

## DEVELOPMENT EFFECTIVENESS COMMITTEE (DEC)

### Chair's Summary of the Committee Discussion on 15 July 2009

#### I. Country Assistance Program Evaluation for Nepal: Delivering Assistance in a Challenging Environment

1. The country assistance program evaluation (CAPE) focused on ADB's country partnership strategy (CPS) for Nepal for the period 2005-2009, and the Committee noted two important aspects of the strategy, namely: (i) formulation of the country strategy from a conflict situation and a follow-through to a conflict-sensitive approach to delivery of programs; and (ii) the first results-based country strategy in ADB.

#### Discussion Highlights

2. The CAPE suggested that the next CPS may be premised in a post-conflict situation, but ADB should exercise prudence and continue with the conflict-sensitive approach for program delivery. Taking into account the challenging political milestones ahead, the CAPE recommended that the CPS should retain its flexibility and a shorter term strategy may be considered.

3. Management explained that the planned five-year CPS would be flexible in terms of sensitivity to the conflict situation, and would provide for a rigorous midterm review. The five-year term would demonstrate ADB's commitment to Nepal, sending a positive message to the country at this time when support is much needed. One DEC member agreed to the five-year term, emphasizing that this would provide Nepal with the much needed predictability in the future. Other DEC members were of view that a shorter CPS term may be more appropriate especially if there are anticipated uncertainties.

4. DEC noted ADB's success in the education sector using the sector-wide approach, supported by effective internal coordination among regional departments and close coordination with development partners on the ground. Some DEC members expressed concern over the fact that though the positive results of the education sector and gender and development (GAD) were discussed and analyzed in the CAPE, the discussion on education and GAD in the CAPE's executive summary was limited. They also underscored that future engagements should continue to cover these areas.

5. One DEC member raised concern on accountability of staff in relation to projects and programs in DMCs, especially small and weakly performing countries, that have patently not been successful. A need for listing of such projects and programs with responsible staff was highlighted with reference to some instances where staff designing projects and programs that had not been successful were or maybe assigned evaluation of the same projects and programs as consultants after their retirement.

6. DEC inquired whether there are mechanisms in place to ensure maintenance and sustainability of infrastructure projects, for instance, in the roads sector. Management informed that it will explore ways to address this issue, including encouraging the Government to increase budget allocations for road and other infrastructure maintenance.

7. DEC inquired on how the CAPE's recommendation would be incorporated in the next CPS, in particular on the implementation of programs and projects, organization and staffing, correcting past mistakes and stocktaking of lessons learned. Management explained that the next CPS would be based on four pillars that are in line with the recommendations of the CAPE. These pillars focus on broad-based inclusive growth; inclusive social development; governance and state capacity strengthening; and climate change and environmental sustainability, and will also cover private sector development and strengthening of the resident Nepal mission. Regional cooperation will also remain part of ADB's future engagement strategy in Nepal.

## **Conclusions**

8. DEC members noted with satisfaction that ADB has done a fairly satisfactory job in Nepal despite the conflict situation.

9. DEC members noted that there was scope for improvement on the coordination front, including joint evaluation of programs and projects.

10. DEC noted that the situation of conflict has improved but the sensitivity to potential conflict and post-conflict situation should be reflected in ADB's programs and projects.

11. Focus on selectivity in terms of ADB's engagement may have resulted in a down-scaling of education in terms of priority, but DEC members emphasized the important role that education can play in the development of Nepal, and noted the satisfactory progress made in the spread of universal education.

12. DEC discussed the merits of a three-year versus five-year CPS. While there should be full commitment on the part of ADB in terms of being engaged in Nepal, DEC also noted the pros and cons of having a short versus a longer planning horizon. As long as the commitment to remain engaged is there, there may be advantages in making the planning horizon co-terminus with the government's own planning horizon.

13. DEC noted with concern that inadequate maintenance may be a weak spot in completed projects thus affecting their sustainability beyond project period. Management assured DEC that they are looking at the issue as to how maintenance can be improved.

## **II. Sector Assistance Program Evaluation for the Agriculture and Natural Resources Sector in Nepal**

### **Discussion Highlights**

14. DEC highlighted the issues pertaining to legal empowerment of women and its connection with ADB's engagement in the sector and the risk of policy reversal, particularly fertilizer subsidy. One DEC member noted that though Strategy 2020 does not include agriculture as a priority area, the SAPE recommendation is important in emphasizing agriculture as an area where ADB can make a difference. Another DEC member suggested combining initiatives on agriculture and natural resources with tourism. One Board member emphasized that corruption issues in the sector should be addressed, and ADB should take stock of the lessons learned as highlighted in the SAPE.

15. On the issue of fertilizer subsidy, Management explained that currently, there is a subsidy-free environment, but should there be discussions of re-introducing subsidies either by interfering again in what is now a fairly efficient fertilizer market where private sector plays a prominent role, or by possibly reintroducing subsidies on fertilizer and shallow tube wells, ADB will be engaged in dialogue at a highest level.<sup>1</sup> To address the issue of local level corruption in agriculture and community-based rural development programs, greater community involvement in the project preparation process will be encouraged and steps will be taken to introduce community audits and transparent public display of project information, among other measures, as well as the strengthening of Nepal Resident Mission's capacity for project supervision.

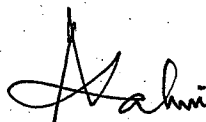
## Conclusions

16. DEC emphasized that with more than two-thirds of the population of Nepal being dependent on agriculture, and agriculture producing about a third of the GDP, it is important for ADB to help the agriculture sector in Nepal.

17. DEC agreed with the recommendation of the SAPE that what is critical is to choose the sub-sectoral focus or modalities of helping the agriculture and natural resources sector. In this context, DEC underscored the importance of rural infrastructure such as irrigation, rural roads and market infrastructure.

18. Good governance in general and prevention of corruption is very important for any developing country, and DEC suggested the ADB to pay particular attention to improving the efficiency of resource allocation and utilization in all countries including Nepal.

19. DEC also underscored the likely adverse consequences of policy reversals in agriculture sector in general, and fertilizer pricing in particular.



**Ashok K. Lahiri**  
Chair, DEC

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<sup>1</sup> The new subsidy was formally announced in the Government's annual budget on 13 July 2009, and a high-level expression of ADB's concern came during the meeting of Vice President, Operations 1 and the Vice Chairman of the Nepal Planning Commission on 4 August 2009.