

# Annual Progress Report 2007

Pacific Private Sector Development Initiative



## ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
FIAS	–	Foreign Investment Advisory Services
FSM	–	Federated States of Micronesia
GDP	–	gross domestic product
ICCC	–	Independent Consumer and Competition Commission
IFC	–	International Finance Corporation
INA	–	Institute of National Affairs
MfDR	–	management for development results
NGO	–	nongovernment organization
PARD	–	Pacific Department
PDMC	–	Pacific developing member country
PEP	–	Pacific Enterprise Partnership
PFTAC	–	Pacific Financial Technical Assistance Centre
PLCO	–	Pacific Liaison and Coordination Office
PNG	–	Papua New Guinea
PPP	–	public-private partnership
PSA	–	private sector assessment
PSD	–	private sector development
PSDI	–	Private Sector Development Initiative
RETA	–	Regional technical assistance
RMI	–	Republic of the Marshall Islands
RMT	–	regional management team
SIOD	–	Samoa Institute of Directors
SME	–	small and medium enterprise
SOE	–	state-owned enterprise
SOEMD	–	State-owned Enterprise Monitoring Division
TA	–	technical assistance

## NOTE

This report was prepared by the Asian Development Bank's Pacific Liaison and Coordination Office (PLCO), Sydney, Australia.

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## EXECUTIVE SUMMARY

1. **The Project.** This is the first annual report of the Private Sector Development Initiative (PSDI), a regional technical assistance (RETA) project by the Asian Development Bank (ADB), cofinanced by the Australian Agency for International Development (AusAID), to promote economic growth in the Pacific region.<sup>1</sup> PSDI leverages existing ADB country partnership strategies by providing a rapid-response capability for PSD reform as well as necessary resources for core analytical work and advocacy. Specifically, PSDI addresses the binding constraints to private sector development (PSD) in the Pacific region through support of: (i) state-owned enterprise (SOE) reform and public-private partnerships (PPPs); (ii) financial sector reform; and (iii) reform of the legal and regulatory business environment.

2. **Goals for 2007.** In this first year of the PSDI, our goal was to put in place the necessary expert team and management structures for implementation and to establish key milestones in developing PSD programs. Strategically and tactically, we set out the following core goals for 2007: (i) establish project management structures and systems, and mobilize a core team of PSD experts; (ii) develop and operationalize a management for development results (MfDR) tool; (iii) engage senior policymakers in the region on a broad PSD reform agenda, and raise awareness of the importance of PSD to a broad spectrum of stakeholders; and (iv) establish sound linkages with ADB country assistance programs in Pacific developing member countries (PDMCs), with a view to ensuring complementarity and maximizing PSDI's leverage and augmentation of country programs. Operationally, we aimed at producing economic and sector work and expanding activities in SOE reform, access to finance, and business law reform.

3. **Implementation Highlights.** These goals have been met. We established a strong core team of experts, put in place project management structures and systems, including an MfDR tool, strengthened the analysis of PSD issues in the region and communicated the findings to key stakeholders and the general public, and launched 25 subprojects in 6 countries, (including 7 regional subprojects) thereby effectively more than doubling the scope of ADB's PSD operations in the region. In particular, PSDI has enabled ADB to respond rapidly and seize PSD reform opportunities as they occur. This capacity facilitated the rapid, demand-oriented dispatch of highly skilled technical expertise to support PDMC governments in key PSD result areas. PSDI has also been proven instrumental in identifying and catalyzing strategic opportunities for private sector investment, and supporting dialogue between governments and businesses. Activities undertaken under PSDI in 2007 are described in some detail in the main report (section III). Implementation highlights include:

### Diagnostic and Awareness Building

- Completed private sector assessments (PSAs) for Papua New Guinea and Samoa, presented the draft PSA for Tonga, and secured government agreement to implement selected PSA recommendations.
- Facilitated a high level public-private roundtable in Samoa, resulting in government commitment to institutionalize a public-private consultation mechanism.
- Supported PNG's Institute of National Affairs, the PNG Chamber of Commerce and the University of PNG through support to surveys, as well as workshops and seminars.

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<sup>1</sup> TA No. 6353-REG: Private Sector Development Initiative, approved on 21 November 2006 for \$8.7 million, cofinanced by AusAID with \$7.7 million.

- Conducted 10 PSD advocacy seminars for key stakeholders (policymakers, the media, academia, the private sector, and civil society) in the region.
- Launched the "Pacific PSD Policy Brief" series, a publication designed to inform policymakers on core PSD reforms and their application in the Pacific region.

#### SOE Reform and PPPs

- Prepared two privatization transactions in the Solomon Islands, which are scheduled to be completed in 2008.
- Completed a restructuring and privatization plan for one SOE in Samoa, and commenced work to assist the Ministry of Finance on the development of a SOE reform pipeline for 2008–2012.
- Launched technical assistance (TA) to develop a new PPP framework for PNG.

#### Financial Sector Reform

- Launched the design of new secured transactions filing archives in the Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, and Vanuatu.
- Completed feasibility studies in Tonga and Vanuatu for the use of new technologies to expand rural finance and banking services and reduce their cost, and prepared for ensuing pilot projects to be launched in 2008 (the feasibility study in Vanuatu has resulted in a new TA project funded by the ADB Japan Special Fund).

#### Legal Business Environment

- Agreed with the Government of Tonga and the World Bank Group to jointly modernize Tonga's commercial legal framework.
- Launched support to PNG's Independent Consumer and Competition Commission (ICCC) in the areas of trade practice investigation and telecommunications code development.
- Completed diagnostics for company registry reforms in Samoa and the Solomon Islands.

4. As expected, the depth and breadth of proposed reforms and counterpart government engagements have varied from country to country, depending on reform potential, readiness, and absorptive capacity. The current program focuses on PNG, Samoa, Solomon Islands, Tonga, and Vanuatu. We expect to expand geographically beyond these five core countries going forward.

5. **Managing for Development Results.** ADB has developed a robust MfDR tool for PSDI, focusing on results and implementation performance. At this early stage of project implementation, the performance scores thus far can only be taken as preliminary indications of likely results. Of the current portfolio of 25 PSDI subprojects, 30% of overall performance scores are highly satisfactory, 60% are satisfactory, and 10% are partly satisfactory. The tool will be further refined in 2008, and is expected to continue to provide meaningful measures of PSDI performance. Moreover, performance indicators are being developed, taking into account international good practice and opportunities for donor harmonization, as well as a monitoring strategy.

6. **Outlook.** In 2008, PSDI will capitalize on the activities started and momentum created in 2007. We expect a busy year in 2008, with the implementation of a number of ongoing and planned reform activities in the PSDI core areas. We anticipate that these activities will contribute to deeper relationships with key stakeholders and reform champions, and lead to new reform opportunities moving forward. We will gradually expand the geographical reach. ADB will further deepen its partnerships with other PSD donors through collaboration in analyses, project implementation, and advocacy: project-related activities with the World Bank Group in PNG, Tonga, and Vanuatu are ongoing or planned for 2008; and awareness and advocacy events are planned with multiple donors in 2008.

7. Now that a foundation for the PSDI has been established, ADB is in an excellent position to rapidly and effectively respond to reform opportunities, and drive forward the momentum for change in the Pacific region. ADB looks forward to expanding PSD activities through 2008 and beyond, and achieving results that improve the business environment and spark economic growth in the Pacific region.

## I. INTRODUCTION AND BACKGROUND

8. PSD is key to fresh thinking about solutions for development in the Pacific. Its central importance has been highlighted by disappointing rates of economic growth that have resulted from existing frameworks for private enterprise activity. Indeed, low levels of competitiveness, investment, and economic growth in the Pacific region are closely related to high costs of doing business.<sup>1</sup> Economic growth helps reduce poverty by creating jobs and income, and by increasing government revenue that can be used for much needed investment in social sectors. The pervasive role of the state in many aspects of economic activity has often crowded out private business. This has inadvertently exacerbated the problems associated with small size and geographical isolation. Financial markets have failed to intermediate efficiently and to provide access to credit for the private sector, especially in rural areas. Business laws and regulations are often outdated and inadequate to support modern business transactions. SOEs typically provide inefficient, unreliable, and expensive infrastructure and services. These, in turn, are a burden fiscally, on business, and on the consumer.

9. Development partners have responded to these realities with an increased focus on private sector driven economic growth.<sup>2</sup> ADB has made PSD a high priority in its *Pacific Strategy 2005–2009*.<sup>3</sup> Similarly, AusAID has stressed the importance of private-sector-led economic growth in its Aid White Paper, in the Pacific 2020 process, and in country strategies. This has led to the design and approval in November 2006 of the PSDI,<sup>4</sup> a regional technical assistance project cofinanced by ADB and AusAID. The PSDI is an innovative mechanism that enables ADB to respond quickly when a reform opportunity arises, while also remaining focused on long term support and objectives identified at the country strategy level. It significantly enhances ADB's interventions in support of PSD reform, and amplifies ADB's strategic and programmatic focus on PSD.

10. This is the first annual report on PSDI. It covers PSDI activities from inception in early 2007 to 31 December 2007. Section II describes PSDI and its objectives, the goals for 2007, and provides an overview on PSDI implementation: strategy, structure, main output categories, linkages and partnerships, and finances. A summary of the portfolio of 25 subprojects funded under PSDI (as of 31 December 2007) is in section III. PSDI performance to date is analyzed using a results-based monitoring and evaluation tool in section IV. Section V provides a strategic outlook on future operations of PSDI.

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<sup>1</sup> ADB. 2004. *Swimming Against the Tide? An Assessment of the Private Sector in the Pacific*. Manila. AusAID. 2005. *Pacific 2020: Challenges and Opportunities for Growth*. Canberra.

<sup>2</sup> AusAID. 2006. *White Paper on Australia's Aid Program*. Canberra; World Bank. 2005. *Pacific Regional Strategy 2006–2009*. Washington, DC.

<sup>3</sup> ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank 2005–2009*. Manila.

<sup>4</sup> TA No. 6353–REG: Private Sector Development Initiative, approved on 21 November 2006 for \$8.7 million, cofinanced by AusAID with \$7.7 million.

## II. IMPLEMENTATION

### A. Overall Objectives

11. The objective of the PSDI is to promote economic growth in PDMCs by helping create an enabling environment for the private sector. PSDI contributes to poverty reduction in PDMCs by promoting enterprise, investment, and economic growth. PSDI seeks to address the constraints that are identified by in-depth private sector assessments (PSAs) undertaken by ADB in the Pacific over the past 4 years.<sup>5</sup> Accordingly, the PSDI key result areas are:

- (i) SOE reform and PPPs, to improve the performance of SOEs, promote competitive markets, and allow greater private sector participation in the economy.
- (ii) Financial sector reform, focusing on secured transactions frameworks, rural finance and microfinance, financial sector outreach, financial products and services, and partial credit guarantees.
- (iii) Reform of the legal and regulatory business environment, focusing on business law and the strengthening of property rights.

12. Over the course of its 5-year term, PSDI is expected to make measurable contributions to economic growth in the Pacific region by: (i) increasing the quantum of private investment; (ii) increasing flows of credit to the private sector; (iii) increasing the number of private businesses created and registered; (iv) increasing the speed of business registration; (v) improving the quality and accessibility of infrastructure services; (vi) encouraging competition and creating opportunities for private sector participation in all markets currently dominated by SOEs; and (vii) strengthening the overall financial performance of SOEs, thereby reducing their drain on public funds.

13. The first year of operations in 2007 has clearly demonstrated that PSDI enables ADB to substantially augment its regular PSD operations in the region. PSDI has increased the breadth, responsiveness, and effectiveness of ADB's PSD operations in the key result areas. PSDI has been instrumental in amplifying ADB's engagement with PDMCs in terms of policy dialogue, knowledge management, and technical support, as well as in promoting partnerships with internal (i.e., ADB) and external partners (i.e., the private sector, other donors, and civil society).

14. Specifically, with PSDI, the number of PSD interventions in the Pacific has more than doubled in 2007 alone—from previously 20 to now 45 reform initiatives. With PSDI support, a critical mass in terms of scope and depth of activities will be reached, allowing the promotion and implementation of regional approaches in PSD reform areas such as company law reform and secured transactions reform. While previous reforms in these areas had commenced only in selected countries, PSDI provides the resources to roll them out in multiple countries, leveraging resources, and creating regional reform momentum (for instance, through regional benchmarking and combined evaluation and communication).

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<sup>5</sup> ADB has carried out PSAs for the Fiji Islands, RMI, Palau, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu. Most of these reports can be accessed at <http://www.adb.org/PrivateSector/development/assessments.asp>

## **B. Goals and Approach in 2007**

15. In this first year of the PSDI, our goal was to put in place the necessary expert team and management structures for implementation and to establish key milestones in developing PSD programs. Strategically and tactically, we set out the following core goals for 2007: (i) establish project management structures and systems, and mobilize a core team of PSD experts; (ii) develop and operationalize a MfDR tool; (iii) engage senior policymakers in the region on a broad PSD reform agenda, and raise awareness of the importance of PSD to a broad spectrum of stakeholders; and (iv) establish sound linkages with ADB country assistance programs in PDMCs, with a view to ensuring complementarity and maximizing PSDI's leverage and augmentation of country programs. Operationally, we aimed at producing economic and sector work, and expanding activities in SOE reform, access to finance, and business law reform.

16. PSDI has met these goals. As discussed in depth in this report, we established a strong core team of experts, put in place project management structures and systems, including an MfDR tool, strengthened the analysis and communication of PSD issues and solutions in the region, and launched 25 subprojects in 6 countries, (including 7 regional subprojects). In particular, PSDI has enabled ADB to respond rapidly and seize PSD reform opportunities as they occur. This capacity facilitated the rapid, demand-oriented dispatch of highly skilled technical expertise to support PDMC governments in key PSD result areas. PSDI has also been proven instrumental in identifying and catalyzing strategic opportunities for private sector investment, and supporting dialogue between governments and businesses.

17. Naturally, depth and breadth of proposed reforms, counterpart government engagement, and reform progress have varied from country to country, depending on reform potential, absorptive capacity, readiness, and the political economy. The country focus in the early years of the initiative has been predominantly on PNG, Samoa, Solomon Islands, Tonga, and Vanuatu. The rationale behind such focus is to create a momentum for, and make progress on, substantive PSD reform, where the potential for it is most pronounced at the time, before gradually expanding, applying the experience and lessons learned. We expect to expand geographically beyond these five core countries going forward.

## **C. Management Structure**

18. PSDI is managed by ADB's Pacific Liaison and Coordination Office (PLCO), Sydney, Australia. The regional management team of ADB's Pacific Department (PARD), led by the Director General, based in ADB Headquarters, Manila, Philippines, provides strategic and tactical guidance. A team of highly experienced international PSD experts has been assembled to drive PSDI supported reform processes in the specific PSDI focus areas.

19. The implementation of TA activities is closely coordinated with all ADB offices. In particular, PSDI operations are being programmed, designed, and implemented in collaboration with ADB's South Pacific Subregional Office in Suva, Fiji Islands for operations in the Fiji Islands, Samoa, and Tonga; and with ADB's PNG Resident Mission (PNRM) in Port Moresby for PSD operations in PNG.

## **D. Linkages and Partnerships**

### **1. Internal Linkages**

20. PSDI has been instrumental in fostering linkages and partnerships on the program and project levels within ADB's Pacific Department and Private Sector Operations Department.

- (i) PSDI funded diagnostics and PSAs, which informed country strategies and programs. For instance, a PSA and a PSD roadmap for Samoa have helped sharpen the country partnership strategy for Samoa. They also contributed to enhanced policy dialogue in relevant PSD reform areas.
- (ii) PSDI resources amplified various sector-specific TAs and loans. For example, PSDI supported ongoing TA for privatization and the development of a broader SOE reform pipeline in Samoa; implementation of privatization initiatives in the Solomon Islands; and, as part of a multi-donor initiative, the examination of opportunities for private sector participation in the health sector in PNG.
- (iii) PSDI has been catalytic for ADB's private sector and cofinancing operations in the Pacific region. For instance, PSDI helped examine opportunities for ADB's partial credit guarantee program, as well as equity and quasi equity investments in the region. As a result, ADB is preparing an equity investment in a PDMC financial institution, which is anticipated to come to fruition in 2008. Discussions on guarantee products are likewise ongoing, especially with commercial banks.

### **2. External Partnerships**

21. PSDI resources have enabled ADB to deepen relationships and strengthen dialogue with key government agencies and private sector institutions in the region. An important new partnership has been established with the media, particularly through a highly successful Pacific PSD media workshop held in Sydney, in October 2007.

22. ADB has fostered partnerships with other PSD donors. Shared analysis of PSD issues and solutions is supported by sharing economic and sector work with interested partners. Policy dialogue is coordinated multilaterally through mechanisms such as the quarterly PSD donors meetings, and bilaterally through direct coordination and joint missions.<sup>6</sup> In addition, increased harmonization of PSD operations, including cofinancing and joint implementation, has been achieved.

23. The cofinancing of PSDI has elevated the intensity of PSD partnership between ADB and AusAID. ADB's PSD team held a seminar in Canberra in August 2007 with AusAID staff covering issues and opportunities in SOE reform, PPPs, financial sector reform, and legal reform, as well as the PSDI monitoring and evaluation framework. The seminar was well received by AusAID to better appreciate the scope of and progress made under PSDI, as well as the analysis of some of the underlying issues in the Pacific context; and by the ADB team to have an opportunity to receive valuable feedback and insights on the PSD issues and strategies discussed, and to discuss and validate the MfDR tool that has been prepared for PSDI monitoring and evaluation.

24. The Pacific PSD partnership with the World Bank Group, including the International Finance Corporation (IFC), Foreign Investment Advisory Services (FIAS),

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<sup>6</sup> A Pacific donor PSD coordination group meets quarterly to update each other on PSD issues and developments, and to discuss programs and projects.

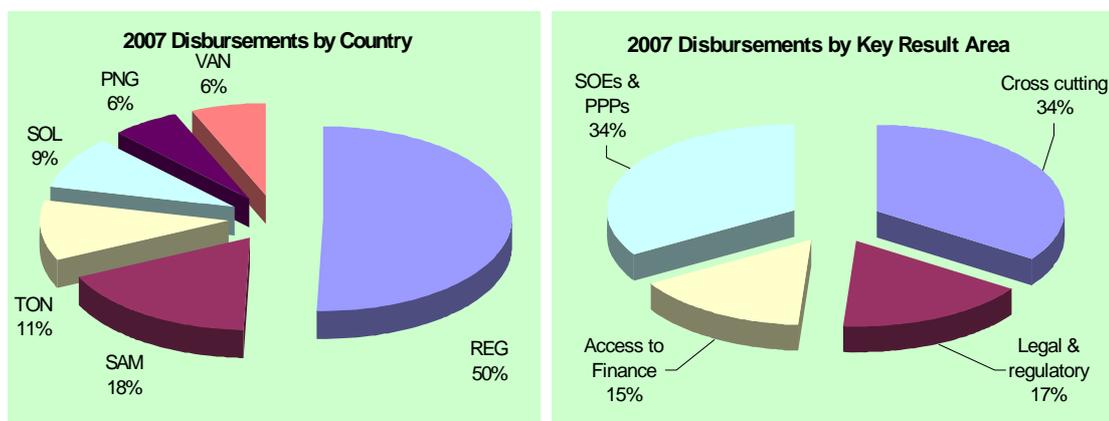
and Pacific Enterprise Partnership (PEP) of the IFC has been strengthened with the additional leverage provided by PSDI. ADB and the World Bank Group entered into a PSD collaboration agreement in September 2007 to improve the investment climate in the Pacific through increased collaboration. A joint pilot program in support of business law reform in Tonga was successfully launched in December 2007, and collaborative work programs are being considered for PNG, Timor-Leste, and Vanuatu.

### E. Financial Overview

25. PSDI has a total budget of US\$8.7 million. This includes a grant of US\$1.1 million from ADB's TA funding program and US\$7.6 million by the Government of Australia. In line with the cofinancing agreement between ADB and the Australian Government, the first tranche of A\$2 million equivalent was released in January 2007. The next tranches are due in early 2008 (A\$2.5 million equivalent), January 2009 (A\$4 million equivalent), and January 2010 (A\$1.5 million equivalent). Participating PDMC governments contribute to the costs of activities through the provision of counterpart staff salaries, office accommodation, local transport, support services, and facilitation of consultations.

26. As of 31 December 2007, there were 1 completed and 24 ongoing PSDI subprojects with a total budgeted cost of 3.6 million. In 2007, a total of \$1.56 million was disbursed and \$2.5 million committed (contracted). Disbursements in 2007 were highest for projects with crosscutting target results and SOE reform. Crosscutting target results included analytical work, workshops and seminars, and communication. Among the key results areas, SOE reform received the highest level of disbursements in 2007 (34% of total), reflecting partly a significant appetite in PDMCs for SOE reform and, increasingly, PPP-related work, and partly some opportunities in 2007 to leverage ongoing ADB activities in these areas. It should be noted that, in line with the PSDI commitments and work program, we expect the disbursements in the other key results areas to increase significantly in 2008. Approximately half of PSDI disbursements focused on regional activities, followed by specific country involvement in Samoa, Tonga, PNG, and Solomon Islands (see Figure 1). Details on disbursements, achievement of target results, commitments, and budget estimates for each project are shown in Appendices 4 and 5.

**Figure 1: 2007 Disbursements**



RMI = Republic of Marshall Islands, PNG = Papua New Guinea, REG = Regional, SAM = Samoa, SOL = Solomon Islands, TON = Tonga, VAN = Vanuatu.

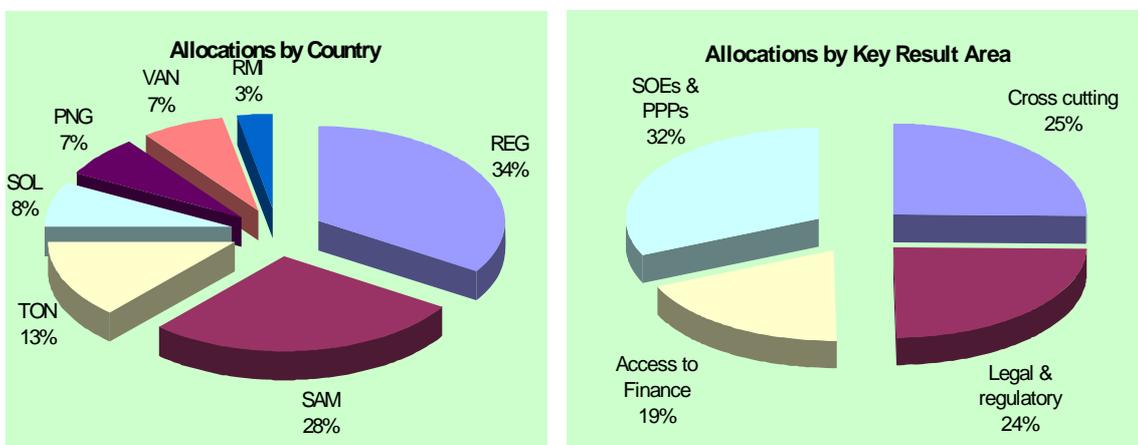
PPP = public-private partnerships, SOE = state-owned enterprises.

### III. PORTFOLIO OF ACTIVITIES

#### A. Overview

27. The composition of the PSDI portfolio—a total of 25 projects—by key results area and country is shown in Figure 2. The portfolio is relatively evenly distributed, in terms of project allocations, among the key results areas of SOE reform/PPPs, financial sector reform, and legal and regulatory reform. The distribution of projects by country reflects an emphasis on those countries that have demonstrated an appetite for PSD reforms. Within this group, Samoa emerges as the largest recipient, with around a quarter of ongoing PSDI support, followed by Tonga (13%). The majority of PSDI activities was, however, of regional nature, involving multiple countries. Summaries of activities by country are presented in Appendix 1.

**Figure 2: Portfolio Composition**



RMI = Republic of Marshall Islands, PNG = Papua New Guinea, REG = Regional, SAM = Samoa, SOL = Solomon Islands, TON = Tonga, VAN = Vanuatu.

PPP = public-private partnerships, SOE = state-owned enterprises.

#### B. Private Sector Assessments

28. Sound analysis, usually in the form of a PSA, is the starting point for ADB's PSD operations. PSAs play a vital role in ADB's PSD strategy, as they provide an effective framework for analyzing key PSD constraints and illustrating the linkages between them, engaging in meaningful policy dialogue with key stakeholders regarding reform issues and priorities, and identifying and agreeing on specific reform activities and projects.

29. In 2007, PSDI supported the preparation of a PSA for Tonga, including comprehensive consultations with stakeholders on the PSA findings and recommendations. Moreover, PSAs for PNG and Samoa were finalized and presented to governments, private sector organizations, and other key stakeholders. The consultations focused on the assessment, agreed reform priorities, and how to translate the PSA into reform activities. In Samoa, the Government used the PSA as a tool to engage the private sector in public-private dialogue, to link into the forthcoming Samoa Development Strategy 2008–2010, and has asked ADB to publish the PSA to allow for wide dissemination. In Tonga, the PSA was prepared at the request of the Ministry of Finance as the basis of a PSD strategy. In PNG, the PSA has been

instrumental in engaging both the previous and new governments on PSD issues, and for raising awareness of the importance of PSD among a broader spectrum of stakeholders (i.e., the media, academia, and civil society).

### **C. Delivering Reform Support**

30. The PSDI is currently implementing projects in each of the three key results areas—SOE reform/PPP, access to finance, and legal business environment—as well as a “cross-cutting” key results area designed to raise awareness of PSD issues throughout the Pacific. Work in each of these four areas is described below.

#### **1. State-Owned Enterprise Reform and Public-Private Partnerships**

31. In SOE reform and PPPs, ADB has been partnering with PDMC governments to improve the quality and accessibility of infrastructure services, encourage competition and create opportunities for private sector participation in all markets currently dominated by SOEs, and improve the overall financial performance of the SOEs. This involves new governance structures to increase transparency and accountability, as well as create arms-length relationships with Ministries. It also involves privatization and PPPs to introduce new technologies and management techniques and to leverage existing SOE resources. To this end, PSDI is working at both strategic and operational levels—strategically, to assist partner governments in developing SOE reform and PPP policies and strengthening their capacities to implement them (in PNG, Samoa, and Tonga); and operationally, to support the implementation of specific SOE reform plans, including privatization transactions (in Samoa, Solomon Islands, and Tonga). Working at both levels allows PSDI to capitalize on windows of opportunity for tactical gains while continuing to build the foundations for sustained reform.

32. **At the strategic level**, PSDI has been supporting a part-time advisor to the Ministry of Finance in Samoa to: (i) help develop a strategic plan for the SOE Monitoring Division (SOEMD<sup>7</sup>), (ii) create a SOE reform pipeline through 2012; and (iii) support implementation of the governance provisions of the SOE Act. While working directly with SOEMD, ADB is facilitating the transfer of analytical skills and capacity to drive the SOE reform program in the longer term. In Tonga, an SOE reform pipeline is under preparation as part of the Government’s broader PSD strategy. The reform pipeline includes restructuring, privatization, and corporate governance measures so as to address all aspects of SOE performance. In both Samoa and Tonga, PSDI leverages ongoing ADB TA.

33. **At the operational level**, PSDI has been used to support the Government of the Solomon Islands to reform SOEs and implement the newly enacted SOE Act (which was drafted with support from an earlier ADB project, TA4482-SOL) The SOE Act sets out principles for commercializing SOEs, including strengthening governance arrangements and enhancing transparency.<sup>8</sup> PSDI’s implementation support involves drafting regulations for the Act and piloting statements of corporate intent in five large SOEs. PSDI is also directly supporting the privatization of two SOEs (Sasape Marina Ltd. and Home Finance Ltd.). With the political crisis of November 2007, and

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<sup>7</sup> SOEMD, the Ministry of Finance, Samoa, is responsible for monitoring performance of SOEs, ensuring compliance with the SOE Act and implementing SOE reform.

<sup>8</sup> Independent audits of all 14 SOEs, a separately funded initiative by the Regional Assistance Mission to the Solomon Islands advisory team at the Ministry of Finance, are planned as an essential component of these reforms.

subsequent change in a number of Ministerial appointments, stalled, but is expected to pick up in 2008.

34. In Samoa, PSDI includes support for privatization and PPP transactions as well as continued strengthening of corporate governance practices. Restructuring and privatization recommendations were developed for, and are now being implemented by, the state-owned Samoa Shipping Services. This work, together with the privatization of the Samoa Broadcasting Corporation (as supported under separate ADB TA), the planned restructuring of SamoaTel in 2008, the successful PPP tender for the first wastewater treatment plant in Samoa, and the PPP provisions of the 2007 Public Administration Reform Plan, has created momentum. Both PSDI and country-specific ADB TA will provide continued technical assistance in support of these reforms. The Samoa Institute of Directors (SIOD), which was created under separate TA in 2006, will continue to provide professional training to its growing number of SOE director members (currently a total of 120). A training plan has been developed with SIOD for 2008, and PSDI will provide technical specialists to conduct several courses during the year. To promote the financial sustainability of SIOD, local trainers will be included in each course delivered by international specialists, so that local training capacity can be developed and longer term training costs brought down.

35. In Tonga, ADB is supporting the rationalization of SOEs through phase three of the ongoing SOE Rationalization Program, as supported under separate ADB TA which focuses on the reform and potential divestiture of five SOEs. Additional support is likely to be provided through PSDI during 2008–2009 to implement restructuring and privatization measures, support strengthened corporate governance practices in SOEs, identify larger opportunities for PPPs, and consider and implement options for the outsourcing of government functions to the private sector.

36. At a regional level, PSDI has been working closely with an ADB RETA for improving infrastructure service delivery (TA6257-REG) to promote PPPs. Outputs have included the joint organization of three workshops with eight participating governments to discuss opportunities for PPPs and to identify reforms necessary to enable them. As a result of this collaboration, PSDI is now working closely with the Governments of PNG and Tonga to establish functional PPP frameworks and to identify specific PPP opportunities.

37. With continued support of the activities underway, as well as the expanded scope planned for 2008 and beyond, PSDI will make measurable contributions going forward in terms of: (i) improving the quality and accessibility of infrastructure services; (ii) encouraging competition and creating opportunities for private sector participation in all markets currently dominated by SOEs; and (iii) improving the overall financial performance of the SOEs, thereby reducing their drain on public funds.

## **2. Financial Sector Reform**

38. ADB has focused on enhancing access to finance mainly by strengthening collateral frameworks and expanding the reach of financial services. As in other key results areas, PSDI initiatives in financial sector reform have built upon recent diagnostic work, including PSAs and diagnostic studies on selected financial sector development issues. In 2007, related PSDI activities were carried out in the RMI, Samoa, Solomon Islands, Tonga, and Vanuatu. Preparatory work was undertaken for expansion of activities in PNG and Timor-Leste.

39. Strengthening secured transactions frameworks will help expand the range of assets that can be used as collateral by the private sector. Activity in this area is currently underway in the Federated States of Micronesia (FSM), RMI, Samoa, Solomon Islands, and Vanuatu. In Samoa, TA has been provided to establish a new secured transactions (or personal property securities) framework, including the design of a proposed secured transactions filing office and the drafting of a secured transactions bill.<sup>9</sup> It is expected that this design work will lead to the implementation of a secured transactions filing office in 2008. In the Solomon Islands and Vanuatu, draft secured transactions bills were prepared under existing ADB TA in 2007. Support for the passing of these bills, and subsequent preparation of regulations and secured transactions filing archives is being provided under PSDI. In the RMI, a new secured transaction law was drafted with ADB TA support and enacted in February 2007, paving the way for PSDI support for the design and implementation of the filing office in 2008. In PNG, which has the largest potential banking market in the Pacific, PSDI has engaged the Government, the Bank of PNG, and commercial lenders with respect to proposed secured transactions reform. Reform implementation is being considered for 2008 or 2009.

40. To further facilitate access to finance for rural or more remote communities, PSDI is being used to promote new branchless banking technologies through pilot projects in Vanuatu and, subject to feasibility, in Tonga. In Vanuatu, PSDI financed a feasibility study to explore the potential for using bank “agents,” such as schools and shops, equipped with point of sale devices to expand financial services (e.g., money transfers, savings, and eventually, credit) to underserved markets. Based on the positive findings of the study, ADB will now partner with the National Bank of Vanuatu in 2008 to pilot the technologies through separately programmed ADB funding. Another PSDI-funded feasibility study, carried out in Tonga in December 2007, suggested ways to accelerate the benefits of cell phone based payments and remittance services. A project proposal to implement the findings of the study will be brought forward with the Government and private sector partners in 2008. In summary, the PSDI found that the application of branchless technologies, which have shown their potential in Africa, the Caribbean, and the Philippines have the potential to significantly expand access to financial services for rural and remote communities in the Pacific region. Based on the outcome of the pilot in Vanuatu, and possibly Tonga, PSDI will promote their use in other PDMCs.

41. As part of its efforts to facilitate lending to small and medium enterprises (SMEs), PSDI financed a feasibility study of the potential for using ADB partial credit guarantees and term lending facilities in partnership with local banking institutions in the region. Discussions with potential partner commercial banks are ongoing with respect to the execution of the recommendations. As an additional outcome of this analysis, ADB is considering taking an equity position in a local commercial bank. Due diligence is currently underway by ADB’s Private Sector Operations Department. Should this equity stake be taken, it will strengthen the financial sector as well as corporate governance in the investee bank in the country concerned.

42. ADB’s efforts, through PSDI, in expanding access to finance in the Pacific should provide tangible results, with increased flows of credit to the private sector, thereby contributing economic growth.

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<sup>9</sup> This work is being conducted in tandem with the reform of the companies registry, also supported under PSDI (see next section).

### **3. Legal and Regulatory Reform**

43. In the key results area of legal and regulatory reform, PSDI has been used to improve the enabling environment for doing business, including strengthening commercial legal frameworks, property rights, simplifying licensing regimes, and supporting the development of efficient regulation in key infrastructure sectors. Modern commercial legal frameworks—including those governing business operations (company law), closure (bankruptcy law), transactions (contract, sales, and electronic transactions laws), foreign investment, and dispute resolution and arbitration—significantly improve the environment for doing business, as they facilitate business start-up and closure, dispute resolution, access to finance, and effectively lower the cost of business transactions. In the Pacific region, ADB is supporting the modernization of the commercial legal frameworks, many of which remain outdated and are ineffective.

44. Modernizing of the company laws and establishing modern company registries is underway in Samoa, Solomon Islands, Tonga, and Vanuatu. In Vanuatu, the new company law is being drafted along with a new bankruptcy law (both scheduled for Parliament in late 2008) and a reform plan for the company registry is being prepared under separate ADB funding. PSDI supports the implementation of these laws and the company registry reform. Similarly, in the Solomon Islands, new company, corporate insolvency, and trustee laws have been prepared under ongoing ADB TA (scheduled for Parliament in early 2008), and a reform plan for the companies registry is also being prepared. PSDI will support the implementation of laws and registry. In Samoa, PSDI is supporting the reform of the companies registry in accordance with the new Companies Act (passed in 2006), and the reform of the secured transactions framework, including a law and filing archive. In Tonga, PSDI is working in close collaboration with FIAS to modernize the commercial legal framework, with PSDI supporting the reform of the company law, and FIAS financing the development of a new company registry. This work may be followed with reform of other relevant business law reforms, including bankruptcy and secured transactions law as well as registry reform with PSDI support.

45. To promote competition and support greater participation of the private sector in regulated markets, PSDI is supporting the establishment and strengthening of core regulatory institutions. In PNG, PSDI is working with the Independent Consumer and Competition Commission (ICCC), the first commercial regulator in PNG and the principle promoter of competitive markets and consumer protection. During 2007, the ICCC introduced competition in the mobile communications and electricity sectors, driving down prices and improving the quality and reach of services. ADB's support to ICCC has been in the form of technical expertise in trade practice investigation, complaints handling, merger analysis, telecommunications code development, on-the-job training, and provision of reference materials.

46. PSDI is supplementing TA support to the institutional strengthening of Vanuatu's Financial Services Commission, the non-bank regulator. This work is designed to enhance the Financial Services Commission's corporate governance standards and supervisory capabilities, so that it is better able to support the country's new, modernized commercial legal framework. In Samoa, ADB is supporting the reform of the power sector through an ongoing TA and loan program, which will include the establishment of a new regulatory framework. PSDI has supported this effort with technical inputs designed to promote increased private participation in the sector.

47. Going forward, PSDI will continue to seek opportunities to promote competition and create market conditions that encourage private sector participation. This, together with work in business law reform, should lead to increased volumes of businesses created and registered, faster business registration, and increased private investment in the medium to long term, which will lead to increased employment and economic growth.

#### **4. Cross-cutting Reform Support**

48. Considering the crucial importance of attitudes and behavior in successful reform processes, PSDI has been focusing significant efforts toward raising awareness of PSD issues throughout the Pacific through policy fora, workshops, seminars, papers, editorials, and press interviews. This work, which forms an essential part of our PSD communications approach, is designed to promote PSD reform by educating and engaging stakeholders, thereby creating demand for reform and establishing a network of reform advocates. In 2007, PSDI supported the formulation of a PSD communications framework to guide the team in the use of communication to promote and implement PSD reforms. Throughout 2007, PSDI actively engaged policymakers, the media, academia and nongovernment organizations (NGOs) to discuss the importance of PSD and the nature of the reforms needed to support it. Ten seminars and workshops were organized or otherwise supported:

- Australia/PNG Annual Business Council Meeting, Cairns (March 2007)
- Institute of National Affairs, Business Opportunities and Investment Conditions Workshop, Port Moresby (March 2007)
- PNG Chamber of Commerce Business Breakfast, Port Moresby (March 2007)
- PSD lecture, University of PNG, Port Moresby (May 2007)
- Secured Transaction Reform Workshop, Port Moresby (May 2007)
- Public-Private Partnership Workshop, Port Moresby (June 2007)
- Private Sector Development Roundtable, Apia (September 2007)
- PSD Media Workshop, Sydney (October 2007)
- Delivering Community Service Obligations Workshop, Port Vila (October 2007)
- PSD Seminar Series: Key Findings of the Institute of National Affairs (INA) Business Survey/ADB Private Sector Assessment, Port Moresby (November 2007)

49. To complement the ADB in-country workshops and seminars, PSDI produced and launched in late 2007 a series of policy briefs on PSD topics—SOE Reform, Access to Finance, Legal Business Environment, and PPPs—as the PSD Policy Brief Series. Briefs on other topics will be added periodically. The briefs are made available in print, by email, and on the ADB website, and are targeted to policy makers, private sector organizations, the media, and civil society. Their purpose is to provide a quick overview of each topic, explain what progress has been made in the Pacific in each area, and provide initial guidance on what government can do to advance the reforms.

50. To keep PSD visible in the media, PSDI has engaged print, radio, and television media in PSD events. For instance, there was television coverage of the Community Service Obligation Workshop in Vanuatu, newspaper coverage following the PNG and Samoa seminars, and a number of radio interviews highlighting PSD topics from the Sydney media workshop.

## IV. RESULTS MANAGEMENT

### A. A Tool for Managing for Development Results

51. Simplicity and practicality are important considerations in developing an MfDR tool for use in the Pacific. PDMCs' development challenges are highly complex and compounded by data constraints. At the same time, the PSDI portfolio is, at least at this stage, relatively small. Moreover, certain PSDI subprojects have reached the degree of maturity required to assess their respective outcomes and impact.

52. Notwithstanding, ADB has developed a robust MfDR tool for PSDI, focusing on development results and implementation performance. The tool aims at shaping a plausible strategy to achieve the desired results, supporting vigorous and competent implementation, and assessing progress through project results and aggregating results for a portfolio of projects. The tool has been used throughout 2007 to monitor PSDI subprojects. It tracks target results and monitors the quality of implementation. The tool defines for each PSDI subproject a number of target results that, in turn, correspond to PSDI key result areas. These target results are weighted and rated by the project team, so that the measure of each target result is a function of its potential value, degree of completion, and degree of success. In this way, progress toward each of the key results areas can be monitored, assessed, and aggregated on the portfolio level. In addition, the tool also measures implementation performance for each of the subprojects through application of five criteria.<sup>10</sup>

53. The MfDR tool is programmed to score target results that are at least 25% complete. While the meaningfulness of results measurement at the early stages of implementation is necessarily limited, the tool will provide highly relevant measurements going forward. Indeed, in 2008 the PSDI team will further refine the tool. The tool, its underlying methodology, and the detailed analysis of the portfolio performance are presented in Appendix 2. A summary of the 2007 portfolio performance is given below.

### B. 2007 Portfolio Performance

54. At the end of its first year of operations, there was a portfolio of 25 PSDI projects, which were on average 40% complete (one project was fully complete). Therefore, the performance scores can only be taken as preliminary indications of likely results. Overall, the PSDI portfolio performed well in its first year.

55. In terms of overall scores,<sup>11</sup> of the current portfolio of 25 PSDI subprojects, 30% are performing highly satisfactorily, 60% satisfactorily and 10% partly satisfactorily (see Figure 4 on following page). Development results scores were slightly higher than implementation performance. To some extent, this probably reflects an optimistic bias that is natural in early-stage projects. Implementation progress and performance is easier to judge definitively at this early stage than results.

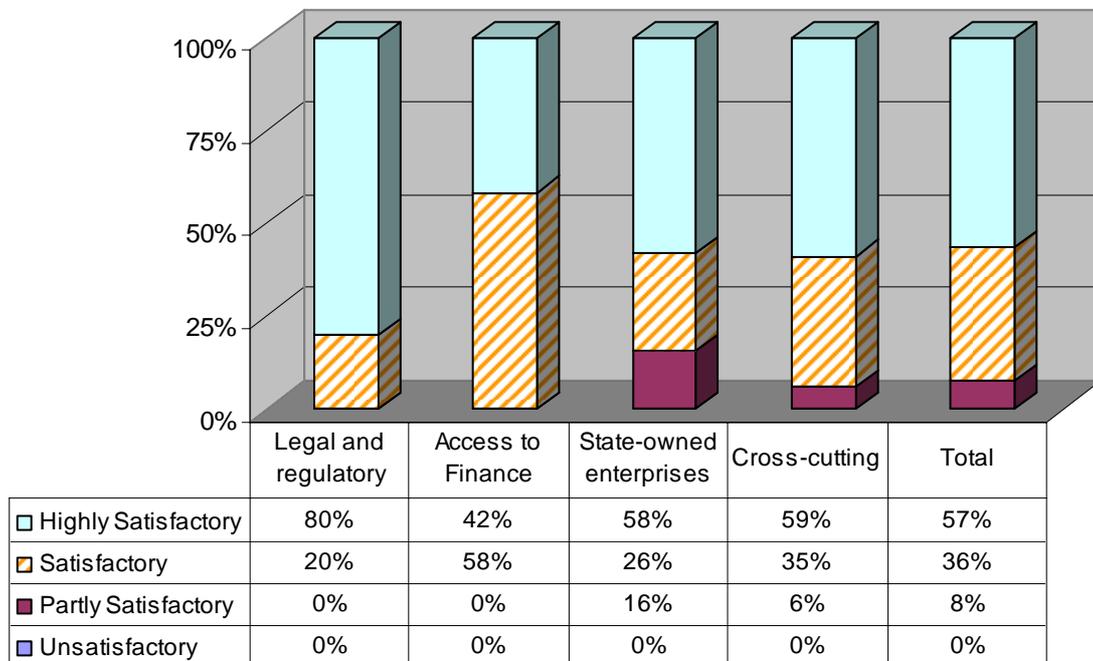
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<sup>10</sup> Criteria for implementation performance are: timeliness of implementation, executing agency performance, consultant performance, ADB performance, and adequacy of consultations with people affected.

<sup>11</sup> Overall scores are comprised of a weighted average of results and implementation scores. Thus, they are often quite close to one another. At the beginning of the project life "implementation performance" is everything and "results achievement" is not yet on the radar. Conversely, at the end of the project lifecycle all that really matters is "results achievement." See Appendix 2 for further details on methodology.

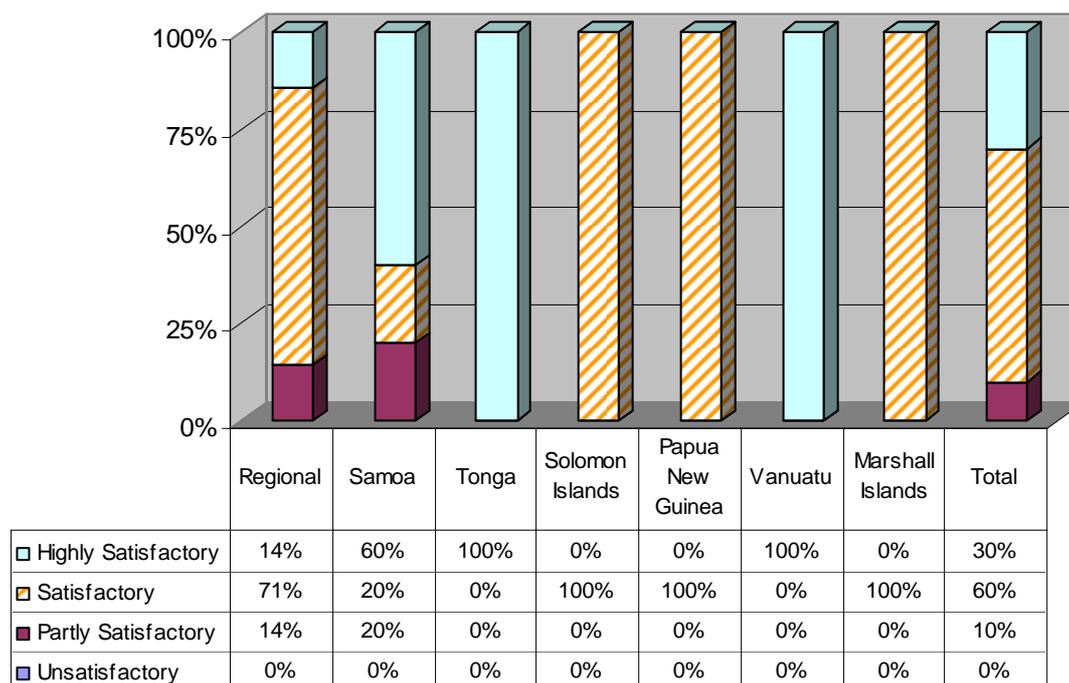
56. The analysis of performance by key results area (i.e., legal and regulatory reform, access to finance, and SOE reform/PPPs) suggests that work on legal and regulatory reform has had more consistently positive results than other key results areas (see Figure 3). This may be partly due to the longer-time frame often required to complete SOE reform and the reliance on political leadership to implement meaningful change. As well, we found that it seems relatively straight forward to reach agreement with governments on SOE reform, while problems and delays, often to do with political will, typically occur during implementation. Conversely, in legal reform, it is difficult to get traction prior to the approval stage, but it is relatively easier to make progress once all stakeholders have signed on. This likely has to do with the political economy associated with different key results areas. For instance, there are two particular “partly satisfactory” scores in SOE reform as a result of delays in implementing the privatization of two SOEs in the Solomon Islands, where the political situation in late 2007 and a new Government since the end of 2007 have made progress difficult (but not impossible).

**Figure 3: Results Performance in Key Result Areas (%)**



57. Although there are some broad differences in performance scores across countries (see Figure 4), it is not possible at this early stage of implementation to draw firm conclusions about how successful PSDI projects have been in each country. However, it is noteworthy at this stage that regional or multi-country projects have scored very well and that remaining country projects are roughly split between satisfactory and highly satisfactory performance levels. In 2007, PSDI undertook 18 initiatives across 6 PDMCs as well as 7 regional or multi-country projects.

**Figure 4: Overall Performance by Country (%)**



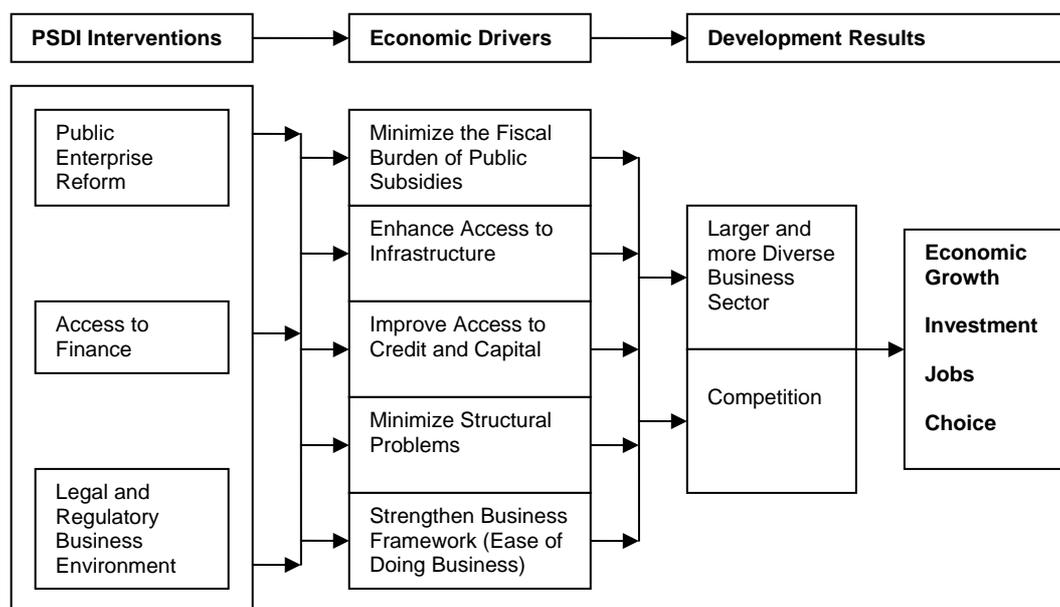
### C. Higher Level Monitoring Strategy

58. While the MfDR tool is useful for effective monitoring of the results achieved by PSDI projects, it is also designed to aggregate results to the level of portfolios of projects, including country-specific, regional, and thematic portfolios. Particularly in the early years of the Initiative, the number of PSDI projects is relatively small and they are spread across many countries. At the same time, many other development programs and changing economic and social circumstances are influencing private sector development and ultimately economic growth. Therefore, attribution of high-level changes is highly complex. Figure 5 depicts the principle pathways to results from PSDI's three core areas of intervention.

59. Aside from monitoring results that can be directly attributed to each PSDI sub-project, there is a serious data challenge in the Pacific region in that data and statistics are often unavailable, incomplete, or unreliable. The exception is in data from the Pacific Central Banks which are typically reliable. The World Bank's Doing Business Survey is a direct data source that is highly relevant to PSD operations, albeit not without its own limitations and challenges.<sup>12</sup>

<sup>12</sup> The World Bank's doing business surveys have become subject to criticism in a number of PDMCs. The list of perceived limitations includes the simplification of indicators; that the underlying case study may not suit the Pacific islands context in general and the outer islands context in particular; that the focus of the data on a specific business form—often a limited liability company of a specified size—may not be representative of the degree of regulation of other types of businesses common in PDMCs such as sole proprietorships; the choice of experts and the judgment of these experts; among other methodological issues. Evidence from ADB's PSAs seems to support some of these shortcomings of the doing business survey. ADB's Pacific PSD team has signaled interest in cooperation with the World Bank's Doing Business Indicators team.

**Figure 5: Pathways to Results**



60. The PSDI higher-level indicator monitoring strategy will involve: (i) tracking PSD indicators that already exist (national statistics and the Doing Business Indicators); (ii) helping improve existing indicators that require improvement (for instance, by providing primary data and other information as separated by the World Bank’s Doing Business Indicators team; and (iii) collecting information directly, either as part of the ADB PSA process or separately.

61. National statistics are an important source of PSD information, but there are gaps in the comprehensiveness, quality and accessibility of these data. The PSDI team will seek to collect and monitor at least the following national data.

- **The share of the private sector in the economy.** The ultimate target for PSDI is to increase the size of the private sector in the Pacific. Therefore, monitoring the simple trends in private sector growth is worthwhile.<sup>13</sup> The size of the private sector can be defined in terms of its share of GDP and its share of formal employment. Where the data is available, it is also useful to track labor productivity, rate of domestic capital formation, and rates of return on capital.
- **Access to finance.** Indicators typically tracked by Central Banks in the Pacific will be useful here, such as growth in commercial credit or the ratio of domestic credit to the private sector to GDP. Interest rate spreads for business credit can be a useful indicator of the health of private sector credit. In addition, investment relative to GDP (public sector, private sector, and foreign direct investment) provides an overall indicator of the attractiveness of the business environment.
- **The business-enabling environment.** Improvements in the regulatory framework are relatively straightforward to measure at the project level but relatively difficult to generalize. The Doing Business Indicators will be used as a

<sup>13</sup> More precisely, PSDI is interested in the share of the private sector in the “production” part of the economy. In some PDMCs, the problem is not that the public sector is too small. The problem is that it is doing the wrong things. Of course, defining what is “production” and what is legitimately “public services” would be challenging, but not impossible. Also, the subsistence agriculture/fishing sector would not normally be counted as “private sector” for these purposes.

starting point in countries where they are accepted. In addition, in the design phase for each subproject, PSDI will harmonize its measures of regulatory reform results with those used by the IFC on access to finance and the business-enabling environment.<sup>14</sup>

- **SOE reform.** SOE reform is a special case that has to be monitored differently from other aspects of PSDI. We will track two indicators as follows:
  - *Decreased budget transfers to SOEs.* Decreased drag on public finances can come from increased profitability of SOEs as long as those profits derive from competitive behavior rather than monopoly privileges, or, more frequently, from downsizing the SOE or privatization. The rate of return on SOE assets (net of subsidy) can be a useful indicator, but reliable data is not always available.
  - *Costs of infrastructure and utility services for businesses* (e.g., water, power, telecoms, and transport). Prices are important to the general health of business in each country, but like the subsidies discussed above, they have to be interpreted in context and not taken as a simple good. In some cases, the first necessary step to utility reform is full cost pricing, and users' costs may rise in the short term. Privatization and breaking up the monopoly will, normally, if anti-monopolistic laws are enforced, result in efficiencies over time and falling total cost to businesses and to the consumer/taxpayer. Data is relatively easy to obtain on prevailing prices, but it is relatively difficult to interpret because the subsidy and/or monopoly component of such prices is not immediately apparent.

#### **D. Cooperation and Harmonization with the other PSD Donors**

62. The PSDI team has been following the efforts of other donors in developing and applying monitoring and evaluation frameworks. In particular, we have engaged with the World Bank Group, both at their Headquarters in Washington, DC and at their Sydney offices, to identify opportunities for harmonization in the use of PSD effectiveness indicators. At the same time, ADB-wide efforts to apply and harmonize MfDR-based monitoring frameworks are being taken into account.

63. In February 2007, the IFC Results Measurement Unit circulated a paper on “core indicators” for monitoring the outputs, outcomes, and impacts of advisory services that “are geared to promoting private sector development.”<sup>15</sup> The PSDI team

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<sup>14</sup> The World Bank/IFC has developed indicators (output, outcomes and impact) for access to finance for standard use throughout its operations. It has divided this line of business into nine parts, each with its own logic model (banking, credit bureaus, housing finance, insurance, microfinance, leasing, securities markets, sustainable finance, and trade finance). IFC has also developed indicators (output, outcome, and impact) for the business enabling environment (BEE): BEE Policy, regulation and institutions; sub-national BEE; BEE diagnostic and M&E, and cross-border BEE; business advocacy; alternative dispute resolution; and industry-specific BEE. The IFC has three BEE outcome measures: enactment of legislation; improvement of regulatory procedures leading to easing of regulatory requirements (time reduction, cost reduction, and process steps reduction); and improved awareness of business environment issues by SMEs (registration, permits, licensing, taxation, etc.). The World Bank/IFC has not developed specific indicators to track SOE reform.

<sup>15</sup> World Bank, IFC, Results Measurement Unit, Advisory Services. 2007. ‘Guide to Core Output, Outcome and Impact Indicators for IFC Advisory Services Programs. Washington, DC. The approach is similar to a simplified logical framework analysis. Each “area” has a “logic model,” that is, a graphic flow chart showing connections from activities to outputs to outcomes to impacts. The logic model is followed by a table of “indicators” that are to be measured for outputs, outcomes, and impacts. IFC has organized its PSD universe into five business lines (i.e., access to finance, business enabling environment, environmental and social sustainability, social infrastructure, and value addition to firms)

will consult the IFC materials when designing a PSDI project. In particular, the IFC logic models are useful indicators of the types of development results that may reasonably be targeted by PSD projects.

## V. OUTLOOK

64. 2007 was the first year of the PSDI. During this year, much of our work has focused on establishing a strong core team of experts, setting up project management structures and systems, promoting PSDI's special capacities and capabilities to key PSD stakeholders in priority countries, strengthening the analytical basis on PSD issues, and launching the first 25 subprojects.

65. In 2008, PSDI will capitalize on the activities started in 2007. The relationships established with key stakeholders will be deepened and are expected to translate into specific reform activities. Ongoing subprojects will help identify further prospects for reform. For example, work in Samoa to develop an SOE reform pipeline should produce more SOE restructuring and privatization transactions. Similarly, joint work with the World Bank Group in Tonga on the commercial legal framework should result in the modernization of the company law and establishment of an electronic business registry in 2008, with further legal and associated institutional reform in 2009 and beyond.

66. Geographical reach will be extended. In particular, the PSD team plans to engage in Timor-Leste in early 2008 with a view to establishing PSDI subprojects in close cooperation with other PSD donors on the ground. A significant increase in PSDI activities is anticipated in the Fiji Islands<sup>16</sup> in the medium term, in adherence with ADB's policy for engagement in the country.

67. Substantial analytical work is planned for 2008–2009. This will include crosscutting studies such as PSAs at the country and regional levels; analyses of competitive conditions; sector or theme specific studies such as those on business law and property rights issues, and microfinance technologies; and project-specific studies such as feasibility analyses for privatization transactions or investments.

68. On SOE reform, ADB expects to implement and further expand work in PNG, Samoa, and Solomon Islands, establish a robust pipeline for SOE reform and PPPs in Tonga, and provide selected support in the Fiji Islands. On access to finance, ADB expects a number of countries to complete, with PSDI support, legal and technical reform of their secured transactions frameworks. ADB will promote cooperation in this area through a regional workshop. We expect an increase in microfinance activities, especially in niche areas such as the use of new technologies to expand the reach of financial services. On legal business environment, PSDI will continue to promote business law reform by strengthening the analytical basis of selected issues and country cases, undertaking specific reform measures, and promoting regional cooperation.

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and 28 "areas" (an average of 5 or 6 per business line). Some "areas" such as "entrepreneurship," and "biodiversity" and "corporate governance," appear to be themes in themselves, while others (e.g., securities markets, infrastructure, and credit bureaus) are more like sectors.

<sup>16</sup> Significant TA needs have been identified in the Fiji Islands in developing and implementing PPP projects, supporting SOE privatization transactions, strengthening the Commerce Commission, and promoting legal business environment reform.

69. ADB will also further strengthen the MfDR tool and associated processes in 2008. The MfDR tool will also be applied to ADB's other, non-PSDI activities promoting the private sector. The PSDI team will also begin a process of ongoing evaluation of specific themes and projects. For instance, ADB will review activities in secured transactions reform in countries at various stages of reform, and identify lessons learned, with a view to enhancing reform implementation and producing outcomes that have a strong impact on access to finance.

70. ADB will deepen its partnerships with other PSD donors in the Pacific through collaboration in analysis, project implementation, and advocacy. In particular, ADB expects to improve the business enabling environment in Tonga jointly with the World Bank Group, and to define and launch collaborations in other countries such as PNG and Vanuatu. ADB will hold a PPP workshop and training for PDMCs, jointly with the Commonwealth Secretariat in April 2008. ADB is also planning to hold a regional workshop on business registry reform, in close cooperation with the New Zealand Companies Office.

71. Now that a foundation for the PSDI has been established, ADB is in a good position to respond to reform opportunities, thereby building momentum for change. ADB looks forward to expanding PSD activities through 2008 and beyond, achieving results that improve the business environment and that thereby spark economic growth in the Pacific.

### APPENDIX 1

#### THE PSDI PORTFOLIO (as of 31 December 2007 )

##### **Papua New Guinea**

1. PSDI has delivered an overall diagnostic and PSD reform agenda through its PSA, which was presented to the new Government in early December 2007, and disseminated to the public through a joint seminar with the Institute of National Affairs (INA) and the Port Moresby Chamber of Commerce and Industry (POMCCI). The focus of PSDI in PNG over the past year has been on: (i) raising awareness on the importance of PSD both within the Government and among stakeholders; (ii) supporting key institutions driving PSD reforms; and (iii) developing proposals for future reform action.

2. To raise awareness on the importance of PSD, PSDI supplemented TA support to the 2007 Business Survey conducted by the INA, and conducted four PSD seminars (three of which were co-sponsored by INA and POMCCI, and one by the University of PNG). These seminars were highly participatory, allowing discussion between a wide range of stakeholders on key constraints to PSD and possible avenues of reform. Two additional workshops were conducted with the Treasury Department on the specific topics of secured transactions reform and opportunities for PPPs, respectively.

3. PSDI has provided TA and resources to ICCC, the first commercial regulator in PNG and the principle promoter of competitive markets and consumer welfare. During the course of 2007, the ICCC introduced competition in the mobile communications and electricity sectors, driving down prices and improving the quality and outreach of core services. PSDI support to ICCC has been in the form of technical expertise in trade practice investigation, telecommunications code development, on-the-job training, and provision of reference materials.

4. The PSA has also developed concrete reform proposals, which are now under consideration for implementation by the new Government. These include secured transactions reform to strengthen the collateral framework and facilitate access to finance, comprehensive SOE reform including increased transparency and accountability, and the development of a national framework for PPPs. PSDI resources are leveraging the work of a full-time ADB PSD advisor who arrived in PNG in November 2007, and the ongoing work of three TAs: (i) Strengthening the Governance of Statutory Authorities; (ii) Power Sector Development Plan; and (iii) Development of the National Road Authority, where, together with the Ministry of Works, performance-based road maintenance contracting may be introduced.

##### **Samoa**

5. In Samoa, PSDI has delivered an overall diagnostic and PSD reform agenda through its PSA, which was recently endorsed by the Government and will be published in early 2008. In SOE reform, PSDI is building on previous TA work designed to help implement the provisions of the Public Bodies Act and the Public Bodies Ownership, Performance and Divestiture Policy. This includes:

- (i) Developing a strategic plan for the SOEMD, Ministry of Finance and SOE reform pipeline for 2008-2010 to build upon the momentum created through the planned privatization of Samoa Commercial Bank and Samoa Tel;

## Appendices

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- (ii) Building the capacity of SOEMD to oversee the SOE corporate planning process;
- (iii) Supporting implementation of the new Community Service Obligations (CSO) policy;
- (iv) Developing restructuring and privatization recommendations for Samoa Shipping Services; and
- (v) Supporting the SIOD.

To further facilitate access to finance and strengthen the legal business environment, PSDI is supporting a diagnostic for a company registry and secured transactions filing office, which will be followed with implementation support in 2008. ADB is also currently conducting due diligence for a potential investment in a commercial bank.

### **Solomon Islands**

6. The Government has made good progress in implementing the PSD reform agenda. A new SOE Act was developed under separate ADB TA and enacted in 2007. PSDI is now providing support in implementing the new Act in areas related to SOE performance setting and monitoring. PSDI is also supporting the preparation of two privatization transactions (Sasape Marine Ltd. and House Finance Ltd.). In the key results area of business law reform, the Government has prepared with ADB support, and submitted to Parliament, a new company law, a secured transactions law, and a trustee law. Moreover, recommendations for the modernization of the company registry and for the establishment of a secured transactions filing office were completed in 2007, and will be considered for implementation once the underlying laws have been passed.

### **Tonga**

7. In Tonga, PSDI is supporting a PSA, a draft of which was presented to the Government, the private sector, and other stakeholders in December 2007. The PSA will be finalized in early 2008, and used as a tool for advocacy and reference for the prioritization of reform measures. A joint mission with the World Bank Group in December 2007 agreed with the Government on a reform program to improve the business enabling environment. Specifically, PSDI will support reform of the Companies Act and the secured transactions framework (including a law and filing office), while the World Bank Group will modernize the companies registry. PSDI will supplement an ongoing SOE Rationalization Program, supported under separate ADB TA, so that a broader SOE reform pipeline can be developed and implemented.

### **Vanuatu**

8. In 2007, PSDI supported a feasibility study on the introduction of new technology and business models to an existing micro and rural finance provider, National Bank of Vanuatu. This work has provided specific advice and recommendations for a separate ADB TA. The PSDI team is planning to increase the focus on Vanuatu. In particular, an update of the 2004 PSA is planned in 2008, and engagement, especially in the areas of access to finance and the promotion of private sector participation, anticipated.

### APPENDIX 2

#### PSDI PERFORMANCE MONITORING SYSTEM: OVERVIEW AND PRELIMINARY RESULTS

##### I. OVERVIEW

8. The PSDI performance monitoring system is designed to meet the requirement of monitoring and managing development results. This requirement is from several sources: first, project managers require an understanding of how their projects are progressing to achieve desired outcomes, and having a formal tool improves consistency of monitoring and reporting to management; second, the PSDI had a specific goal of developing such a tool; and third, there is an ADB-wide initiative for local offices to develop tools to contribute to organization-wide MfDR improvement. It was identified early on that managing for results is not the same as managing tasks and budgets, so the scope of this tool has been left at results, with only a brief mention of day-to-day operational management, for which other in-house tools are available.

2. The results measured in each project are a combination of “outputs” and “outcomes,” as per the 2006 *Multilateral Development Banks Common Performance Assessment System*. These are referred to as “target results” in the collective. Approximately three to five target results are selected for each project within PSDI, and the project manager monitors and reports on progress in achieving those specific results using the tool (see Appendix 6 for an example of the record for one of the 25 current PSDI projects).

3. ADB wishes to track results by project, by country, and by theme (i.e., key results area or KRA). Therefore, each “target result” is assigned a KRA code, which means SOE reform/PPPs, access to finance, reform of the legal and business regulatory environment, or cross-cutting. Target results are also weighted to reflect the importance of each element to that project; for example, sometimes the final step of having legislation passed is the most important part of the project, although few project resources are used for this task. This distinction illustrates the difference between managing for development results and managing tasks and budgets.

4. The PSDI team also found it useful to track the “percent complete” of each target result<sup>1</sup> as a project progresses. This also permits a calculation of what has so far been achieved in the project overall. We can also weight this by the project budget to look at the “\$ value completed,” and this can be compared to disbursements as a very rough guide as to how well we are tracking with expenditure versus results to date.

5. The degree of success in the achievement of each target result is also measured using a performance score on a scale of 0 to 6.<sup>2</sup> In addition, there are fields available to record the “implementation performance” of the project to date. There are five standard criteria of implementation performance applied to every PSDI project.<sup>3</sup> Finally, an “Overall Project Performance Score” is calculated based

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<sup>1</sup> If a project is less than 15% complete, it is taken to be too early to score its performance.

<sup>2</sup> To aid interpretation, the PSDI monitoring system has been programmed so that performance scores automatically generate a performance rating for each “target result,” and ultimately, for the project as a whole. The rating scale is: highly satisfactory (5.0–6.0), satisfactory (3.5–4.5), partly satisfactory (2.0–3.0), and unsatisfactory (0.0–1.5).

<sup>3</sup> Criteria for implementation performance are: timeliness of implementation, executing agency performance, consultant performance, ADB performance, and adequacy of consultations with people affected.

on a weighted average of “results achievement” and “implementation performance.” Different stages of project completion are taken into account by using weights. The appropriate weights change over the project lifecycle. At the beginning of the project life “implementation performance” is everything and “results achievement” is not yet on the radar. Conversely, at the end of the project lifecycle, all that really matters is “results achievement.” To capture this idea without making the weighting scheme unmanageably complex, we use the following weights depending on the approximate stage of project completion.

**Table 1: Weighted Stages of Project Completion**

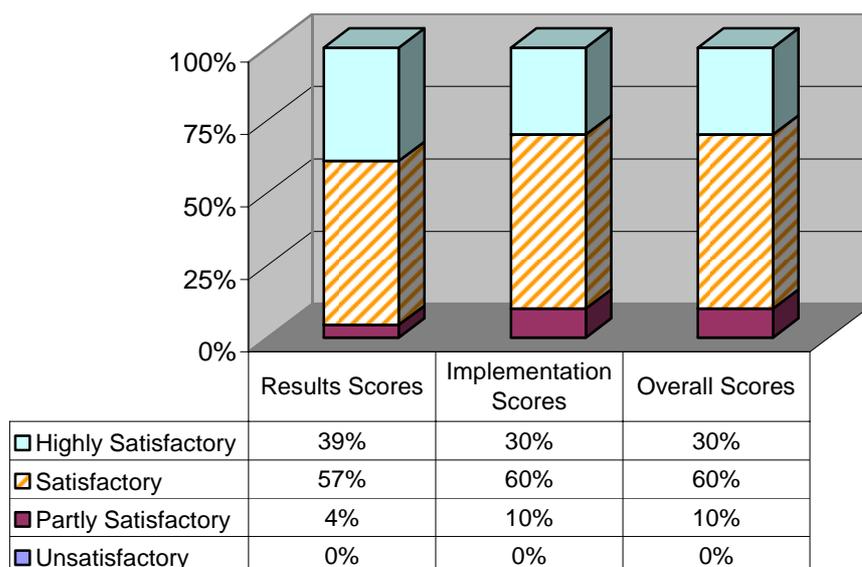
Criteria	Criteria Weights as per Project Implementation Stage		
	0–33% Complete	33–66% Complete	66–100% Complete
Results Achievement	0.00	0.30	0.70
Implementation Performance	1.00	0.70	0.30
	1.00	1.00	1.00

6. This approach to scoring and rating project performance has the important advantage that results data can be aggregated to the level of portfolios of projects (all PSDI projects, all projects in a particular country, or all projects of a certain type such as KRA or office from which they are being run). The usual Portfolio Results Report will report average performance scores and ratings.

7. At the end of its first year of operations, there was a portfolio of 25 PSDI projects, which were on average 40% complete (one project was fully complete). Therefore, the performance scores can only be taken as preliminary indications of likely results. Nonetheless, the PSDI portfolio performed well at this early stage. Of course, one should also keep in mind that the projects reported here are those that have succeeded at the design stage. Other prospective projects have not been approved and implemented, for various reasons, and would obviously have scored lower.

8. In terms of overall scores, of the current portfolio of 25 PSDI subprojects, 30% are performing highly satisfactorily, 60% satisfactorily, and 10% partly satisfactorily. Development results scores were slightly higher than implementation performance (see Figure 6). To some extent, this likely reflects an optimistic bias that is natural in early-stage projects. Implementation is easier to judge definitively at this early stage than results.

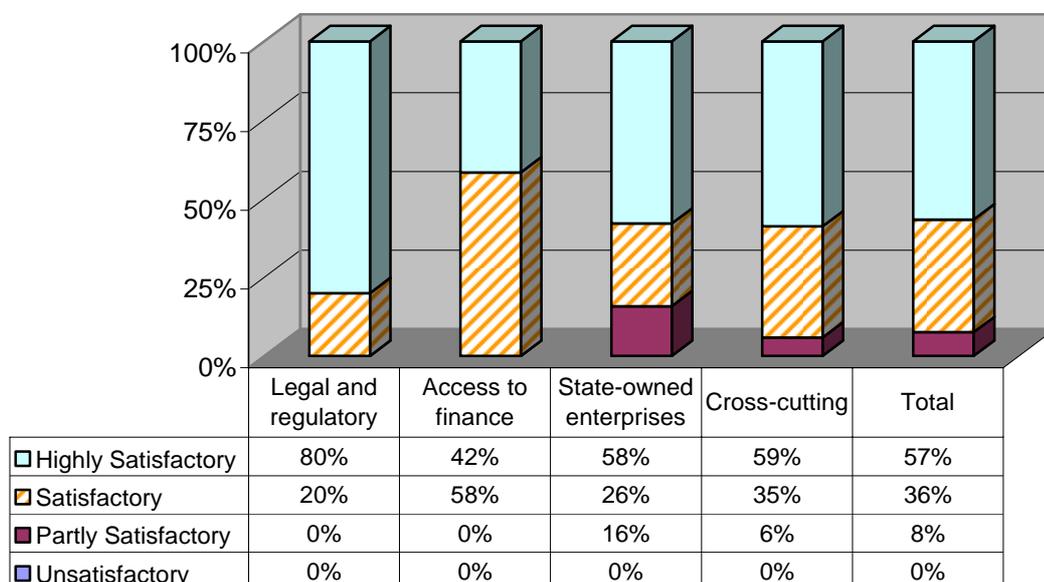
**Figure 6: Performance Scores in the PSDI Portfolio (%)**



**II. RESULTS SCORES BY KEY RESULT AREA**

9. The analysis of performance by key results area (i.e., legal and regulatory reform, access to finance, and SOE reform/PPPs) suggests that work on legal and regulatory reform has had more consistently positive results than other key results areas (see Figure 7). This may be partly due to the longer-time frame often required to complete SOE reform and the reliance on political leadership to implement meaningful change. As well, we found that it seems relatively straight forward to reach agreement with governments on SOE reform, while problems and delays, often to do with political will, occur during implementation. Conversely, in legal reform, it is difficult to get traction prior to the approval stage, but it is relatively easier to make progress once all stakeholders have signed on. This likely has to do with the political economy associated with different key result areas. For instance, there are two particular “partly satisfactory” scores in SOE reform as a result of delays in implementing the privatization of two SOEs in the Solomon Islands, where the political situation in late 2007 made progress difficult (but not impossible).

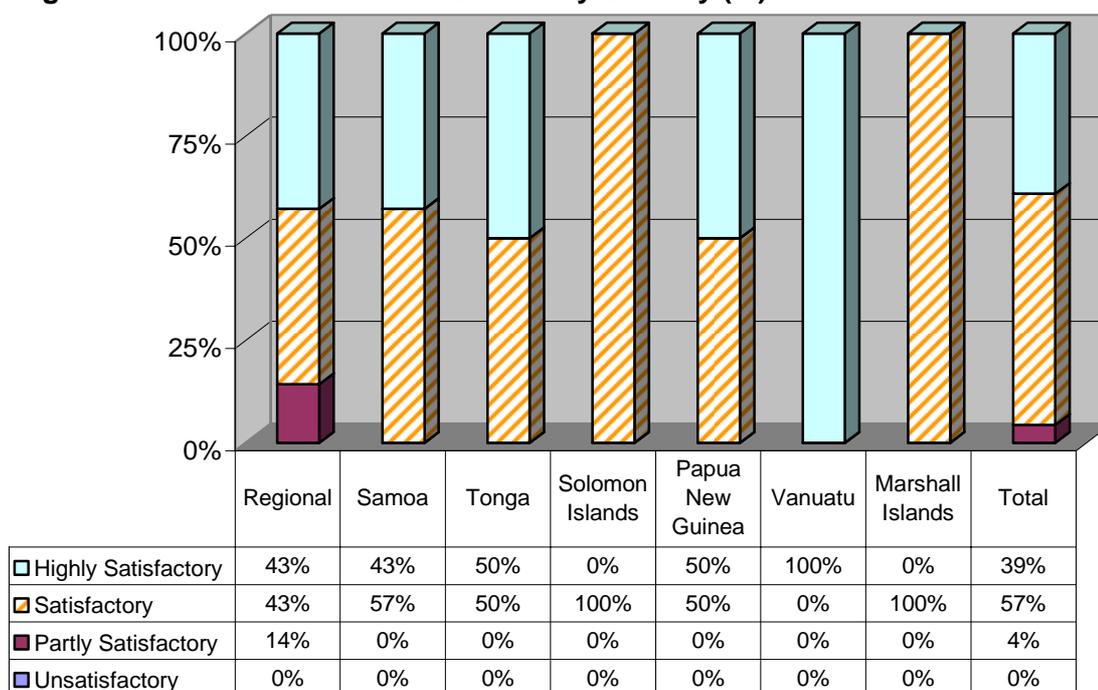
**Figure 7: Results Performance in Key Results Areas (%)**



### III. RESULTS SCORES BY COUNTRY

10. In 2007, PSDI has undertaken initiatives in six countries. In addition, there have been seven regional projects. It is not possible to draw firm conclusions about how successful PSDI projects have been in each country because the sample is generally too small. Most countries have between one and three active projects. However, so far, there has been a mix of satisfactory and highly satisfactory projects throughout the region (see Figure 8).

**Figure 8: Results Performance Scores by Country (%)**

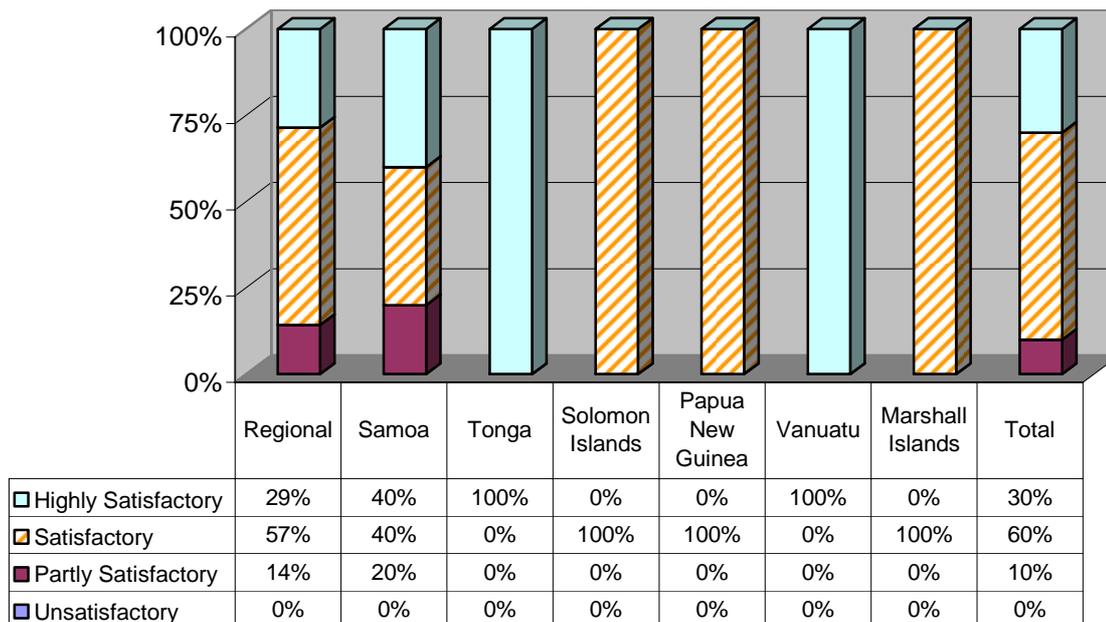


### IV. IMPLEMENTATION SCORES BY COUNTRY

11. The implementation performance of each PSDI project is scored on five criteria. Scores on all these criteria are averaged to obtain an overall implementation performance score for each project (see Figure 9). The fact that implementation scores are generally slightly lower than results scores indicates some dissatisfaction with aspects of implementation, but there remains considerable optimism that the desired results will still be obtained. There are too few projects, however, on which to base a definitive judgment.

12. The five criteria of implementation performance are: timeliness of implementation, executing agency performance, consultant performance, ADB performance, and adequacy of consultations with people affected. Scores are only completed where relevant. For example, "implementing partner performance" is left blank if ADB is the implementing partner, to avoid double counting ADB performance. Average implementation scores for the project as a whole are only calculated if the project is at least 15% complete.

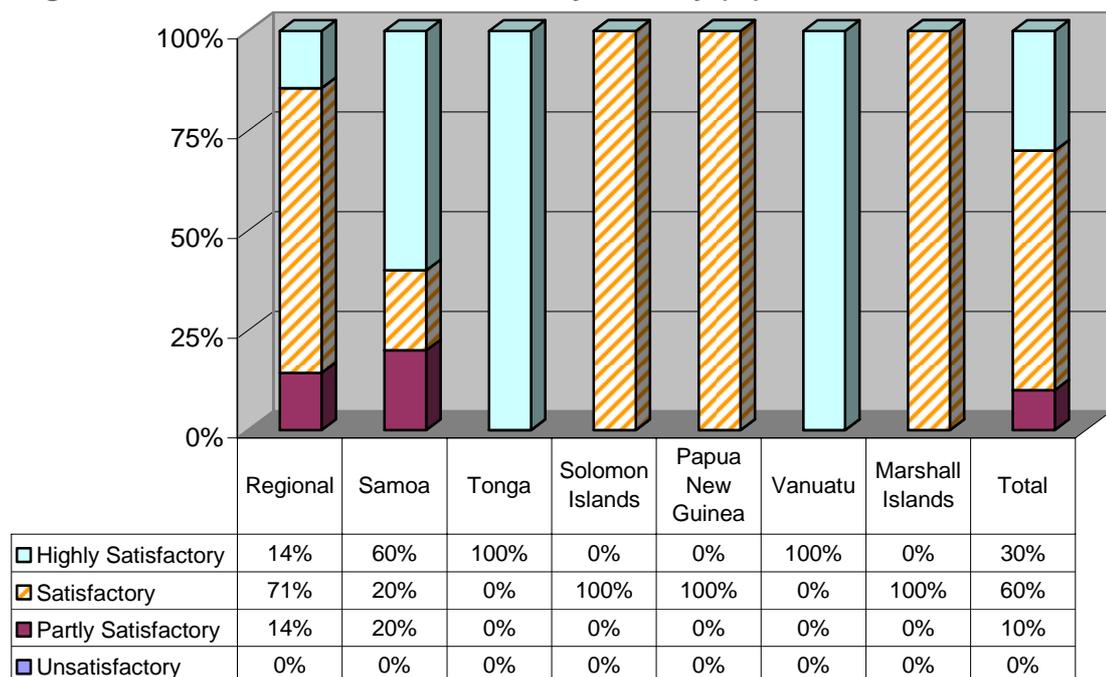
**Figure 9: Implementation Performance by Country (%)**



**V. OVERALL PERFORMANCE BY COUNTRY**

13. Although there are some differences in overall performance scores across countries (see Figure 10), it is not possible at this early stage of implementation to draw firm conclusions about how successful PSDI projects have been in each country. However, it is noteworthy at this stage that regional or multi-country projects have scored relatively well, and that remaining country projects are roughly split between “satisfactory” and “highly satisfactory” performance levels. The ratings in this table are similar to those in the Implementation Scores table, because implementation is weighted heavily in early projects. We expect that this may change in year 2.

**Figure 9: Overall Performance Scores by Country (%)**



**APPENDIX 3**

**PSDI PORTFOLIO PERFORMANCE REPORTING RESULTS TABLES**

**Portfolio Resources – All Projects**

	Active	Completed	Pipeline	Total
# Projects	24	1	0	25
\$ Budget Estimate (USD)	\$3,540,839	\$57,143	\$0	\$3,597,982
\$ Committed (USD)	\$2,402,706	\$57,143	\$0	\$2,459,849
\$ Disbursed (USD)	\$1,499,382	\$57,104	\$0	\$1,556,486
% Committed (of Budget)	68%	100%	N/A	68%
% Disbursed (of Committed)	62%	100%	N/A	63%
% Disbursed (of Budget)	42%	100%	N/A	43%
% Value Achieved	40%	100%	N/A	41%
\$ Value Achieved	\$1,413,322	\$57,143	N/A	\$1,470,465

**Portfolio Performance Scores – Active Projects**

Implementation Score (/6)	4.76	Satisfactory
Timely implementation to date (/6)	4.62	Satisfactory
Implementing agency performance to date (/6)	4.29	Satisfactory
Consultant performance to date (/6)	5.10	Highly Satisfactory
ADB performance to date (self assessment) (/6)	4.94	Satisfactory
Adequacy of consultations with people affected (/6)	5.16	Highly Satisfactory
Results Score (/6)	4.88	Satisfactory
Overall Project Performance Score (/6)	4.80	Satisfactory

**Distribution of Overall Scores – All Projects**

Overall Project Performance Score (/6)	4.49
Number of projects rated	20
% Unsatisfactory (U)	0%
% Partly Satisfactory (P)	10%
% Satisfactory (S)	60%
% Highly Satisfactory (HS)	30%

**Results Performance – by KRA – Active and Completed Projects**

	Total	Legal and regulatory environment	Improved financial services	SOE Reform and PPPs	Cross-Cutting
# Commenced Results Targeted	96	11	25	36	24
% Commenced Results Targeted	100%	11%	26%	38%	25%
Results Score	4.88	5.70	4.50	4.71	4.82
\$ Budget Estimate (USD)	\$3,597,982	\$874,846	\$668,579	\$1,141,871	\$912,686
\$ Disbursed (USD)	\$1,556,486	\$259,453	\$236,095	\$524,405	\$536,533
% Value Achieved	41%	36%	26%	40%	57%
\$ Value Achieved	\$1,470,465	\$318,712	\$172,860	\$462,336	\$516,557

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### Resources – by Country – All Projects

	Total	REG	RMI	PNG	SAM	SOL	TON	VAN
<b># Projects</b>	25	7	1	2	7	3	3	2
<b>\$ Budget Estimate</b>	\$3,597,982	\$1,214,932	\$110,000	\$250,000	\$1,008,053	\$283,818	\$474,036	\$257,143
<b>% of Total Budget</b>	100%	34%	3%	7%	28%	8%	13%	7%
<b>\$ Committed</b>	\$2,459,849	\$1,009,546	\$45,943	\$146,670	\$488,561	\$281,739	\$281,054	\$206,336
<b>\$ Disbursed</b>	\$1,556,486	\$783,585	\$5,736	\$88,660	\$272,337	\$143,256	\$163,855	\$99,057
<b>% Committed (of Budget)</b>	68%	83%	42%	59%	48%	99%	59%	80%
<b>% Disbursed (of Committed)</b>	63%	78%	12%	60%	56%	51%	58%	48%
<b>% Value Achieved</b>	41%	66%	25%	35%	31%	29%	22%	24%
<b>\$ Value Achieved</b>	\$1,470,465	\$799,557	\$26,950	\$88,000	\$310,404	\$82,171	\$102,239	\$61,143

### Performance Scores – by Country – All Projects

	Total	REG	RMI	PNG	SAM	SOL	TON	VAN
<b>Implementation Score (/6)</b>	4.76	4.81	4.10	4.59	4.68	3.79	5.75	5.00
Timely implementation to date (/6)	4.62	4.71	3.50	3.93	4.56	3.44	6.00	5.00
Implementing agency performance to date (/6)	4.29	5.59	4.00	4.50	2.89	2.25		6.00
Consultant performance to date (/6)	5.10	5.12	5.00	4.64	5.01	4.70	6.00	5.00
ADB performance to date (self assessment) (/6)	4.94	4.76	4.00	5.00	5.16	4.78	6.00	5.00
Adequacy of consultations with people affected (/6)	5.16	5.36	4.00	5.00	5.00	4.00	5.00	4.00
<b>Results Score (/6)</b>	4.88	4.93	4.17	4.41	5.09	3.94	5.20	5.00
<b>Overall Project Performance Score (/6)</b>	4.80	4.86	4.10	4.52	4.80	3.74	5.61	5.00

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### APPENDIX 4

#### PROJECT FINANCIAL DATA

Country Code	(Sub)Project Name	Budget Amount	Committed Amount	Disbursed Amount	% Disbursed (of Budget)	% Value Achieved
SAM	SOE Reform Program	90,000	87,453	64,261	71%	10%
SAM	SIOD Capacity Building	100,000	80,223	34,409	34%	20%
SAM	Samoa Shipping Services (SSS) Restructuring	88,053	88,053	47,903	54%	46%
REG	Support for Public-Private-Partnerships Regional Community Service Obligation	300,000	179,580	140,511	47%	26%
REG	Conference Market Assessment for Partial Risk and Term Financing Initiative	241,646	241,646	229,604	95%	100%
REG	Companies Registry Reform	41,293	41,293	31,801	77%	97%
SAM	Secured Transactions Reform	400,000	29,518	14,791	4%	19%
SAM	Privatization of Home Finance Ltd.	150,000	41,768	14,791	10%	10%
SOL	PSD Communications Strategy	50,000	47,921	33,514	67%	30%
REG	MfDR Monitoring and Evaluation Framework	203,993	203,993	181,388	89%	55%
REG		200,000	192,718	127,359	64%	80%
PNG	Private Sector Assessment	150,000	115,322	68,982	46%	42%
VAN	Microfinance Technologies	57,143	57,143	57,104	100%	100%
TON	Private Sector Assessment	180,693	180,693	95,888	53%	52%
SOL	Privatization of Sasape Marina Preparing Equity Investment in Samoa	190,349	190,349	79,754	42%	23%
SAM	Commercial Bank	50,000	41,293	31,801	64%	47%
TON	Legal Business Framework / Companies Law Financial Services Commission Institutional Strengthening	213,200	20,218	10,863	5%	1%
VAN	Microfinance Technologies	200,000	149,193	41,953	21%	2%
TON	Support for Implementation of SOE Act	80,143	80,143	57,104	71%	9%
SOL	PSD Seminar Series	43,469	43,469	29,988	69%	56%
PNG	Director Training	100,000	31,348	19,678	20%	25%
REG	PSD Briefing Notes	150,000	74,693	29,684	20%	70%
REG	Private Sector Assessment	78,000	75,623	43,238	55%	80%
SAM	Secured Transactions Registry	130,000	120,253	64,381	50%	98%
RMI		110,000	45,943	5,736	5%	25%
<b>Totals (or weighted average for percentages)</b>		<b>3,597,982</b>	<b>2,459,849</b>	<b>1,556,486</b>	<b>43%</b>	<b>41%</b>

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### APPENDIX 5

#### PROJECT PERFORMANCE SCORES

Country Code	(Sub)Project Name	Results Score	Implementation Score	Overall Score
SAM	SOE Reform Program	4.00		
SAM	SIOD Capacity Building	4.25	3.00	3.00
SAM	Samoa Shipping Services (SSS) Restructuring	6.00	4.60	5.02
REG	Support for Public-Private-Partnerships	3.25	3.00	3.00
REG	Regional Community Service Obligation Conference	6.00	6.00	6.00
REG	Market Assessment for Partial Risk and Term Financing Initiative	4.05	5.00	4.34
SAM	Companies Registry Reform	4.50	4.10	4.10
SAM	Secured Transactions Reform	4.00		
SOL	Privatization of Home Finance Ltd.	4.50	3.75	3.75
REG	PSD Communications Strategy	4.20	4.00	4.06
REG	MfDR Monitoring and Evaluation Framework	4.77	4.75	4.76
PNG	Private Sector Assessment	4.18	4.50	4.40
VAN	Microfinance Technologies	5.00	5.00	5.00
TON	Private Sector Assessment	5.29	5.75	5.61
SOL	Privatization of Sasape Marina	4.00	3.63	3.63
SAM	Preparing Equity Investment in Samoa Commercial Bank	5.50	5.00	5.15
TON	Legal Business Framework / Companies Law Reform			
VAN	Financial Services Commission Institutional Strengthening			
TON	Microfinance Technologies	4.00		
SOL	Support for Implementation of SOE Act	3.50	4.10	3.92
PNG	PSD Seminar Series	5.00	4.83	4.83
REG	Director Training	5.00	4.50	4.85
REG	PSD Briefing Notes	5.00	4.50	4.85
SAM	Private Sector Assessment	5.41	5.25	5.36
RMI	Secured Transactions Registry	4.17	4.10	4.10
<b>Portfolio Scores</b>		<b>4.88</b>	<b>4.76</b>	<b>4.80</b>

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### APPENDIX 6

#### MFDR TOOL – SAMPLE PROJECT SHEET

Loan/TA No (-subproject):	TA6353-20	SOL	Solomon Islands	Performance Indicator	Score (/6)	Result Rating	Project Description:
(Sub)Project Name:	Support for Implementation of SOE Act			Results Score	3.50	Satisfactory	Support implementation of the SOE Act by developing Statements of Corporate Intent (SCIs) prescribed by the Act in 5 pilot SOEs
(Sub)Project Manager:	L. Darcy	Consult.		Implementation Score	4.10	Satisfactory	
Budget Estimate:	43,469.00			Overall Performance	3.92	Satisfactory	
Committed Amount:	43,469.00			% Committed (of Bud.)	100%		Baseline Situation: Limited to no capacity within the SOEs to develop or report against Statements of Corporate Intent
Disbursed Amount:	29,988.00			% Disbursed (of Com.)	69%		
Expected Completion Date:	30-Jun-08	Status	Active	% Disbursed (of Bud.)	69%		
Information current as at:	31-Dec-08	Type	TA	\$ Value Achieved	24,343		
Version	1.3	Division	PLCO	% Value Achieved	56%		
<b>(1) Results Achievement</b>							
Target Results (maximum of 5 meaningful and measurable outputs and outcomes)	KRA	KRA Description	Weight of Each Target (must add to 100%)	% of Result Complete	Performance Score (/6) if >25% complete	Results Rating	Substantiation
Advisor develops and agrees on SCI format for SOEs	11	Improved state-owned enterprise ownership arrangements, accountability and performance	20%	100%	5.00	Highly Satisfactory	SCI template circulated to SOEs on Nov 12
SCI completed for 5 pilot SOEs	11	Improved state-owned enterprise ownership arrangements, accountability and performance	60%	60%	3.00	Partly Satisfactory	only 3 SOEs actively collaborated to provide SCIs
SOEs report on compliance with targets identified in SCIs	11	Improved state-owned enterprise ownership arrangements, accountability and performance	20%	0%			
<b>(2) Implementation Performance</b>							
Performance Criteria		Performance Score (/6) (if any work commenced)	Results Rating	Substantiation (record N/A if not applicable)			
Timely implementation to date		4.50	Satisfactory	on schedule			
Implementing agency performance to date		4.00	Satisfactory	ICSI collaboration satisfactory			
Consultant performance to date		4.00	Satisfactory	produced good results under difficult conditions			
ADB performance to date (self assessment)		4.00	Satisfactory				
Adequacy of consultations with people affected		4.00	Satisfactory	consultations limited by design to affected SOEs and MoF			
<b>(3) Narrative Assessment (not mandatory)</b>							
Alignment with national development priorities	New SOE Act prescribes SCIs for all SOEs						
Coordination with other development agencies	RAMSI, AusAID informed of project scope						
Financial/management viability (sufficient resource to develop results)							
Externalities (costs/benefits beyond target results)	SCIs should lead to better financial results of SOEs and improved public finances						
Main risks to non-financial sustainability	willingness of SOE, ICSI, MoF to implement SCIs as drafted						
Other factors affecting performance	change in SOE Boards with arrival of new Government puts implementation commitment into question						