

ASIAN DEVELOPMENT BANK

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SPECIAL STUDY

EFFECTIVENESS OF BANK ASSISTANCE

FOR CAPACITY BUILDING

IN

NEPAL

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ABBREVIATIONS

BME	-	Benefit Monitoring and Evaluation
DHUD	-	Department of Housing and Urban Development
DMC	-	Developing Member Country
DOI	-	Department of Industry
DOT	-	Department of Tourism
DSCWM	-	Department of Soil Conservation and Watershed Management
DWSS	-	Department of Water Supply and Sanitation
MIS	-	Management Information System
MOEC	-	Ministry of Education and Culture
MOI	-	Ministry of Industry
NCCNCR	-	National Council for the Conservation of Natural and Cultural Resources
NCED	-	National Center for Educational Development
NLREC-	-	National Land Resource and Environmental Center
NPC	-	National Planning Commission
PEDP	-	Primary Education Development Project
TA	-	Technical Assistance

I. SUMMARY

1. This Special Study evaluates the effectiveness of ten advisory technical assistance (TA) projects provided by the Bank 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.

A. Focus

2. The Study analyzed the objectives and scope of the ten TAs and focused on capacity building. Where impact indicators were not specified in the TA papers, the Study examined the means employed to attain the objectives and expected outputs, and determined, mostly in a qualitative way, the effectiveness and sustainability of the TA benefits. The Study focused on lessons learned with a view to making future TA projects of this nature more effective. The Study therefore looked for relevant changes in policy making and organizational structures, delivery of services, and planning and control functions, including the management information and benefit monitoring and evaluation systems.

B. Major Findings

1. TA Effects and Impacts

3. 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.

4. 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.

2. Findings of Broader Applicability

5. The Bank'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.

C. Lessons Learned

6. The Bank should develop a capacity building framework based on the needs and demands of sectors, strategic planning, organizational development, and change strategy. 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.

7. The Bank 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. The TA design should also foster the executing agency's sense of project ownership and involvement of domestic expertise.

8. 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. 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.

II. INTRODUCTION

A. Background

9. The Bank has used its technical assistance (TA) facility to provide support for capacity building in developing member countries (DMCs) since it began operations. In the past, a significant portion of this support has been focused on advisory and implementation activities aimed primarily at helping DMCs design, prepare and successfully implement loan projects. In addition, support has been provided for formulating sectoral development strategies, plans, and programs, and for undertaking policy and issues-oriented studies pertinent to a particular sector, economy, or subregion (involving more than one DMC). The Bank has also financed national and regional training programs that are not related either to a specific project or to the development of sectoral strategies, plans, or programs.

10. Capacity building has recently acquired a sharper focus in the Bank's priorities. The Task Force on Improving Project Quality emphasized the need to approach capacity building on a systematic and disciplined basis. It recommended more efficient use of advisory TAs to finance formal capacity building programs to create and strengthen institutional capacity. The Bank has adopted "capacity building for development management" as an operating objective of its Medium-Term Strategic Framework, 1995-1998. Consequently, there is a strong impetus for capacity building to be integrated with the Bank's overall lending program and thus contribute to the Bank's support of good governance in its member countries.

11. The Bank's own internal reviews have identified a number of shortcomings in the Bank's efforts in capacity building. However, the identification of these weaknesses is based on fragmented and impressionistic evidence and consists primarily of the implementation experience of advisory TAs. It was considered that comprehensive studies of the Bank's advisory TAs are needed to provide feedback for making future capacity building attempts by the Bank more realistic, focused, effective, and sustainable.

12. Nepal was selected as one of two initial countries for such an exercise because of considerable past assistance from the Bank for advisory TAs. Postevaluation experience in Nepal indicates that the implementation performance of Bank-assisted projects has been adversely affected by, among others, a general weakness within government institutions for the implementation and operation of projects. It also highlights that institutional capacity can be improved through long-term, flexible, and responsive forms of TA and more rigorous Bank supervision of TA implementation. The country operational strategy for Nepal includes institution building and human resources development as a key objective.

B. Capacity Building in Nepal

13. As of 30 September 1995, the Bank had approved a total of 177 TAs for an aggregate of \$68.43 million. The number of advisory and operational TAs was 102 for \$52.3 million (see Appendix 1). The agriculture sector received the largest share both in number (53) and amount (\$29.3 million). The industry, social infrastructure and energy sectors received 16, 10 and 9 TAs respectively, each for an amount in the order of \$4.5 million. The transport sector received five TAs for an amount of \$2.0 million while a further nine TAs totalling \$7.3 million covered other sectors.

14. A large number of advisory and operational TAs, particularly in the agricultural sector, were grant-financed and piggy-backed to loans. In more recent years, an increasing number of these TAs was approved to support the conduct of institutional, sector, economic, and financial studies. Between 1985 and 1993 the Bank approved 73 advisory TAs for Nepal compared to only 29 project preparatory TAs. Since then the Bank approved a further 12 TAs of which five were advisory TAs.

15. In view of the large number of advisory TAs approved for Nepal, their varied objectives and wide sectoral coverage it was deemed necessary to focus the study on a single sector only. Given the Bank's priority with the development of the social sector, and its emphasis in the Bank's operational strategy for Nepal, this study deals with the Bank's efforts for capacity building in the social sector.

C. Objectives and Scope

16. The objectives of the Special Study (the Study) were to review the need for, and adequacy of the Bank's social sector advisory TAs for Nepal and to assess their effectiveness and impact in respect of capacity building. The scope of the Study included (i) an analysis of the objectives and scope of the TAs; (ii) the means employed to attain the objectives and outputs of the TAs; and (iii) the impact of the TAs and the sustainability of their benefits.

17. The Bank's assistance in the social sector has included ten advisory TAs for an amount of \$4.46 million. The Ministry of Education and Culture (MOEC) and the Department of Water Supply and Sewerage (DWSS) were the executing agency for three TAs each. The National Planning Commission (NPC), Department of Housing and Urban Development (DHUD), Department of Soil Conservation and Watershed Management (DSCWM) and the Ministry of Industry (MOI) each executed one TA. The ten TAs covered three subsectors namely, education, water supply, and environment. Implementation aspects of the TAs are summarized in Appendix 2.

D. Methodology

18. The initial step in carrying out the Study was a desk analysis and review of all documentation on the ten TAs which resulted in a descriptive record of the objectives, activities, outputs, risks, and recommendations made for each TA. Subsequently, based on this review, a methodological framework was developed to (i) examine with executing agencies the relevant findings of the review; (ii) discuss with senior staff of government ministries and other concerned individuals the results of these analyses; and (iii) identify pertinent issues for further analysis. Copies of the draft Study were provided to government ministries and executing agencies as well as to concerned Bank staff for their review. Comments received have been taken into account in finalizing the Study.

III. MAJOR FINDINGS

A. Technical Assistance Results

19. For the purpose of discussing the results, the TAs have been grouped in three subsectors, namely, education, water supply, and environment. A tabulated summary of implementation experience is shown in Appendix 3. The findings of the Study should be seen in the context of certain pertinent circumstances. None of the TAs provided any effect or impact indicators nor

adequate baseline data or benchmark profiles of targeted beneficiaries or institutions. Comprehensive documentation of accomplishments after the TAs were completed was also lacking. Finally, many of the counterpart staff associated with implementation of the TAs were not anymore in post at the time of the Study.

1. Education Subsector

20. The Government's commitment to upgrading of teacher education and strengthening the primary education system provided impetus for three TA projects. The objective of the first TA No. 883-NEP was to assist MOEC to prepare a comprehensive and detailed development plan for teacher training. This objective was to be achieved through (i) review of the structure, organization, planning, financing, administration, and management systems of the teacher education system; (ii) analysis of the teacher training programs, methods, and problems facing teacher education; (iii) evaluation of research activities in teacher education; (iv) identification of categories of teachers that would be needed for the period 1988-2000 based on the Government's priorities and plans; and (v) identification of suitable projects that will improve teacher education in both the short and long term, and can be proposed for external financing.

21. The TA was implemented in two phases. The first phase included a review of (i) the education system, with special reference to policies, strategies, programs, methods, and problems in teacher education; and (ii) identification of major issues and selection of priority areas of concern for further study during the second phase. In the second phase, the activities included an in-depth study of the problems and areas of concern, and the formulation of recommendations for the overall improvement of teacher education to increase the efficiency of the teacher training system. The final report provided a comprehensive review of the country's education system in general, and teacher education in particular, as well as a development plan for teacher training, which was generally well received by the Government. However, the Government indicated that the financial requirements and scope of the proposed projects exceeded the country's absorptive capacity. It was suggested that an eventual Bank-financed project should focus on the training of primary school teachers only, and be limited to in-service training. The Bank responded by providing a small-scale TA for preparing a primary teacher training project.¹

22. The subsequent TAs No. 1623-NEP and 1838-NEP were both complementary to the Bank-assisted Primary Education Development Project (PEDP).² While the PEDP was mainly concerned with infrastructure development, the TAs dealt with policy analysis, development of instructional materials, and training packages. TA No. 1623-NEP was designed to strengthen MOEC's institutional capacity through (i) policy studies on primary teacher preservice training, including a career development system for the primary education subsector; (ii) development of training packages for teaching, supervisory, and managerial staff; and (iii) development of a monitoring and evaluation system for PEDP. TA No. 1838-NEP was primarily designed to strengthen MOEC's National Center for Educational Development (NCED) through (i) design and implementation of a training program in management development for relevant NCED staff; (ii) design and implementation of a range of training programs for supervisory and managerial MOEC staff; (iii) assisting NCED in developing training manuals and materials; (iv) assisting NCED in evaluating the impact of training programs; and (v) advising NCED on issues related to action research in management education.

23. The two TAs were generally implemented as envisaged. Four policy studies were prepared and policy options formulated for preservice, in-service, and supervisory/management

¹ TA No. 1135-NEP: *Primary Teacher Training Sector*, for \$99,800 approved on 9 March 1989.

² Loan No. 1141-NEP(SF): *Primary Education Development Project*, for \$19.5 million, approved on 5 December 1991.

training strategies. Training packages were developed for primary school teachers, teacher trainers, headmasters, supervisors, district education officers, and regional education directors. Senior Government officials, including from MOEC, participated in a study tour. A number of specific teacher and management training courses were also developed, trial-tested and implemented. Materials and visual aids for teacher training were also produced. A very ambitious BME system was developed for PEDP which had to be revised and simplified by a specially recruited short-term consultant.

24. Implementation delays due to lack of counterpart funding and staffing affected TAs No. 1623-NEP and 1838-NEP in particular. The establishment of the NCED was significantly delayed and proceeded, therefore, in isolation of other activities. A lack of counterpart staff, particularly to participate in the development of training packages, resulted in less transfer of technology than envisaged. Implementation of the training packages only started towards the end of the TAs, hence there is little feedback on the effectiveness of the packages. The lack of qualified personnel, in general, has affected the management, monitoring, and follow-up of the training activities.

25. It is noted that the three TAs focussed on the needs of the education provider and did not consider directly the needs of the education beneficiaries. The failure to shift the planning and development process to beneficiary interests as the guiding post for educational planning has limited the impact of the TAs. All plans to improve teaching, instructional methods, curricula, and text books should aim to enhance teachers' skills, and, more importantly, improve student performance. The ultimate test of efficient teaching is the performance of students. Yet, in planning and implementing the TAs, student needs were generally neglected.

2. Water Supply Subsector

26. The three water supply TAs were piggy-backed to Bank-assisted water supply projects which were being executed by DWSS. The major objective of TA No. 644-NEP was to help DWSS improve its capacity to manage the Rural Water Supply Sector Project³ and strengthen institutional and training arrangements. The development of institutional capacity was to be achieved by (i) improving organizational arrangements; (ii) upgrading the management information system (MIS); and (iii) developing trained manpower. The intervention was expected to improve the efficiency of DWSS in implementing the project and ensure proper maintenance of project facilities. Beneficiaries included DWSS as an organization and the staff of DWSS (from the head office, as well as regional and district offices). The outputs of the consultants were considered to be very useful to DWSS. Recommendations regarding BME, MIS, and institutional strengthening of DWSS were adequate and the MIS was used to help formulate two ensuing projects in the water supply sector.

27. In 1986, the Government significantly enhanced the role of DWSS. It was designated as the leading agency in the water supply sector, responsible for sector planning and coordination. Under the Government's decentralization policy, DWSS would be also required to provide technical support to local government at the district level. In order to take on these new responsibilities, DWSS needed to adopt a radically changed institutional framework within a very short time for which the assistance of the consultants engaged under TA No. 644-NEP was requested. The consultants recommended a three-tiered institutional set-up—head office regional offices and district offices—which was adopted by the Government with minor modifications. The expansion of DWSS took place in 1988/89 and required massive recruitment of overseers and technicians for field work. The TA provided technical support for the training of the new staff. However, despite this support, the capacity of DWSS's Central Human Resources Development Unit remained limited which adversely affected DWSS's capacity to perform its functions efficiently and effectively. It was only in 1994 that training activities were extended to the regional and district levels.

³ Loan No. 719-NEP(SF): *Rural Water Sector Project*, for \$9.6 million, approved on 11 December 1984.

28. TA No. 1118-NEP was piggy-backed to the Bank-assisted Second Water Supply Sector Project.⁴ The objectives were to strengthen DWSS's operation and maintenance capabilities and improve its financial performance by conducting a cost recovery study. As it was, the AOTA could not be successful in improving operation and maintenance capabilities because its training component was inadequate compared to the needs of the restructured DWSS. The Consultant trained only 17 engineers as trainers for village maintenance workers and maintenance volunteers, 15 overseers and 18 plumbers. Nine DWSS engineers took part in short term overseas training for a total of 4.5 person-months. The cost recovery study was not carried out but was deferred to later (see para. 29).

29. The third TA No. 1718-NEP accompanied the Bank-assisted Third Water Supply and Sanitation Project⁵ and supplemented the earlier TAs. Its objectives were to (i) prepare a seven-year strategic plan for DWSS; (ii) recommend short-term measures to implement the strategic plan; and (iii) based on the strategic plan, prepare a detailed implementation plan for the first three years including annual budget requirements. The strategic plan was prepared and is now under implementation but it is too early to assess its impact. In preparing the strategic plan, several principles and initiatives were agreed upon which were essential to support the reoriented role of DWSS and address the following main constraints to organizational effectiveness: (i) lack of multi-disciplinary skills at all levels of the organization; (ii) vacancies in several key positions; (iii) lack of adequate interaction between field staff and community; (iv) lack of community involvement in planning and design; (v) lack of training halls in regional and district training units; (vi) shortage of training courses for field staff, many of whom have only minimal education; and (vii) lack of adequate monitoring and supervision at the field level.

30. Under the strategic plan, 85 percent of Nepal's population is to be provided with safe water supply by the year 2001. To assist in meeting this target, the plan provides for a change in DWSS's traditional role of constructing and maintaining water supply projects to one of becoming a facilitator in assisting communities in identifying their water needs and in participating more fully in meeting those needs, as well as in promoting hygiene and sanitation programs. In the case of water supply systems for local communities, DWSS's role is now that of a facilitator with completed schemes being handed over to the communities for operation and maintenance. Schemes serving populations of up to 500 can now also be constructed with assistance from NGOs and other private sector groups with credit available from local development banks. The strategic plan also requires that DWSS improves its cost recovery performance.

31. In summary, the three TAs for the water supply sector have supported significant institutional change which has laid the groundwork for DWSS having the potential to become a more effective and responsive organization in meeting the population's water supply needs. The evolution of the Bank's TA (and lending) activities enhanced the Bank's experience of the sector which resulted in the introduction of effective measures for greater community involvement and financial autonomy of DWSS. However, in laying the groundwork for change, the TAs have consistently underestimated the need for capacity building and comprehensive training of DWSS staff. The main constraint to the rapid expansion of the water supply and sanitation subsector will not be the availability of financial resources but more likely the lack of institutional capacity and trained manpower.

3. Environment Subsector

⁴ Loan No. 949-NEP(SF): *Second Water Supply Sector Project*, for \$14.4 million, approved on 31 January 1989.

⁵ Loan No. 1165-NEP(SF): *Third Water Supply and Sanitation Sector Project*, for \$20.0 million, approved on 25 June 1992.

32. The four advisory TAs in this subsector deal with environmental issues but were prepared by three different offices in the Bank and implemented by four different executing agencies. Only one TA was directly associated with a loan, the other three being independent projects.

33. In 1991, the Government adopted a national conservation strategy and approved the establishment of a policy-making body for environment related matters—the National Council for the Conservation of Natural and Cultural Resources (NCCNCR). In supporting the Government's initiative, TA No. 1132-NEP was designed to develop an appropriate structure for NCCNCR and the associated National Land Resources and Environmental Center (NLREC) to facilitate the administration of a national environmental program. Other objectives were to assist the Government in preparing a plan and medium-term operational program for institutional development of environmental agencies and assist NLREC in enhancing its capacity to undertake environmental planning and impact assessments.

34. An initial step in the TA was the preparation and conduct of a national consultation workshop on environment which was attended by key government officials and representatives of the donor community. The workshop was able to identify key environmental problems and related projects and initiate donor coordination. Subsequently, because of the limited absorptive capacity of NLREC, the direction and scope of the TA was changed. The consultants were directed to concentrate on the preparation of an environmental framework and guidelines, the establishment of an environmental reference center, and the provision of training. Officials of the National Planning Commission (NPC), the executing agency, participated in a one-month training course at the Asian Institute of Technology in Bangkok but not all participants had the required background for the course. Other NPC officials were given on-the-job training by the consultants in environmental assessment and analysis. In the Government's view, the consultant's final report submitted in August 1990 was not fully adequate. As a result, the Government established a task force in October 1993 comprising NPC staff assisted by local consultants to update the earlier report. The task force completed its activities in October 1994 and made a large number of recommendations in respect of institutional and legal frameworks, manpower requirements, and decentralization and community empowerment.

35. The impact of this TA has so far been negligible. The consultants were unable to complete their original terms of reference and it took the NPC more than three years to form a task force to complete the TA. Although the report of the task force, submitted to the Government more than a year ago, contains many useful recommendations, no response, let alone any action, has been forthcoming from concerned Government agencies.

36. TA No. 1172-NEP was to assist the Department of Housing and Urban Development of the Ministry of Housing and Physical Planning prepare a land-use and environmental protection plan and identify infrastructure improvements needed to improve living conditions in the Kathmandu Valley. The TA was also meant to train staff involved in land-use and environmental planning and control. The plan provides an overall planning framework to guide urban development in the valley supported by a ten-year investment program for infrastructure rehabilitation and extension. It recommends an integrated approach to planning and development to be put into immediate operation by implementing several detailed area plans.

37. Implementation of the plan has commenced including the development of the Kathmandu historic area and the Bishumati corridor which has received Bank assistance.⁶ However, the current implementation arrangements differ considerably from those proposed by the consultants. At the time of plan preparation, there were numerous agencies, dominated by government agencies, operating in the sector with little interagency coordination including among donors. In addition, many agencies, particularly at the local government level, lacked financial and manpower resources. The plan proposed a two-tier institutional structure which was found to be too simplistic and not workable. Revised institutional arrangements needed to be put in place for the Kathmandu and Bishumati

⁶ Loan No. 1240-NEP(SF): *Kathmandu Urban Development Project*, for \$12.0 million, approved on 29 June 1993.

projects. A more thorough evaluation of the institutional set-up during plan preparation would have been warranted.

38. The Bank's operational strategy for Nepal recognizes the role of tourism in the country's economy. TA No. 1663-NEP (Environmental Protection Study of Phewa Lake) was attached to the Tourism Infrastructure Development Project⁷ to develop a broad-based environmental policy and pollution control strategy for Phewa Lake and its contributing watercourses in the Pokhara area. The population of Pokhara has a high rate of endemic cholera, typhoid, diarrheal diseases and parasitism caused by poor sanitation practices. Most of these diseases are waterborne and the pathogen levels in Phewa Lake are high. There is inadequate control of solid waste because of a lack of awareness on the part of local population and a poor collection and disposal system on the part of the municipality. The strategy was to be prepared through detailed surveys, identification of the economic and health costs of environmental degradation in particular water pollution; identifying the factors contributing to pollution of the lake and associated mitigation strategies; and preparation and prioritization of investment programs to reduce pollution. The beneficiaries were the population of Phewa Lake and surrounding areas. Benefits were to result in increased tourism because of better pollution control and clear lake water.

39. Although designated as the executing agency, the Department of Tourism (DOT) delegated responsibility for TA implementation to DSCWM. The strategic plan identified and recommended as suitable for external financing 13 projects in the areas of environmental and public health improvement, tourism development, agricultural/economic development, and institutional development. These projects are consistent with the country's development priorities, and emphasize the areas where improvements can make the greatest long-term economic gain. The projects are appropriate and can substantially improve the environment and public health at relatively little cost. However, the Government should ensure that the following preconditions, critical for a successful impact of the projects, will be met: (i) the Pokhara Town Development Committee and Pokhara Municipality must enforce the existing Master Plan for Pokhara and future modifications thereof; (ii) sanitation standards must be developed and implemented for human waste disposal facilities and for hotel restaurant food preparation areas and sanitation facilities; (iii) a master plan must be developed and implemented for areas near the Phewa Lake; (iv) the capacity and capability of the Pokhara Municipality to operate, manage, and maintain a solid waste disposal facility and septic tank sludge disposal facility must be developed; (v) the Department of Health or the Pokhara Municipality must develop the capacity and capability to inspect and certify the acceptability of sanitation practices of hotels and restaurants; and (vi) the capability of the Pokhara Municipality to collect and properly dispose of solid waste must be improved.

40. TA No. 1939-NEP, Industrial Pollution Control, was to help strengthen the institutional capabilities of the Department of Industry (DOI) and the Ministry of Industry (MOI) to comply with the policy conditions under the Bank's Industrial Sector Program Loan.⁸ The primary objectives of the intervention were strengthening the institutional capability of DOI and MOI to formulate and implement policy and regulations on environmental pollution control.

41. The report reviewed the country's experiences and the current institutional and legislative framework for environmental protection in Nepal. The report recommended possible functions and duties of the Environmental Protection Council, of which MOI is a member, outlined areas of governmental action in the environmental sphere and addressed the training needs of officials. It stressed the need for training of existing staff and recommended recruitment of new staff to meet the regulatory requirements and building the capacity of MOI. The report also contained draft

⁷ Loan No. 1156-NEP(SF): *Tourism Infrastructure Development Project*, for \$10.4 million, approved on 16 January 1992.

⁸ Loan No. 1229-NEP(SF): *Industrial Sector Program*, for \$20.582 million, approved on 27 April 1993.

regulations for the implementation of legislation on air and water quality, hazardous wastes and environmental impact assessments. Senior officials interviewed expressed dissatisfaction with the report. They stated that the draft regulations proposed by the Consultant were basically copied from existing United Nations regulations on this subject and could not be approved by the MOI in their present form. The Government is currently revising the proposed regulations, a process that is being constrained by the lack of baseline data to justify pollution standards prepared by the consultants. The impact of this TA is considered marginal.

42. The Bank's four advisory TAs in the environment subsector have so far failed to make a significant impact in capacity building. This has as much to do with the approach chosen by the Bank as with the lack of ownership shown by the Government. While the objectives of the initial TA were appropriate, the failure to establish a structure for the administration of a national environmental program adversely affected the implementation and impact of the three subsequent TAs, which were carried out in isolation and not as part of an integrated program. In hindsight, the Bank should only have processed these TAs after satisfactory completion of the first TA. Two of the TAs recommended investment programs but did not propose the institutional strengthening measures required to ensure that these programs can be implemented. The delay on the part of the Government in establishing a task force under TA No. 1132-NEP and in reacting to the recommendations of the task force, is also a major factor for the lack of impact.

B. Specific Impacts

1. Economic Impact

43. The economic impact of the TAs has only been an indirect one and can only be discussed in terms of delivery of services rather than in the form of quantifiable benefits. Such TA outputs as strategic plans, investment plans, training programs, institutional reform, and environmental regulation were to contribute to the delivery of improved educational, water supply and public health services. Whether this indeed has been the case, and to what extent, has been difficult to determine given the absence of impact indicators in the TAs. It is likely, however, that the succession of TAs in the education and water supply subsectors, together with the Bank's project investment, has improved service delivery to some extent.

2. Social Impact

44. The TAs generally demonstrated that beneficiary participation in implementation was either weak or non-existent. Future TAs need to ensure adequate beneficiary consultation and participation. Nevertheless, many TAs are expected to have contributed to improved social conditions. Assistance in the water supply sector responded to health issues while the assistance to MOEC improved education. Other interventions addressed issues of employment, livelihood, and purchasing power. The lack of impact indicators in the TAs, however, seriously constrains rigorous impact assessment.

3. Institutional Impact

45. All the TAs had provisions for strengthening of institutions so that they can undertake expanded responsibilities in an efficient and effective manner. TA outputs variously included long

term-plans, institutional and policy frameworks, training courses for staff development, improvement in policies, systems and procedures, strengthened management information and benefit monitoring and evaluation systems, use of consultant services, and recommendations for improved coordination. However, many of these outputs emerged from immediate needs or problems rather than from in-depth strategic or needs analysis. Also, institutional strengthening measures were sometimes introduced too soon without clearly conceived, long-term mission statements. As a result, many of the strengthening efforts were reactive rather than anticipatory or proactive and had, therefore, only a limited impact.

4. Environment Impact

46. In addition to the four TAs in the environment subsector, most of the other TAs had environmental objectives and targets. However, the amount of TA resources devoted to environmental aspects was inadequate to deal effectively with environmental concerns. Much more work needs to be done in drafting of policies and formulating programs but also in economic analysis and long-term sustainability.

5. Gender Impact

47. Recommendations made under the TAs in the education subsector generally emphasized the need for professional development and social uplift of women in general, and of female teachers and students in particular.

IV. KEY ISSUES

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

A. Strategy For Capacity Building

49. The TAs were isolated attempts by the Bank at capacity building in the social sector and its subsectors. They 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. The TAs in the water supply subsector, and to a lesser extent in the education subsector, had a greater impact than the other TAs because they benefited from the Bank's longer involvement in, and greater knowledge of the subsectors. Nevertheless, for capacity building efforts to be successful, the Bank 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.

B. Project Design and Preparation

50. 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.

C. Follow-up Action

51. Potential impact of TAs is lessened by lack of follow-up on the part of the Bank and the concerned government to ensure that the output of the TAs is utilized. The Bank 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 the Bank's long-term involvement in the subsector which allowed for follow-up.

D. Beneficiary Participation

52. 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.

E. Counterpart Provisions

53. 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. The Bank 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 the Bank 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.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Overall Assessment

54. In general, a review of the TAs, vis-a-vis their objectives, suggests that, while the strategic plans and policies received due attention, the implementation was constrained by inadequate institutional capacity and resources. There were a number of incompatibilities between the plans prepared under the TAs and institutional capacity. Plans and regulations were not supported by analyses of structural and functional mechanisms of the organization concerned.

55. The development plan for upgrading teacher education was the result of TAs provided by the Bank. The studies identified critical issues in Nepal's teacher education system and proposed appropriate teacher training projects for external financing. The TAs also resulted in the preparation of

several training packages for teachers, supervisors, headmasters, and principals, which contributed to capacity building for NCED. Their impact is considered to be generally adequate. Considering the large number of primary school teachers and administrators that will benefit from these training packages, the contribution of these TAs to improving the quality of education in the long run is expected to be substantial.

56. The three water supply TAs brought about the reorganization of DWSS into a three tiered institutional structure, which appears to have considerably increased the agency's implementation and operational capacity. However, implementation of the strategic plan prepared under the most recent TA has only just started and it is too early to assess the impact of the plan on the operations of DWSS. On the whole, the impact of training component is considered marginal. Discussions indicated that DWSS and the Bank did not pay adequate attention to the training needs of the restructured and expanded organization, although the consultants did recommend a comprehensive training program for DWSS.

57. The government decided to reject the work of the international consultants and to continue the work on institutional strengthening of environmental management through joint in-house undertakings of staff and local consultants. However, this effort was not very successful as the NPC's capability was inadequate. The training component also had only marginal contributions because the staff who were sent to the Asian Institute of Technology for training did not have a science background, and had difficulty following the course. Thus, the TA had only marginal impact on institutional strengthening for environmental management in NPC. The study on the Kathmandu Valley resulted in the formulation of a strategic plan that identified priority investments to the year 2001, including indicative cost estimates. Since the TA was basically designed for preparing a strategic plan for the Kathmandu Valley Urban Development Project, it gave little attention to implementing institutional strengthening and human resource development. The plan's implementation is constrained by the large number of agencies concerned, and their limited personnel and institutional capacity. The recommendations of the study on environmental protection for Phewa Lake were technically sound and, if implemented, could help in substantially improving the environment. However, because of the indifferent attitude of DOT as witnessed by the transfer of implementation responsibility to DSCWM, revenue and financing inadequacies, insufficient technical expertise at the local level, and poorly defined relationships between various levels of government institutions, it is doubtful whether the recommendations will be implemented. The draft regulations for industrial pollution control prepared by the consultants for implementation of legislation on air and water quality, hazardous waste, and environmental impact assessment, did not address the reduction of health risk anticipated by the proposed regulation as stipulated in the terms of reference. The report was inadequate in terms of analysis and quantification of the cost and benefits of the project. The draft regulations were a modified version of the United Nations' pollution control regulations and were considered inappropriate by the Government for implementation.

58. The TAs covered under the Study in general focused on issues of policy, plan formulation, and development of regulatory frameworks. Relatively little attention was given to the formulation of long-term perspective and short-term strategic plans for executing agencies and their needs for training and organizational development. Furthermore, the TAs were ad hoc in nature, being formulated independently of each other and were generally not based on adequate sectoral and institutional analysis. TAs implemented by DWSS and MOEC had sequential interlinkages, as each was designed primarily as an extension of a former TA and was therefore continued along the same lines. However, the achievements of preceding TAs were not analyzed adequately to provide a basis for improved formulation of the follow-on TA. Likewise beneficiaries should have participated actively in the process of formulating a follow-up or new TA; however, the document analysis and discussions with executing agencies show a clear lack of encouragement for beneficiary participation at any stage. Likewise, executing agencies and the Bank did not carefully examine the expertise required for foreign and local consultants during formulation of the TA projects.

59. In summary, the TAs generally fell short in three critical areas: (i) the strategic planning process failed to define an adequate vision of the subsectors in which the agencies operated; (ii) the plans did not provide for an institutional mission statement of core goals and functions that would rationalize the existence and strengthen the distinctive competence of the agencies; and (iii) the plans were unclear about what measures to take to promote a culture of change and teamwork in the agencies.

B. Lessons Learned

1. Policy Lessons

60. Policy-based institutional capacity enhancement efforts should be viewed in the broader context of the Government's overall administrative reforms. In its absence, such efforts should be placed within the context of the agency's development plans and programs, and of targeted beneficiaries or customers identified through an in-depth institutional and needs analysis.

61. As a policy, capacity building or the institutional enhancement of a government agency or department can be limited to a critical mass of changes as a precursor for other corresponding and mutually reinforcing changes to take place. The more critical changes should relate to policy making, delivery services, and planning and control functions. Everything cannot be done in one intervention.

62. Institutional strengthening requires more than training or administrative reorganization. It requires detailed mission statements for executing agencies within a long-term perspective, the identification of beneficiaries (the clientele) and their active participation, the existence of strong leadership, the practice of strong reporting and monitoring, and sharing of experience among agencies working in various sectors.

2. Lessons for Strategy and Programming

63. Strategic planning for capacity building must take into account internal organizational capacity, its values and mission, and a commitment to set priorities or make strategic choices for the future. A capacity building program, therefore, should be integrative and long-term endeavor. Specific projects should be based on situational analysis of plans and programs in action; performance evaluation of trainees, managers, and expected beneficiaries; and organizational effectiveness in terms of productivity, participatory management, outputs, and focus on organizational development, including initiation into total quality management systems or adaptations of quality circles and beneficiary-empowerment motivation measures, etc. Organizational development would prevent shortfalls arising from one-shot project interventions.

3. Implementation Lessons

64. The principal ingredient in capacity building is people and how they are trained and located in restructured organizations; how they are to implement policies and programs to bring better services to the clientele or beneficiaries; and how they plan, implement, and evaluate activities. The implementors therefore should have strong technical and managerial skills supported by even stronger behavioral skills sensitive to the demands of change and its aftermath. Capacity building plans must be

embodied in change strategies. Capacity building TA projects must be designed with the involvement of beneficiaries and providers, and must emphasize adequate local participation.

C. Recommendations

65. The Bank'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) The Bank 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 the Bank 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 Bank 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.

D. Follow-up Actions

66. Recommended action is as follows:

- (i) The Government should carry out a comprehensive review of the recommendations of the TAs covered under the Study, and evaluate the status of implementation of recommendations, strategic plans, environmental regulations, and use of staff trained under these TAs.

- (ii) The Government should set up a sector-wide management information system to collect, analyze, and disseminate and share information of capacity building related TAs and projects to ensure that capability throughout the Government system is strengthened, and a strong pool of specialists are developed over time and utilized. In this way, the Government will be able to sustain its own self driven capability building improvements.
- (iii) The Government, jointly with the Bank, should develop and issue guidelines on counterpart staff so that whenever external assistance is extended for capacity building, the right number of adequately qualified staff is involved in the TA from project preparation. This will ensure optimal transfer of technology and sustainability of the benefits from such interventions.
- (iv) The Government should ensure adequate budgetary provisions to support the external assistance and absorb the increased expenditures from implementing the recommendations of advisory TAs.