

## MANAGEMENT RESPONSE TO THE COUNTRY ASSISTANCE PROGRAM EVALUATION FOR PAKISTAN

On 6 June 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We welcome OED's Country Assistance Program Evaluation (CAPE) for Pakistan. The CAPE is comprehensive and based on the findings of several Sector Assistance Program Evaluations conducted for the major sectors of ADB operations in Pakistan as well as perception surveys of clients and staff.

2. The fact that only 58% of projects were rated satisfactory over the past three decades with no trend improvement over time is a concern and points to the critical need for strengthening portfolio implementation for improved results and effectiveness. This is a key lesson from the CAPE and the Pakistan Country Team has accordingly proposed to include improved implementation as one of the four pillars of the new country partnership strategy (CPS). Further, a major "spring-cleaning" exercise of the portfolio is already underway.

3. The client perception survey reported in the CAPE highlights ADB's key strengths as a development partner but also suggests areas in which performance can be improved and points to the need to streamline and improve business processes and procedures. While some issues are systemic and have to be seen in an ADB-wide perspective, there are others that can be addressed in the individual county context and this is where the Pakistan CPS will be focused.

4. We agree with the general thrust and recommendations of the CAPE. We broadly endorse the focus on building up private sector operations to create synergies with public sector operations. We also agree with the need for strengthening the analytical underpinnings of ADB's operations in the country. We, however, take issue with the CAPE's omission of some key sectors in its list of proposed priority areas of ADB's assistance in Pakistan in the future. In addition, we have some other specific observations. These are detailed in the following section.

### II. Comments on Specific Recommendations

5. **Proposed Priority Sectors.** While we agree in principle with the CAPE's recommendation on the need for selectivity and focus in the CPS, we do not agree that urban development, finance and governance sectors should be dropped from future lending program. We believe that the selection of sectors should be guided by the binding constraints to growth in the country context and clients' needs and commitment among others.

6. **The Case for the Urban Sector.** We disagree with the CAPE's suggestion that based on its past sectoral performance, urban development should be dropped in ADB's future assistance. We believe that ADB's continued

engagement in urban development is critical for the revitalization of mega cities and development of secondary cities given rapid urbanization and growing urban poverty in Pakistan. It will be done by adopting a new programmatic and long-term approach through the use of the multitranche financing facility. The new approach will support urban institutional development and reforms as well as key infrastructure projects conceived under an overall strategic plan for urban upgradation.

**7. Strong Need for Continued Assistance in Governance and Finance Sectors.** The CAPE proposes scaling back of ADB's assistance in the governance and finance sectors. We believe that governance and finance are critical areas that merit continued focus and assistance from ADB. Staff assessments show that governance and institutional bottlenecks continue to be critically important binding constraints to Pakistan's economic growth and development. ADB has been a foremost development partner in providing support for Pakistan's reform program to address these bottlenecks. Important reform milestones have been achieved, but more needs to be done. Reforms in governance and finance sectors are complex and take time even under perfect environments. We believe that the assessment of the CAPE of governance and finance operations being "partly successful" has not duly taken into account the complexity of reforms, the very nature of the reform process in these areas, and the relatively short-time of implementation of governance reforms.

**8. Strengthening of PRM.** The CAPE makes an important point on the need for greater delegation and strengthening the role of the Pakistan Resident Mission (PRM). While the issue of strengthening of resident missions has to be addressed at an ADB-wide level over time through the ongoing review of the RM policy, we note that steps are already being taken in PRM to build its capacity through adding more HQ-based professional staff in priority areas as well as recruiting national staff in areas such as procurement and safeguards.