

SUMMARY OF FINDINGS FROM PAST OED EVALUATION STUDIES FOR NEPAL

A. SES: Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right (February 2008)

1. Overall, ADB's capacity development (CD) performance in Nepal was mixed—generally effective in education (Box 1), effective only for more recent assistance in roads (Box 2), evolving results in governance (Box 3), and ineffective in public financial management (PFM) (Box 4). Success was achieved in some sectors despite the country's challenging political economy situation at the contextual level.

Box 1: CD Performance in Nepal's Education Sector: A Case wherein Success Should Have Been More Fully Achieved

ADB support to basic education in Nepal since the early 1990s has been provided through five loans (three of which are ongoing, one being a program loan) and five CD-related advisory technical assistance (ADTA) grants. This is an example of a generally successful case in which CD outcomes could have been achieved more fully had it not been for some design weaknesses in not addressing certain CD constraints, particularly at the contextual level. For example, while low salary structure in the public sector exists, as in Cambodia, it was not the main factor reducing the retention and utilization of trained teachers and head teachers at the individual level, or trained management staff at the organizational level. Rather, the main deterrence factor was the government's regulation of transferring public servants among ministries every 2 years (except for teachers and statisticians). While this frequent transfer policy did not affect trained teachers, it led to low retention and utilization of trained management staff at the Ministry of Education and Sports—the executing agency (EA). Another deterrence factor that was inadequately addressed during the design stage was the nonconducive teaching environment, especially in rural areas (e.g., overcrowded classrooms, inadequate teaching and learning materials, high teacher absenteeism, and low teacher salaries).

Nonetheless, overall ADB assistance was generally effective in achieving *CD outcomes*, particularly (i) at the *organizational level* in integrating the National Center for Education Development (which was established under ADB assistance as an apex teacher training institution for primary and secondary education) into the administrative framework of the EA, as reflected in its successful implementation of the comprehensive teacher training and management training policy and plans on a regular basis; and (ii) at the *network level* in coordinating closely with other aid agencies, as reflected in the adoption of the sector-wide approach (SWAP) to support the government's "Education for All." The key success driver was ADB's long-term support in the sector, with appropriate mix and sequencing of modalities.

Box 2: CD Performance in Nepal's Road Sector: A Case of Mixed Results

ADB support to the road sector in Nepal has been provided to two EAs through four projects (two of which are ongoing) and three ADTA grants (two of which are ongoing) within the Department of Roads (DOR) under the Ministry of Physical Planning and Works, and one project and one ADTA grant to the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) under the Ministry of Local Development. This is an example of mixed results—with successful results in ongoing assistance and partly successful results in the early phase for the DOR. Although ADB has been working with the DOR for a much longer period (since 1989) than with the DOLIDAR (since 1996), the *CD outcomes* in the former have been limited, because the first two projects at the DOR focused primarily on achieving physical results, with little attention paid to CD activities. The two ongoing projects and ADTA grants at the DOR have significant CD components, with evolving *outcomes*. However, while they were generally well designed, the project management unit (PMU) is remotely located both physically and organizationally, so the CD activities are isolated from the DOR mainstream operations.

**Box 3: CD Performance in Nepal's Governance:
A Case of Strong Government Commitment amid Contextual-Level Constraints**

ADB's CD-related support for governance in Nepal was provided through one program loan and two ADTA grants. This is an example of generally effective CD outcomes due to strong commitment and ownership of the EA (the Ministry of General Administration) for the program loan amid political instability (e.g., insurgencies and frequent changes in government)—a contextual-level factor causing delay in the achievement of outcomes. For example, some *CD outcomes* at the *organizational level* (e.g., endorsement by the Parliament and institutionalization of the Civil Service Act Ordinance and anticorruption acts—Anti-Money Laundry Act and Whistle Blowing Act) were delayed due to political instability. However, the former was endorsed in August 2007.

Box 4: CD Performance in Nepal's PFM: A Case of Lack of Strategic Direction and Continuity

ADB CD-related support to PFM in Nepal was provided to the Ministry of Finance through three ADTA grants. This is an example of an unsuccessful case, with no achievement in CD outcomes, mainly due to scattered assistance and lack of strategic direction and continuity. For example, a one-off TA was provided in 1989 to strengthen program budgeting, project monitoring, and management information system. More than a decade later, two TA grants of modest amounts were provided to strengthen other aspects of the Ministry of Finance (e.g., public debt management and economic policy network). While these three TA grants delivered some CD outputs, they failed to achieve CD outcomes. At the *individual level*, *CD outcomes* (e.g., high retention and utilization of the trained technical skills) were limited, as most of the trained staff transferred in accordance with the nonconductive policy of transferring civil servants every 2 years. At the *organizational level*, expected *CD outcomes* in terms of policies implementation were not achieved (e.g., the proposed public debt management system was not approved, the Nepal Macroeconomic Model was not used, and the debt software was not in operation).

2. The following *success drivers* were generally common across sectors, except for PFM: (i) ADB's appropriate mix of modalities, consisting of loans and attached advisory technical assistance (ADTA); (ii) strong involvement of the executing agencies (EAs) during design and implementation; and (iii) generally good consultants. Common *deterrence factors* across sectors were (i) lack of baseline assessment at the contextual level, resulting in inability to address the civil service requirement of frequent staff rotations, except for teachers and statisticians, every 2 years (which adversely affected the retention of trained staff) and the problem of political instability (which delayed the legislation and implementation of some CD activities); (ii) lack of baseline assessment at the organizational level, resulting in difficulties to diagnose CD deficiencies of some EAs; and (iii) long delays in recruiting consultants, especially in the education sector. Major *deterrence factors* in PFM were (i) limited consultations with the EA, leading to lack of government involvement during TA design; (ii) lack of government commitment and ownership during implementation; (iii) lack of evaluability to measure and monitor CD; (iv) lack of strategic direction with realistic CD goals and objectives for the sector; (v) lack of long-term continuity, with scattered assistance; and (vi) lack of an appropriate mix of modalities.

Source: ADB. 2008. *Special Evaluation Study: Effectiveness of ADB's Capacity Development Assistance: How to Get Institutions Right*. Manila (pages 12–14).

B. SES: Long-Term Strategic Framework: Lessons from Implementation (2001–2006) (December 2007)

3. **Findings from Independent Evaluation Findings.** The more relevant components of the country assistance program evaluations (CAPEs) in terms of illustrating the responsiveness of ADB country assistance to the Long-Term Strategic Framework (LTSF) guidance are the ratings on ADB performance and the overall assessment. The first refers to the assessment of the quality and responsiveness of the institution's services in designing and delivering development results. This evaluates ADB's efforts in providing lending and nonlending services,

upholding good corporate governance practices, being responsive to client needs, fostering client ownership, and working toward more harmonized efforts with other development partners. The overall rating on country program performance is a combination of a top-down assessment (which includes the rating on ADB performance along with ADB's choice of the right issues and instruments and contribution to development results) and a bottom-up assessment of performance in ADB sectors (based on the relevance, effectiveness, efficiency, sustainability, and impact of sector interventions). Table 1 summarizes these ratings.

Table 1: Overall Performance Ratings of Country Assistance Program Evaluations

Country	Year	ADB Performance	Overall Assessment
India	2007	Partly Satisfactory	Successful
Sri Lanka	2007	Satisfactory	Partly Successful
Pakistan	2007	Partly Satisfactory	Partly Successful
People's Republic of China	2007	Partly Satisfactory	Successful
Lao People's Democratic Republic	2006	Satisfactory	Successful
Uzbekistan	2006	Satisfactory ^a	Successful
Indonesia	2005	Partly Satisfactory	Partly Successful
Bhutan	2005	Satisfactory	Successful ^a
Nepal	2004	Partly Satisfactory ^a	—
Cambodia	2004	Satisfactory	Successful
Papua New Guinea	2003	Partly Satisfactory ^a	Partly Successful– Unsuccessful ^a
Bangladesh	2003	Partly Satisfactory	—
Philippines	2003	—	Partly Successful
Mongolia	2002	Satisfactory	Successful ^a
Viet Nam	2000	—	Successful ^a

— = not available; CAPE = country assistance program evaluation.

^a Derived from narrative information from relevant CAPE document.

Source: ADB. 2007. *Special Evaluation Study of Long-Term Strategic Framework: Lessons from Implementation (2001–2006)*. Manila (pages 55–56).

4. Of the CAPEs surveyed, seven out of 13 rated ADB's performance as partly satisfactory. In terms of the overall assessment rating, eight out of 13 CAPEs were assessed successful. This suggests that the achievements in the other criteria may have helped to compensate for the institutional performance.

5. The key messages and recommendations commonly raised in the 10 most recent CAPEs (completed from 2004 to 2007) regarding the effectiveness and efficiency of ADB as an institution were presented. Those specific for Nepal mentioned that ADB interventions should focus on a few sectors where ADB built good experience, undertaking adequate sector analysis, and develop a strategy for longer term involvement to achieve a critical mass. Given this, the related LTSF message is that ADB's operations, guided by the strategic agenda and by agreement with each DMC, will be far more selective than previously, focusing on sectors and areas wherein ADB has clear strengths and resources to maintain an effective long-term program in a country (page 31).

C. PPAR (2004): Second Agriculture Program (Loan 1604-NEP)

1) Main Findings

6. The Second Agriculture Program Loan (SAPL) was designed over a period of about 1 year without PPTA, although six earlier TA studies provided detailed sector and subsector analysis. The loan for \$50 million equivalent was approved by ADB in January 1998 from Special Funds resources and became effective on 9 March 1998. To facilitate the reforms,

advisory TA was approved in April 1998 comprising two components: Part A – Support for the Reforms of Agriculture Institutions; and Part B – Strengthening of the Management Capability for Local Infrastructure Development.

7. The Second Agriculture Program (SAP) is rated **relevant**. The SAP was broadly consistent with the APP and ADB's country and sector strategy in 1998. The Government's long-term agricultural strategy stipulates policy actions to remove structural constraints and introduce other major institutional reforms to ensure market-oriented growth. The SAP is rated **efficacious**, due primarily to complete deregulation of the fertilizer sector and corresponding increase in the timeliness and availability of fertilizer. The SAP is rated **efficient**. Of the 28 SAP reforms and measures, 22 were implemented or substantially completed/complied with or completed with delay, 4 were not completed, 1 was partly completed, and 1 was technically completed but not implemented. The SAP is rated **likely sustainable**. Significantly, with the exception of a brief return to STW subsidies (5 months due to drought in 2001), all other completed reforms have been maintained. Based on the analysis, especially the major positive outcomes and impacts of successful fertilizer deregulation, the overall rating of the SAP is **successful**.

2) Issues

8. Although it was rated as successful, the full impacts that could have resulted from the SAP were not realized, because several outputs were not fully completed. This goes back to the original problems of (i) not adequately defining the final status of outputs for privatization of Agriculture Inputs Corporation (AIC) and reorganization of Nepal Food Corporation (NFC), (ii) not taking steps to ensure that SAP funds and savings on subsidies would be allocated to priority Agriculture Perspective Plan (APP) investment areas, since the SAP was designed to support the APP, (iii) failing to adequately address the need to continue steps to expand groundwater development following cessation of subsidies, and (iv) failure to work with other development partners to address the lack of rural credit.

3) Lessons

9. The overall lesson is that policy reform targets under a program loan need to be specified in a verifiable and monitorable manner. In the SAP this was most evident in loan policy covenants dealing with privatization of AIC and subsequent privatization of National Seed Company Limited (NSCL), spun off from AIC during restructuring. Additional analysis of NFC operations should have been able to come up with less costly alternatives for supplying rice to remote hill areas, where it is used primarily by public servants and security forces. Many elements of loan compliance were not easily verifiable under the accounting and reporting practices followed by the state-owned enterprises (SOEs) subject to loan covenants. In many cases, acceptance of a study was all that was required. In no case did the studies set out a complete blueprint to be followed, which would lead to majority private sector ownership or options that would wind up the company.

4) Follow-Up Actions

(i) Farmers in the areas of the Terai with groundwater capable of utilization by shallow tubewells (STWs) need to be provided more low cost options and the development of local water markets needs to be encouraged.

(ii) The legal and institutional framework is now in place for a substantial expansion of rural micro credit, which is badly needed to continue the growth of purchased inputs and assist with financing groundwater expansion.

(iii) Nepal still has a rural roads network that is inadequate to support a commercializing agriculture sector. High cost of transporting inputs and outputs reduces incentives to intensify and commercialize.

(iv) The PCR identified project specific recommendations covering (a) future monitoring of the APP, (b) legislation for a Fertilizer Act, (c) the privatization of AIC and NFC, (d) private STW development, (e) rural infrastructure development, and (f) pesticide disposal and management. All of these recommendations remain highly relevant but have not been completed. NRM should actively engage the relevant government entities to implement these recommendations and ensure that others are incorporated into ongoing and future sector assistance.

D. PPAR (2004): Seventh Power Project (Loan 1011-NEP)

1) Main Findings

10. The Seventh Power Project (the Project) was formulated to help the Nepal Electricity Authority (NEA) improve the efficiency and reliability of its power system through rehabilitation in urban areas, and to meet the growing energy demand in rural areas through electrification. This was in line with the Government of Nepal's objectives for power sector development, as described in its Seventh Five Year Plan (fiscal year [FY] 1984–1985 to FY1989–1990). The main project objectives were to rehabilitate existing distribution networks in five larger towns to improve the quality of electricity supply and to reduce system losses, and to extend subtransmission and distribution networks to rural areas. The Project consisted of Part A: rehabilitation of existing distribution networks in five larger towns, Part B: extension of subtransmission and distribution networks to rural areas, and Part C: construction of a concrete pole factory. The Project was implemented largely as envisaged. Through the Project, electricity was provided to almost 1,000 previously unelectrified load centers, providing access to electricity to more than 200,000 new customers. The quality and reliability of power supply in five major towns and two significant load corridors were improved.

11. The Project is assessed as **relevant** and conformed to Nepal's needs for power sector development and ADB's strategy for assistance at appraisal to support the development of integrated power supply in urban and rural areas. The Project is rated **efficacious** as it achieved its primary objectives of improving quality and reliability of power supply in areas with rapid growth demand, and of extending the availability of a reticulated distribution system. The Project is rated as **efficient**. Full completion of the Project took more than 10 years. During the early stages, ADB considered it an at-risk project. While credit should be given for the fact that significantly more rural electrification was achieved than envisaged at appraisal, this was made possible by factors largely outside the control of project participants. Although the rural component is not viable financially, the Project has achieved more favorable EIRRs than estimated at appraisal. The rehabilitation component and the pole factory are considered highly sustainable. The rural electrification component is sustainable only with a significant and continuing subsidy, which was not envisaged at appraisal. Overall project **sustainability is considered less likely** on the basis of NEA's weak financial position and continuous resource injections required to ensure continued operation of project facilities. Overall, the Project is rated **successful**. This assessment recognizes the Project's success in terms of physical

achievements and socioeconomic impact at project levels, but also takes into account the requirement for ongoing subsidies to sustain the rural electrification component.

2) Key Issues

12. An issue relevant to ADB's ongoing Rural Electrification, Distribution, and Transmission Project (REDT) deserves particular attention. The rural electrification component of REDT will probably further constrain NEA's financial position, considering NEA's poor financial performance and the unlikelihood of significant tariff increases in the near future. It may be useful to explore the possibilities of subsidizing initial connection charges for rural customers, and reducing their costs of payment of electricity bills, to raise the tariff for rural electricity supply to at least a break-even level.

3) Lessons

13. The Project has yielded three main lessons.

(i) Delays associated with abandoning the use of single wire earth return (SWER) might have been avoided if a more substantive project preparatory consultancy had been undertaken, and the technical feasibility of using SWER been researched more thoroughly during appraisal. On one hand, innovation by consultants should be encouraged. But a project of this size and complexity should include a full-scale project preparatory TA that includes investigation into the use of new and alternative technologies.

(ii) Annual review missions were insufficient during the first 5 years of project implementation.

(iii) Many problems associated with poor performance of the contractors were not unique to the Project, and should be avoided in future. An ADB procedure to evaluate performance of both international and local contractors, similar to evaluation procedures used for individual consultants, would be useful. The performance of contractors would be recorded in files for eligibility check before qualification for future contracts.

4) Follow-up Actions

14. Proper and regular maintenance of the project facilities deserves special attention. In particular, NEA should undertake a technical assessment of the problem of unavailable spare parts for the Indian-manufactured 11-kV indoor switchgears, and ensure that resources are sufficient for continued operation of project facilities. Otherwise, no specific follow-up actions are suggested. But issues and lessons identified in this PPAR are highly relevant to the successful implementation of the ongoing REDT project.

E. PPAR (2004): Secondary Education Development Project (Loan 1196-NEP)

1) Main Findings

15. The objectives of the Project were to improve the quality and efficiency of lower secondary (grades 6–8) and secondary (grades 9–10) education nationwide, thereby producing middle-level human resources and qualified entrants into higher secondary education (grades 11–12). The Project had five components: (i) enhancing teacher effectiveness by improving

teacher training curricula and providing teacher training in core subjects; (ii) developing new secondary curricula and textbooks in the core subjects; (iii) improving the student assessment system; (iv) providing learning materials, science equipment, and civil works for school laboratories and buildings extension; and (v) strengthening the capacity of the Ministry of Education and Sports (MOES) in planning, management, and benefit monitoring and evaluation. The Project was consistent with the Government's plan and ADB's education strategy, which shifted its focus since the early 1990s from technical education and vocational training to basic education. The Project achieved most of the outputs envisaged at appraisal.

16. On balance, the Project is considered **relevant**. The Project was consistent with the objectives of the Government's plans, from the Eighth Five-Year Plan (1992–1997) to the Tenth Five-Year Plan (2002–2007). The Project continues to be consistent with ADB's education strategy, which shifted its focus since the early 1990s from skills development and technical education and vocational training to basic education. The Project achieved most of the outputs envisaged at appraisal and built a foundation for quality and efficiency improvements is considered **efficacious**. Project facilities were generally well utilized, including those provided to lower secondary and secondary schools, OCE, Secondary Education Development Center, and secondary education development units. The exception is that the science equipment, laboratories, and library book packages provided to higher secondary schools were not well used, because these schools lacked resources for maintenance as well as library space. However, this was a minor part of the Project (5.4% of the total project cost). Since the Project had an EIRR of 15.5% (para. 44), the Project as a whole is considered **efficient**. Many of the training and reform activities initiated under the Project are likely to be sustained with the follow-up support from the Secondary Education Support Project (SESP). However, the Government still bears a high fiscal burden, as it finances 100% of teacher salaries. Since public secondary schools are now allowed to collect tuition fees from students, and since many schools are expected to generate additional resources under ADB's ongoing SESP, the fiscal burden on the government budget is expected to decrease in the future. Thus, overall **sustainability of the Project is considered likely**.

2) Key Issues

17. Six key issues emerge from the evaluation:
- (i) Weak governance in the education sector,
 - (ii) Weak school leaving certificate (SLC) examination system,
 - (iii) Weak school supervision system by MOES' district education offices (DEOs) to monitor teacher attendance and performance,
 - (iv) Lack of detailed teacher training policy framework and action plan to develop an effective teacher training system,
 - (v) Lack of appropriate regulatory framework to promote public-private partnerships, and
 - (vi) Lack of integration of higher secondary education with the core secondary education system.
18. The first two issues are addressed as lessons for ADB's ongoing interventions, whereas the remaining four issues are addressed as follow-up actions by MOES.

3) Lessons

19. The following are lessons for ADB's ongoing and future interventions:

- (i) Under the SESP, ADB should conduct policy dialogue with MOES to explore ways to improve governance in the education sector, particularly the allegation that people have to pay certain amounts of money to get the teaching jobs. Opportunities to extract bribes from unqualified persons in return for jobs should be reduced when only qualified persons (with 10-month teacher training) can be recruited in accordance with the new teacher policy. ADB's policy dialogue with MOES should support the actual enforcement of this policy.
- (ii) Under the ongoing SESP, ADB should conduct policy dialogue with MOES and the Ministry of Finance to explore the possibility of undertaking further SLC examination reforms to improve the SLC pass rate, make the SLC examination more reflective of students' learning achievement, and improve Office of Controller of Examination's (OCE) efficiency and autonomy in providing SLC services in the light of its increased responsibilities.
- (iii) In-service teacher training should not last more than a few months. Otherwise, it would lead to prolonged absence of teachers. In-service training should be followed-up by 1- or 2-week refresher courses.
- (iv) If a project will be cofinanced, the Government should sign agreements with the cofinancing agencies prior to Board approval to avoid delays in implementation.

4) Follow-up Actions

20. MOES agreed to implement the following follow-up actions, in conjunction with the ongoing projects and technical assistance. The proposed timeframes are tentative, depending upon the timing in the relevant ongoing projects.

- (i) MOES should prepare a school supervision and monitoring framework, in conjunction with the ongoing SESP, by December 2005 and an indicative action plan by June 2006. The framework should aim to empower the roles of school management committees and parent-teacher associations in monitoring teacher attendance and performance and improve DEOs' school supervision system.
- (ii) MOES should expand the teacher training policy framework, in conjunction with the ongoing Teacher Education Project and SESP, by December 2005 and prepare an indicative action plan by June 2006. The expanded framework should identify the number of teachers needed per subject and per student; the number of teachers needed for initial, in-service, and refresher training; the number of teacher trainers needed; appropriate deployment scheme; management training needs; training needs for DEOs' school supervisors to enable them to monitor teachers' application of the training acquired to classroom teaching.
- (iii) MOES, in close collaboration with private schools and in conjunction with the ongoing SESP, should develop a regulatory framework and incentive system to encourage some good private schools to provide in-kind support (e.g., books, management, study visits, and teachers) to some public schools in the locality by December 2005 and prepare an indicative action plan by June 2006.
- (iv) MOES, in conjunction with the ongoing technical assistance on the Preparation for Education Sector Development Policy and Strategy, should develop an overall

secondary education framework to integrate the curricula of secondary and higher secondary education by December 2005 and prepare an indicative action plan by June 2006.

F. Country Synthesis of Evaluation Findings in Nepal (2000)

21. The 1999 Country Synthesis of Evaluation Findings in Nepal provides a summary of postevaluation experience in Nepal and covers ADB's operations in the country as of June 1999. Of the 32 postevaluated projects reviewed, 50% were considered "generally successful," 25% were "partly successful," and 25% "unsuccessful." In terms of approval period, the percentage of generally successful projects have dropped significantly from the 1970s (67%) to the 1980s (35%). PPAR findings suggest that this decline may be due to an increase in the number of more complex social infrastructure projects and decline in generally successful ratings of agriculture projects.

1) Main Findings

22. Factors that affected implementation performance include:
- (i) Weaknesses in project preparation and design;
 - (ii) Lack of stakeholder participation;
 - (iii) Insufficient assessment of institutional environment and EA capabilities;
 - (iv) Weaknesses in ADB supervision; and
 - (v) Inadequate assessment of policy and sector issues.
 - (vi) A major problem common to most projects is implementation delays. The average delay was about 2.3 years, or a 48% time overrun.
23. Factors that contributed to implementation delays were:
- (i) Slow and complex procurement processes of the Government and the EAs;
 - (ii) Changes in project scope;
 - (iii) Use of inexperienced contractors;
 - (iv) Delays in the release of counterpart funds and compliance with loan covenants, and;
 - (v) Overestimation by the Bank of the capabilities and commitment of the EAs.
24. In terms of project cost, 66% of the postevaluated projects were completed below appraisal budget while only 28% had cost overruns.

2) Lessons

25. Among the key lessons learned across projects and sectors were:
- (i) ADB fact-finding and appraisal missions require more rigorous feasibility studies, more in-depth sector analysis, and more extensive fieldwork. More resources and focus should be given to processing missions. TA outputs, in particular, require improved supervision to ensure that feasibility studies are more realistic and to enhance Government accountability for and ownership of TA projects.
 - (ii) Participation of local communities during both design and implementation is crucial for project sustainability and success. Bank review missions should encourage frequent and rigorous interaction between EAs and beneficiaries.

- (iii) Project design should institute appropriate O&M mechanisms and properly delineate responsibilities. Political will to support sustained O&M through recurrent budget allocation should be realistically assessed and supported by Government operational guidelines and policies.
- (iv) The institutional capability of the EA to supply qualified staff and services should be more rigorously assessed. Project design should consider alternative approaches, such as strengthening sector institutions prior to the implementation of loan projects or simplifying scope, possibly with fewer agencies involved or smaller loans.
- (v) Project planning and design should consider the issues of good governance and anticorruption to contribute to a more favorable project implementation environment.
- (vi) Relying on administrative sources of information gathered in Kathmandu rather than on information gathered from field investigations can lead to inaccurate assessment of local needs, inappropriate project siting, and inadequate technical design.
- (vii) To maximize project impact on poverty reduction, project design should include specific measures targeting the poor.
- (viii) Project design should emphasize the role of women in development by including components that specifically target women both as direct beneficiaries of projects and participants in their implementation.
- (ix) Stronger environmental monitoring programs, particularly for agriculture and large infrastructure projects are needed in project design, including the collection and/or use of environmental baseline and monitoring data. Environmental monitoring should focus more on assessing whether environmental impacts have reduced project effectiveness and sustainability.
- (x) Project and TA designs need effective benefit monitoring and evaluation systems and performance indicators. Appraisals should make clear linkages between project inputs and expected benefits in the project framework.
- (xi) Consultants with prior work exposure in Nepal, or in similarly remote, mountainous, and human resource-constrained areas are more effective. ADB should more carefully evaluate the capacity of local contractors and project design should consider special interventions for strengthening the capacity of local contractors.
- (xii) Bank review missions need to more closely supervise the quality of project implementation and construction work despite remoteness of the project areas.
- (xiii) Private sector involvement should be encouraged especially in the marketing, distribution, and maintenance of project outputs.
- (xiv) Greater staff resources are needed to effectively formulate, supervise, and evaluate projects in Nepal and for site inspection outside Kathmandu. Without such resources, ADB could consider concentrating its existing resources on improving the implementation of ongoing projects, perhaps deferring new projects until such time as implementation performance has significantly improved.

3) Key Issues for the Future

26. The Country Synthesis identified important issues for the future, among which were:
- (i) Beneficiary and private sector participation;
 - (ii) Poverty alleviation; and
 - (iii) Strengthening institutional capacity of the Government/EAs to implement projects.

G. Special Study (1995): Effectiveness of Bank Assistance for Capacity Building in Nepal

27. The Special Study evaluates the effectiveness of 10 ADTA projects approved between 1985 and 1993 and provided to the Government of Nepal for capacity building in the social sector. The Study is based on an analysis of documents relating to the TAs and on a series of structured interviews and consultations with officials from executing agencies and other government staff, including those previously associated with TA implementation. The results of capacity building interventions are not as easily measured as those of typical investment projects and should, therefore, be interpreted cautiously.

1) Main Findings

a. TA Effects and Impacts

28. Three TAs in the education subsector were provided for the improvement of teacher education and strengthening the Ministry of Education and Culture. These TAs are considered to have been effective at pre-service and in-service training of teachers and laying the basis for a larger program of primary teacher training. The three TAs in the rural water supply subsector have significantly strengthened the Department of Water Supply and Sewerage and resulted in a strategic plan for the development of this agency and the subsector which is presently being implemented by the Government. The four TAs in the environment subsector have had marginal impact only for a variety of reasons, including lack of ownership on the part of executing agencies. The training components of most TAs had unsatisfactory results owing to budgetary constraints, management neglect, lack of Government commitment, and inadequate Bank supervision. A major deficiency in the blueprints for the administrative reforms recommended under many TAs is the absence of a process for instituting meaningful changes along with the suggested improvements. A process is needed for strengthening the recipient organization's culture and orientation for efficient and timely delivery of services. The process should include (i) changing of the perception, commitment, and social and behavioral skills in dealing with communities; (ii) organizational streamlining; and (iii) policies and procedures. Such processes were not clearly identified in the TAs nor reflected in their objectives.

b. Findings of Broader Applicability

29. ADB's concern for capacity building in a sector-specific context originates from its preparation of sector studies and investment projects. An advisory TA must be carefully designed and not only involve external experts but also key officials of the recipient organization. The involvement of stakeholders is vital for administrative reforms in any sector, and for an undertaking in capacity building and institutional strengthening. Indeed, capacity building not only involves preparing of a policy framework, long-term plans and programs, institutional structures, human resource skills, and information systems, but also the culture and management of change in terms of specific institutions or beneficiaries. Program management

strategies should be used to allow the flexibility and time needed to bring about administrative reforms through capacity building interventions.

2) Key Issues

30. The Study has identified a number of specific issues, some of which are interlocked while others are of a general nature.

(i) **Strategy for Capacity Building.** The TAs were isolated attempts by ADB at capacity building in the social sector and its subsectors and were implemented without the benefit of clear objectives and an overall framework for capacity building. Moreover, under most of the TAs, capacity building was only one of several objectives. For capacity building efforts to be successful, ADB needs to formulate DMC-specific, clearly defined sectoral objectives and be prepared for a long-term involvement. Particularly in the area of administrative reforms in the public sector, a program type approach towards capacity building could be useful. It would allow for more flexibility, speed in decision-making and larger room for interventions on a continuing basis, rather than in the form of one-shot project interventions.

(ii) **Project Design and Preparation.** Most of the TAs covered under the Study were designed and prepared without adequate analysis of prevailing policies and institutions in the concerned subsectors. Also, those TAs that were piggy-backed to loans had in their design elements that could have been better covered under the loans. Impact indicators and related baseline data were generally not provided in the documents. As a result, many TAs were less effective than they could have been while piggy-backed TAs do not necessarily contribute to capacity building. Impacts in any case are difficult to measure, if at all.

(iii) **Follow-up Action.** Potential impact of TAs is lessened by lack of follow-up on the part of ADB and the concerned government to ensure that the output of the TAs is utilized. ADB should develop a mechanism for consistent follow-up and, if necessary, provide further assistance through loans or grants. The relative success of the water supply TAs in creating a stronger DWSS can be attributed to ADB's long-term involvement in the subsector which allowed for follow-up.

(iv) **Beneficiary Participation.** Most of the TAs had little or no provision for beneficiary participation in their preparation and implementation. Such participation must be enhanced to ensure the relevance of the interventions, improve the sense of ownership on the part of the recipient agency, as well as other beneficiaries, and contribute to sustainability.

(v) **Counterpart Provisions.** The Government and executing agencies generally failed to provide adequate counterpart staff and budget for the implementation of the TAs which resulted in consultants often working in isolation thereby not only minimizing transfer of knowledge and technology but also resulting in output that lacked ownership on the part of the executing agency. ADB needs to ensure that TAs are only implemented when it is assured that the agreed counterpart provisions have been made available. A second issue in respect of counterpart staff is that ADB has not always thoroughly examined the availability of staff nor their capacity to take part in the TA activities. As a result, requirements for counterpart staff were not always realistic and were a contributing factor in training targets not being met.

3) Lessons

(i) ADB should develop a capacity building framework based on the needs and demands of sectors, strategic planning, organizational development, and change strategy.

(ii) The preparation of advisory TAs must be preceded by rigorous institutional and needs analysis, and the framework should be beneficiary-directed. Accordingly, the conceptualization, design, and formulation of TAs for capacity building should include an experienced capacity building expert and experienced representatives of the targeted agency or ministry.

(iii) ADB should utilize the concept of impact evaluation right from the preparation stage of the TA. If impact indicators are emphasized, the TA design will inevitably include perspectives and defined ultimate benefits.

(iv) The TA design should also foster the executing agency's sense of project ownership and involvement of domestic expertise. Factors leading to failure experienced during project implementation should be thoroughly analyzed and discussed with the executing agency and experts in capacity building to facilitate requisite adjustments in ongoing efforts and in future interventions.

(v) Priorities must be set carefully and as a function of technical precision or financial capability. However, such important factors as social acceptability by the targeted people and political considerations must be given due weight.

4) Recommendations

31. ADB's initiatives at capacity building in Nepal's social sector have made some progress but much more has to be done. The following recommendations take into consideration the challenges expected for the coming years:

(i) ADB should develop a capacity building framework based on the needs and demands of a sector, strategic planning, organizational development, and change strategy. This framework should be beneficiary-directed. The formulation of an advisory TA at its earliest stage should involve an experienced capacity building expert and adequately qualified and experienced representatives of the targeted agency or ministry.

(ii) Expertise within ADB must be developed to attend to consistent and recurring problems of project and program management and organizational reforms. The formulation of plans and project preparation and management are important steps to the larger issue of capacity building.

(iii) The need for impact evaluation should be built into the design of projects, particularly those for capacity building. At the fact-finding stage, indicators for impact evaluation and benchmark data should be established. Indicators such as outputs should be supplemented with desired results in terms of effects and impacts. If these indicators are emphasized, the project design will inevitably encompass strategic perspectives and defined ultimate benefits.

(iv) Problems faced during TA implementation should be thoroughly analyzed during ADB supervision of the projects, and discussed with executing agencies and experts in capacity building. The lessons learned from such discussions should be incorporated in implementation strategies and should be used in the preparation of future advisory TAs.

(v) Setting priorities is a careful exercise which, in DMCs, cannot be a function only of technical precision or financial capability; it also involves sensitive social acceptability by the targeted people and political considerations. An information or public relations component is therefore important in capacity building TAs.

(vi) Local involvement is crucial: beneficiaries should be involved right from TA preparation through implementation and evaluation, as the success of such interventions depends on the commitment of its stakeholders.

(vii) TA projects should foster executing agency ownership.