

MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON ADB SUPPORT TO PUBLIC RESOURCE MANAGEMENT IN INDIA

On 12 October 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. We appreciate OED's Special Evaluation Study (SES) on ADB's Support to Public Resource Management in India. It provides the first consolidated evaluation of public resource management program of states in India including Gujarat, Madhya Pradesh, and Kerala. We note that SES is timely and will provide a useful input into the preparation of our Country Partnership Strategy (CPS) for India.

2. We note the SES finding that the public resource management programs in India were successful overall. We are encouraged to note the SES findings that ADB's operations in the public resource management in India was relevant, effective and likely sustainable and that the impact of the operations was substantial.

3. The SES provides several lessons. We agree that there is no single blueprint for designing successful public resource management reforms; rather there is a sequence of measures to improve reforms built around effective measures to support fiscal consolidation. We also agree that program design should be internally consistent with the design and monitoring framework. In particular, broader governance reforms should follow and not precede measures to ensure effective fiscal consolidation. The consequence of not keeping to this sequencing of reforms was most clearly manifested in the Kerala public resource management program. We also appreciate the SES's reference to the importance of ensuring adequate resources in policy dialogue, communication and perhaps, in our view, not emphasized sufficiently, in program implementation. Last but not the least, the SES brought out the importance of political economic analysis before designing the key components of a program. We believe that a fiscal consolidation program with tough reform measures can not be effective unless the political economy considerations are assessed adequately.

4. Moreover, with respect to the lesson on the resident mission, we agree that the role of resident mission and headquarters staff during implementation would need to be clarified to improve effectiveness. Policy based loans require intensive interaction with various in-country stakeholders which is best achieved by drawing on the expertise of headquarters as well as resident mission staff.

4. The SES also proposes that consideration should be given in the design of future public resource management programs to the good practice standards. We agree on the importance of adopting good practice standards which includes (i) policy dialogue and communication campaigns; (ii) focusing on key elements of the reform agenda and avoiding broader governance reforms until critical fiscal reforms are in place; (iii) capacity development and institutional strengthening over the long term; and (iv) designing implementation arrangements based on existing institutional structures with adequate resources.

5. We are pleased to note that most of the recommendations emanating from the SES will help enhance the quality of outcomes of future loan processing in this sector. Indeed, many of these lessons and good practice standards coincide with our own internal assessment. These lessons and good practice standards are already being put into practice in the design of the second phase of the Assam Governance and Public Resource Management Program which is scheduled to be processed during 2007-2008.