

IV. BALANCING REGIONAL AND COUNTRY-LEVEL FOCUS

53. Given the variety of issues identified in the analytical framework, the strategy will deploy a combination of a regional and country-level focus in its activities.

A. Regional Focus

54. The rationale for taking a regional approach to some issues is that if countries deal with regional public goods individually without internalizing the effect on other countries in the region, it may result in the “tragedy of the commons” where everyone loses due to the lack of cooperation. Thus regional cooperation on public goods can generate large benefits. Such a debate has begun to take shape in the Pacific. Bilateral donor partners are interested in exploring ways to test the viability of regional public goods. Given the well-known constraints of scale and capacity facing the individual island countries, a meaningful dialogue and analysis of regional cooperation is long overdue. Working at a regional level also allows scarce Bank resources to be bundled in a way that enhances efficiency in analysis, as well as in disseminating global knowledge. Hence, the upcoming strategy would support this thinking by undertaking selected thematic pieces of analytical work at the regional level for fostering dialogue with and discussion among Pacific Island policymakers and other stakeholders on common challenges. The Pacific Plan being developed by the Pacific Islands Forum Secretariat presents such an opportunity.

55. The definition of the term *regional* often varies. A differentiation is made between activities or diagnostic work that have regional coverage in the data (such as the Doing Business indicators) (a) from activities when due to common characteristics among countries, a component is highly portable and hence offers potential for cross learning and demonstration effects (such as hazard management practices); and (b) from activities which involve pooling of resources for provision of service (such as a regional airline) or integration (such as by forming a free trade area).

56. A description of the regional analytical work currently underway is summarized below. Given the systemic nature of the issues being addressed and the varied interactions with clients and regional organizations, these should be viewed as multi-year initiatives. In keeping with OED’s recommendations, increased attention will be devoted to engaging with stakeholders during the concept and preparation stages, while sufficient resources will be dedicated to disseminating and implementing the findings emerging from such analytical work.

- ***Human development services.*** The Review of Human Development in the Pacific Islands (FY04-05) comprises a series of discussion papers addressing the challenge of delivering more relevant, equitable, and socially inclusive human development services in the Pacific Islands. It is underpinned by the concern over high levels of funding in the health and education sectors that seem unmatched by improvements in service quality and improved outcomes. Key to the success of this human development review will be the depth and frequency of consultation and collaboration with regional stakeholders to determine the scope of regional initiatives in the delivery of education and health services. The World Bank team will link up with expert collaborators in the

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- region, both to improve the analysis and to ensure that its results are relevant to current policy concerns of the Bank's clients.
- ***Doing Business Indicators*** (first release FY04, with annual updates). The World Bank is undertaking a survey of over 130 economies to indicate the regulatory costs of business and analyze specific regulations that enhance or constrain investment, productivity and growth. The indicators—on the cost and time required to start a business, hire and fire workers, enforce contracts, obtain credit and close a business—are being used to benchmark the Pacific Islands against global or regional best practice and identify reforms that are most pressing in order to promote domestic business formation or attract foreign investment. Some of these reforms will be at the country level, such as easing of administrative barriers for entry and exit of businesses; and others, such as credit registries or investment promotion, would encourage regional public goods.
 - ***Infrastructure***. The World Bank (along with ADB and JBIC) are undertaking a joint study to highlight the role that infrastructure can play in reducing poverty by supporting economic growth and development and providing access to key services. The goal of the study is to provide practical guidance to senior policy-makers and support a process of dialogue on infrastructure issues with development partners. Following an extensive series of consultations throughout the Asia Pacific region (FY04-05), the World Bank will undertake a review of the specific infrastructure issues and needs in the Pacific region, providing guidance to policy makers, governments, and donor agencies on available options for infrastructure service provision and financing. The scope for regional cooperation in transport services or a regional independent regulator will be explored (in collaboration with AusAID's work on this topic.)
 - ***Labor mobility***. In order to extend regional integration beyond trade in goods, the Bank is undertaking an analysis of the prospects for enhanced Labor Mobility from the Pacific (FY05-06). This analysis is intended to inform policy makers in both receiving and sending countries and will provide an empirical evaluation of the benefits of labor mobility to both migrant-receiving and migrant-sending countries. Recommendations based on existing guest worker schemes elsewhere in the world are being drawn out and discussed with key stakeholders. Specific instances where regional cooperation would be warranted would be identified, such as regional certification of qualifications for migrants.
 - ***Risk management and adaptation***. A series of analytical work and discussion/dissemination activities are proposed on the theme of Pacific Risk Management and Adaptation (FY05-06). The objective is to influence policymakers and development partners in the Pacific Island region to take proactive action on risk management and adaptation and thereby minimize the future costs of disasters, climate change, and sea-level rise. The analysis will consist of positive and negative lessons learned, both regional and global, providing summaries of best practices in the pilot countries and practical recommendations on the strategic way forward.

- ***Fisheries management.*** At the request of the Forum Fisheries Agency, the World Bank is providing technical advice on the preparation of economic performance indicators for the Western and Central Pacific Tuna Fishery (FY05-07). This reflects a desire by Pacific Island countries that more attention and effort be paid to economic analysis in regional fisheries management. The project will develop a limited number of economic indicators that would illustrate annual changes in the impact of the tuna industry on Pacific Island country economies. Such information is essential to develop improved management arrangements aimed at enhancing sustainable economic benefits
- A series of short policy notes for the Pacific has recently been launched called *SPacific Notes* (beginning FY05 and continued with regular frequency). These are short notes disseminating key messages on a variety of topics considered to be of relevance to the Pacific audience at large. These notes are intended to share global expertise and promote dialogue in the region, while increasing Bank visibility to the clients in a low-cost manner.

B. Country-level Focus

57. Country-level activities will complement the proposed regional programs. In some cases, regional analytical work will lay the foundations for subsequent interventions focused on policy advice, implementation support, and capacity building at the country level. Exploring the links between the regional and country-specific initiatives will be crucial in order to allow the Bank to cluster some activities that could otherwise be quite varied and isolated.

58. The Bank's level of engagement currently varies across the Pacific. In some countries the demand for policy advice is evident in areas that are already identified as national development priorities and that pose opportunities for deepening Bank partnerships to leverage donor resources effectively. While this is not the case across the region, the Bank stands ready to serve all its clients by initiating and pursuing a development dialogue. In the interest of maximizing the development impact of Bank assistance, the scope of activities will be shaped by the Bank's ability to leverage the resources of the major development partners.

59. To support the focus on policy advice, the Bank stands ready to deliver financial assistance to its Pacific clients. Modest financing will be made available on a case-by-case basis with the following criteria serving as a guide:

- (a) Overall policy environment and the client's absorptive capacity for the resources;
- (b) Bank's ability to engage in partnerships that effectively leverage donor resources; and
- (c) Progress made on the harmonization and alignment agenda.

60. Evolving client demand will continue to guide the Bank's engagement. Since this engagement in the region is at a relatively early stage compared to other development partners, the Bank will explore low-cost innovative ways to fill the information gaps regarding its institutional knowledge base at the country-level. Individual country economic updates; the key development challenges facing each country; Bank objectives, assistance, and tentative IDA allocations; as well

as the activities of development partners are provided in Section VIII with individual country chapters.

61. An overview of the Bank's objectives in each of the nine PICs follows:

- ***Fiji.*** In the case of Fiji, a lower-middle income client (and IBRD-eligible borrower), the objectives of the World Bank's assistance program will be to assist the government in improving the country's growth prospects that had begun to recover a little in the aftermath of the 2000 coup. But future growth projections are again pessimistic due to imminent eroding preferences in sugar and garment exports. Alternate and sustainable sources of growth will have to be quickly found to restore economic growth but also to preserve social stability that seems quite fragile. Hence the Bank's focus would be on improving the domestic business environment by addressing the regulatory and administrative barriers to business formation while also reviewing issues in the forestry sector and supporting telecom sector reforms with a view to creating an enabling environment for the development of ICT-based services. To stimulate the economy after the slump in 2000, the government had also increased spending substantially and may need assistance in consolidating its fiscal position by enhancing public sector efficiency.
- ***Kiribati.*** Since climate change threatens the island, the main focus of the World Bank's support will be on assisting the government with mainstreaming of risk management into national economic planning.
- ***Marshall Islands, Federated States of Micronesia, and Palau.*** The Marshall Islands, Federated States of Micronesia, and Palau receive substantial assistance from the United States under the Compact of Free Association. The Bank's engagement with these countries is at an early stage and will evolve based on the degree of leverage afforded to our assistance by the U.S. donor funds. These island countries are quite small and the Bank may offer advice on improving the prospects in the one or two sectors that could drive the economy. For example, in Palau (population of 20,000), the World Bank is advising on environmental aspects of oil and gas exploration and natural resources valuation.
- ***Samoa.*** Samoa has undertaken a number of successful economic and structural policy reforms in the last decade. It now faces "second generation" challenges of boosting private investment. The World Bank will focus assistance on facilitating the environment for private sector development by addressing the regulatory and administrative barriers to investment, as well as supporting reform of the telecommunications and postal sector. Previously, the Bank has assisted Samoa in improving the effectiveness of public expenditures in the social sectors (health), infrastructure asset management, and cyclone recovery; and will continue to assist in consolidating these efforts.
- ***Solomon Islands.*** The Solomon Islands present a different set of challenges. The country has emerged from four years of ethnic conflict and exhibits many of the

characteristics of a low-income country under stress (LICUS): weak government and institutions, coupled with high levels of poverty. Australia has a strong bilateral presence in security; law and justice; and economic management, including in-line government staff. The aim of the Bank's assistance program is therefore to identify selective entry points for supporting reforms and constituencies for change, capacity building, and tailored policy advice based on global experience and communications/outreach. The Solomon Islands program consists of analytical/advisory services and small grants; and working with governments and, where appropriate, communities. The focus is likely to be on facilitating progress toward the MDGs through education and health reform; reducing the cost of doing business through utility regulation and reform; and improving rural access to energy and telecommunications while exploring opportunities for rural income-generation, supported by overall capacity-building assistance to the government in economic management and financial sector reform, including pension reform.

- **Tonga.** Tonga is currently the only monarchy in the Pacific, and the scope for reform is vast. The Bank's engagement in Tonga is likely to focus on improving public expenditure efficiency in infrastructure asset management, increasing resilience to natural hazards, as well as tackling concerns in social sectors over health and education quality (particularly since Tonga enjoys some labor mobility into New Zealand and improved health and education outcomes would allow it to access overseas jobs effectively). At the same time, Tonga needs to set a level playing field for private business; hence the Bank would focus on addressing the regulatory constraints that impeded private investment, such as reducing the regulatory and administrative barriers to business development.
- **Vanuatu.** The challenges of growth and job creation in Vanuatu are compounded by political instability, which has impacted the commitment to reform. The Bank is looking to engage with Vanuatu. Dialogue thus far has pointed to addressing concerns regarding poor education outcomes and improving the environment for private business.