021–2023 regional operations business plan.³ The proposed TA is directly related to the Strategy 2030 operations priority of strengthening governance and institutional capacity and will cover all Pacific DMCs.

II. ISSUES

5. Implementing projects in the Pacific is challenging. ADB classifies seven Pacific DMCs as fragile and conflict-affected situations and identifies 11 Pacific DMCs as small islands developing states that exhibit various elements of fragility. They are small, geographically isolated, dependent on development assistance, prone to disasters, and vulnerable to the effects of climate change.

6. ADB carried out a project implementation action plan under the TA Building Project Implementation Capacities in the Pacific, which wound down in June 2021.⁴ The TA sought to improve performance ratings for ADB-funded projects in Pacific DMCs with projects *on track* at 66% against an ADB average of 64% for 2020.⁵ For Pacific DMCs, the contract award ratio stood at 24% against an ADB average of 28% and the disbursement ratio at 20% against an ADB average of 18% in 2020. The implementation risk, calculated as projects rated either *at risk* or *for attention*, stood at 34% against the ADB-wide ratio of 36% in 2020.⁶

¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila; and ADB. 2021. *Fragile and Conflict-Affected Situations and Small Island Developing States Approach*. Manila.

² ADB. 2021. *Pacific Approach, 2021–2025*. Manila.

³ ADB. 2020. *Regional Operations Business Plan: Pacific, 2021–2023*. Manila.

⁴ ADB. 2016. *Technical Assistance for Building Project Implementation Capacities in the Pacific*. Manila.

⁵ The PARD *on track* rating was 65% in 2016 and steadily improved to 78% in 2019. In 2020, a new, more stringent project performance rating methodology was introduced to strengthen indicators related to technical, financial management, and safeguards.

⁶ ADB. 2021. *Annual Portfolio Performance Report 2020*. Manila.

7. While these percentages reflect generally comparable performance for Pacific DMCs against overall ADB indicators, these results vary, depending on countries and types of projects. In addition, while some indicators show better results for some countries, maintaining them at such levels require sustained efforts. The major causes for *less-than-adequate* project performance results, including those from lessons learned and ADB's Independent Evaluation Department reports, are (i) insufficient preparation for implementation during project design; (ii) inadequate detailed designs of projects prior to project approval; (iii) limited executing and implementing agency capacity, both in the number of staff and skill levels; (iv) complex and time-consuming land access procedures and inadequate preparation and implementation of safeguards plans; (v) insufficient consultant, contractor, and supplier industry capacity; (vi) communication difficulties as a result of remoteness and inadequate communication facilities in the region; and (vii) lack of institutionalization of training provided. The capacity constraints are visible in all areas of project management, procurement, social and environmental safeguards, and financial management.

8. Existing TA, such as the TA Enhancing Quality Portfolio Performance in the Pacific and the TA Sustainable Capacity Development for Safeguards in the Pacific – Phase 1, take a structured approach towards country and regional needs assessment studies, strategic institutionalization of capacity building, establishment of links between Pacific DMCs and regional institutions, and overall procurement audits, with specific terms of reference, procurement methods, and considerable budget earmarked.⁷ While transaction TA cover project readiness activities envisaged at the time of project processing, additional work during project implementation may become necessary because of exigencies such as disasters, project cost overruns, and unforeseen events related to safeguards and procurement. In addition, the COVID-19 pandemic is expected to have prolonged effects on project implementation. In many of these cases, available loan and grant financing for the project is insufficient to cater to additional demands in a timely and efficient manner.

9. The proposed TA will supplement available resources with a more flexible focus on specific project support to increase project readiness and improve project implementation performance of target entities.⁸ The TA resources will allow ADB and Pacific DMCs to intervene directly and fill specific gaps in key technical surveys, financial management, procurement, safeguards due diligence, and loan and grant covenant areas where other support is not available and where such support will make an immediate difference to project readiness or project performance. The proposed TA will build on the achievements and lessons of previous TA (footnote 4).

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The TA is aligned with the following impact: improved delivery of project outcomes in the Pacific DMCs. The TA will have the following outcome: strengthened capacities of target entities in Pacific DMCs. The design and monitoring framework is in Appendix 1.

⁷ ADB. 2020. *Technical Assistance for Enhancing Quality Portfolio Performance in the Pacific*. Manila; ADB. 2020. *Technical Assistance for Sustainable Capacity Development for Safeguards in the Pacific – Phase 1*. Manila.

⁸ Target entities include executing agencies, implementing agencies of ADB-funded projects, and other specific government regulatory or fiduciary agencies related to project management, procurement, consultant selection, social and environmental safeguards, disbursements, and financial management.

11. To respond flexibly to clients' needs under the business process requirements and constraints in small island developing countries, the TA will help target entities improve project management and implement fit-for-purpose procurement modalities to reduce procurement time, increase administrative efficiency, and improve the quality of project outputs, while maintaining sound fiduciary oversight.

B. Outputs, Methods, and Activities

12. **Output 1: Capacity building and equipment support given to target entities.** The TA will support relevant project-specific capacity building in target entities, for example, those related to International Federation of Consulting Engineers (FIDIC) contract management. These capacity building measures will combine international best practices with project-related practical issues and reflect lessons learned. These efforts will be complemented by the procurement of computers and related software that will improve target entities' capacity to perform such functions. Capacity-building sessions will be supported by consultants, resource persons, and ADB staff.

13. **Output 2: Studies, surveys, due diligence, and assessments conducted.** The TA will help target entities carry out context-appropriate studies, surveys, due diligence, and assessments that support improved project readiness or project performance. Efforts will be made to introduce innovative procurement and/or contractual modalities and options to manage risks associated with project implementation.

14. **Output 3: Country and/or regional portfolio review meetings and business opportunity seminars conducted.** The TA will help organize country and/or regional portfolio review meetings and business opportunity seminars by financing participants' travel-related costs, the cost of venues, and other associated costs (para. 17). Portfolio review meetings will be combined with capacity building initiatives (output 1) to promote cross-learning. This will provide opportunities for the staff of target entities, ADB staff, contractors, consultants, suppliers, and service providers to share knowledge on ongoing and future projects and bidding opportunities.

15. Continued impacts of the COVID-19 pandemic are assumed to slow initial TA implementation. The risks in achieving the outcomes include: (i) high staff turnover in target entities, (ii) difficulty in finding quality consultants in the Pacific, and (iii) political instability in some Pacific DMCs. Coordination among the government, target entities, and ADB will be strengthened to mitigate such risks.

C. Cost and Financing

16. The TA is estimated to cost \$1,500,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (\$1,000,000 under TASF 7, and \$500,000 under TASF-other sources). The governments will provide counterpart support in the form of counterpart staff, office space, and other in-kind contributions. Additional financing may be considered across the life of the TA, as appropriate. The key expenditure items are listed in Appendix 2.

D. Implementation Arrangements

17. ADB will administer the TA. ADB's Pacific Subregional Office in Suva, Fiji will act as the focal point, working closely with the Portfolio, Results, and Quality Control Unit; Pacific Liaison and Coordination Office; Papua New Guinea Resident Mission; and all sector divisions of the Pacific Department for greater coordination and to avoid duplication of efforts. To mitigate

continued COVID-19 travel impacts, in-country national and international consultants will be engaged and travel bubbles will be utilized, whenever feasible. The TA will finance international and local travel; accommodation; per diem of participants, national consultants working for ADB projects, and ADB staff participating as resource persons; and the cost of venue and other associated costs. Indicative implementation arrangements are summarized in the table below.

Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	September 2021–August 2026
Executing agency	ADB
Implementing agencies	SPSO: Administration and supervision PAOD-PRQ: Coordination support PCOs, PLCO, PNRM. PARD sector divisions: selection, supervision, and evaluation of consultants; procurement of goods, organizing workshops SDCC: Sector support
Consultants	To be selected and engaged by ADB
	Firm: QCBS, CQS, direct contracting
	Individual (national and international) Framework agreements, individual selection, direct contracting
Procurement	Goods are to be procured by target entities. Procurement will be through RFQ.
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).
Asset turnover or disposal arrangement upon TA completion	No assets will be procured for the use of consultants.

ADB = Asian Development Bank; CQS = consultants' qualifications selection; DMC = developing member country; PAOD-PRQ = Portfolio, Results and Quality Control Unit; PARD = Pacific Department; PCO = Pacific country office; PLCO = Pacific Liaison and Coordination Office in Sydney, Australia; PNRM = Papua New Guinea Resident Mission; QCBS = quality- and cost-based selection; RFQ = request for quotations, SDCC = Sustainable Development and Climate Change Department; SPSO = Pacific Subregional Office in Suva, Fiji; TA = technical assistance.
Source: Asian Development Bank estimates.

18. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions. It is estimated that about 31 person-months of international consultants and 46 person-months of national consultants will be required.⁹

19. **Procurement.** Procurement will follow the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.

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 \$1,500,000 on a grant basis for Supporting Quality Infrastructure and Effective Project Implementation in the Pacific, and hereby reports this action to the Board.

⁹ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

DESIGN AND MONITORING FRAMEWORK

Impact(s) the TA is Aligned with Improved delivery of project outcomes in the Pacific DMCs (TA defined).			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome Strengthened capacities of target entities in Pacific DMCs^a</p>	<p>By the end of Q2 2026:</p> <p>a. At least 70% of ongoing PARD projects rated <i>on track</i> under the project performance rating system (Q4 2020 baseline: 66%)</p> <p>b. Annual contract award ratio for participating countries increased at least to 28% (2020 baseline: 24%)</p> <p>c. Annual disbursement ratio for participating countries increased to at least 22% (2020 baseline: 20%)</p> <p>d. Annual implementation risk for participating countries reduced to at least 30% (2020 baseline: 34%) (OP 6.2)</p>	<p>ADB country portfolio performance reports and PARD annual portfolio performance reviews</p>	<p>A: Continued impacts of COVID-19 pandemic will slow initial TA implementation as alternate means of remote support will be provided.</p> <p>R: Political instability weakens government commitment to delivering projects.</p>
<p>Outputs</p> <p>1. Capacity building and equipment support given to target entities</p> <p>2. Studies, surveys, due diligence, and assessments conducted</p> <p>3. Country and/or regional portfolio review meetings and business opportunity seminars conducted</p>	<p>By the end of Q2 2026:</p> <p>1. At least 80% of 250 government staff trained reporting increased knowledge and enhanced capacity on project management, procurement, consultant selection, social and environmental safeguards, and financial management (OP 6.2)</p> <p>2. At least 15 studies, surveys, due diligence assessments conducted directly related to improving project readiness and/or project performance (OP 6.2)</p> <p>3. At least five country and/or regional portfolio review meetings, or business opportunity seminars held (OP 6.2)</p>	<p>1. Baseline and end line TA training evaluation surveys</p> <p>2. ADB annual TA progress reports</p> <p>3. Memoranda of understanding, aide-mémoire, back-to-office reports, annual TA progress reports</p>	<p>R: High target entity staff turnover undermines capacity building efforts.</p> <p>R: Finding quality consultants to work in the Pacific is difficult.</p>

<p>Key Activities with Milestones</p> <p>1. Capacity building, equipment support given to target entities.</p> <p>1.1 Individual consultants recruited by Q3 2021 (concurrently for on-the-job problem solving, and training).</p> <p>1.2 Consultants fielded during Q4 2021–Q2 2026.</p> <p>1.3 Goods procured during Q3 2021–Q2 2026.</p> <p>2. Studies, surveys, due diligence, and assessments conducted.</p> <p>2.1 Studies, surveys, due diligence, and assessments for improving project readiness and project performance conducted during Q3 2021–Q2 2026.</p> <p>3. Country and/or regional portfolio review meetings and business opportunity seminars conducted.</p> <p>3.1 Country and/or regional portfolio review meetings and business opportunity seminars conducted during Q3 2021–Q2 2026.</p> <p>TA Management Activities</p> <p>Engaging consultants, reporting, monitoring and evaluation, accounting, and auditing.</p>
<p>Inputs</p> <p>ADB: \$1,500,000</p>

A = assumption, ADB = Asian Development Bank, COVID-19 = coronavirus disease, DMC = developing member country, OP = operational priority, PARD = Pacific Department, Q = quarter, R = risk, TA = technical assistance.

^a Target entities: executing agencies, implementing agencies of ADB-funded projects, and other specific government regulatory or fiduciary agencies related to project management, procurement, consultant selection, social and environmental safeguards, disbursements, and financial management.

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3).

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	1,010
a. Remuneration and per diem	
i. International consultants	620
ii. National consultants	280
b. Out-of-pocket expenditures	
i. International and local travel	100
ii. Reports and communications	10
2. Studies, Surveys and Assessments	110
3. Equipment ^b	80
4. Training, seminars, workshops, forum, and conferences ^c	220
5. Contingencies	80
Total	1,500

^a Financed by Asian Development Bank's Technical Assistance Special Fund (\$1,000,000 under TASF 7 and \$500,000 under TASF-other sources).

^b Equipment consists of computers and software and licenses.

^c Asian Development Bank staff may travel as resource persons.
Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55074-001-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities