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Appendix 1: Questionnaire for Executing Agencies

Note: The covering letter from resident missions to the executing agencies (EAs) that accompanied the questionnaire said that the EAs' replies would be treated in confidence and the consultant's report would not identify particular EAS with particular responses.

NAME of your Authority/Department/Corporation:

TITLE of ADB project (TA or loan) and its START YEAR to which your answers below concerning the technical assistance component relate *(Please complete a separate questionnaire for each project):*

Title: _____
Date: _____

Date on which this questionnaire was completed: _____

SECTION 1 DIAGNOSTIC STAGE OF CAPACITY DEVELOPMENT

1. Before the main objectives, activities, and consultants' terms of reference for the project were agreed, do you think that ADB devoted sufficient time to understanding the strengths, weaknesses, potentials, and problems of your organization? *[please indicate one answer by highlighting with a color or underlining]*
 - (A) more than sufficient time
 - (B) time was about right
 - (C) insufficient time
2. How well do you consider that ADB correctly identified the key changes, both inside and outside your organization, that were needed in order to improve its performance?
 - (A) very well
 - (B) quite well
 - (C) not at all well
3. How closely were the staff of your organization involved in helping ADB analyze your organization's strengths, weaknesses, potentials, and problems?
 - (A) very closely
 - (B) quite closely
 - (C) not at all closely
4. How do you rate the description, in ADB documents relating to the project, of your organization's strengths, weaknesses, potentials, and problems?
 - (A) very accurate
 - (B) reasonably accurate
 - (C) not at all accurate
5. Did your organization learn anything important from ADB's analysis of it that your organization was not fully aware of before and, if so, what? *[please explain below]*

SECTION 2 DESIGN STAGE OF CAPACITY DEVELOPMENT

6. Where did the central ideas or concept(s) of the project mainly originate?
 - (A) from ADB
 - (B) jointly from ADB and ourselves
 - (C) from ourselves
 - (D) from elsewhere (e.g., other government departments, other projects, other aid agencies)

7. How closely were the main objectives of the project aligned with government policies and your organization's own priorities?
 - (A) very closely
 - (B) fairly closely
 - (C) not at all closely

8. Before the design of the project was finalized, how much time did your organization and ADB spend together reviewing past experiences with TA and loan projects?
 - (A) a lot of time
 - (B) a fair amount of time
 - (C) not much time

9. How closely were the staff of your organization involved in determining the objectives, activities, and consultants' terms of reference for the project?
 - (A) very closely
 - (B) fairly closely
 - (C) not at all closely

10. How well did the objectives, activities, and consultants' terms of reference for the project, as finally approved by ADB, fit the needs of your organization?
 - (A) very well
 - (B) fairly well
 - (C) not at all well

11. At the time when the project was designed with ADB assistance, how realistic did its objectives appear to be (e.g., in terms of how quickly performance improvements would be achieved, or the scale or extent of improvements)?
 - (A) seemed realistic at the time
 - (B) some aspects seemed realistic, some did not
 - (C) seemed unrealistic

12. In relation to the needs of your organization to acquire new knowledge and skills, how appropriate were the methods and tools proposed for this in the technical assistance component of the project (e.g., attending courses at training institutions, on-the-job training by consultants, study visits to similar organizations, staff exchanges with similar organizations, etc.)?
 - (A) most methods and tools proposed were appropriate
 - (B) some were appropriate, others were not
 - (C) most were not appropriate

If the answer is C, please explain why below:

13. Was the emphasis in the project on using consultants to help build capacity in your organization about right?
- (A) no, much of the proposed input by consultants was unnecessary
 - (B) yes, the emphasis was about right
 - (C) no, more use should have been made of consultants
- If the answer is A or C, please explain why below:*
14. Was the proposed balance in the project between using international and domestic consultants about right?
- (A) no, too much input by international consultants
 - (B) yes, the emphasis was about right
 - (C) no, not enough input by international consultants
15. How would you rate the quality of the proposed technical assistance action plans, in terms of the clarity of objectives, the logic of the activities selected for achieving those objectives, the sequencing of these activities, and the usefulness of the indicators chosen to measure progress?
- (A) good
 - (B) more or less satisfactory
 - (C) poor
- If the answer is C, please explain the main reason why below:*
16. To what extent did the technical assistance component of the ADB project take account of technical assistance being provided by other aid agencies?
- (A) ADB technical assistance was carefully integrated with other technical assistance
 - (B) integration with other agencies' technical assistance was reasonably satisfactory
 - (C) there was much unnecessary overlap with, and/or significant unfilled gaps between ADB's and, other agencies' technical assistance

SECTION 3 IMPLEMENTATION STAGE OF CAPACITY DEVELOPMENT

17. To what extent did the technical assistance component of the project seek to strengthen your organization's capacity to implement projects and deliver services by creating new management structures and to what extent did it use existing management structures?
- (A) mainly relied on setting up new structures
 - (B) mainly relied on using existing structures
 - (C) a mixture of both approaches
18. Did the technical assistance component of the project specifically use a management system known as "Results Based Management (RBM)" to achieve its objectives or was another management system used?
- (A) RBM was definitely used
 - (B) RBM or a similar system may have been used
 - (C) RBM was not the system used
19. How effective was the technical assistance component of the project in helping your organization acquire relevant new knowledge and skills?
- (A) very effective
 - (B) effective in some areas, ineffective in others
 - (C) not at all effective
- If the answer is C, please explain the main reason why below:*

20. How useful were the consultants engaged for the technical assistance?
(A) very useful
(B) fairly useful
(C) not very useful
If the answer is C, please explain the main reason why below:
21. What were the principal ways that your organization used to acquire for its own staff the knowledge and skills that the consultants brought to the project? *[please rank in order of importance, using 1, 2, etc]*
(A) workshops on project issues or tasks
(B) in-house training courses devised by the consultants
(C) outside training courses recommended by the consultants
(D) assigned staff working alongside the consultants
(E) others *[please specify below]*
22. How conducive is the work environment or management culture of your organization to encouraging staff to acquire new knowledge and skills?
(A) very conducive
(B) reasonably conducive
(C) not at all conducive
If the answer is C, please explain the main reason why below:
23. How willing were staff in your organization to take on the additional work that participation in the technical assistance activities of the project required?
(A) very willing
(B) fairly willing
(C) not at all willing
If the answer is C, please explain the main reason why below:
24. In practice, how difficult was it for your organization to allocate key staff resources to supporting the technical assistance activities?
(A) no major problems; the technical assistance was given priority
(B) quite difficult, but generally the problems of allocating staff time to technical assistance activities were overcome
(C) very difficult, due to competing priorities for staff resources
25. How well did middle ranking and junior staff in your organization understand the main objectives of the technical assistance?
(A) very well
(B) fairly well
(C) not very well
If the answer is C, please explain the main reason why below:
26. Where did the impetus and drive to keep the technical assistance activities progressing and make them a success mainly come from?
(A) from leaders within the organization
(B) from consultants
(C) from ADB staff

27. What were the main problems that arose during implementation of the technical assistance?
[please insert below]
28. In which of the following areas has your organization's performance improved most in the last 10 years (for whatever reason)? *[please rank in order of significance, using 1, 2, etc]*
- (A) strategy and planning
 - (B) operating efficiency
 - (C) financial management
 - (D) staff development
 - (E) number of end-users/customers/clients/beneficiaries serviced
 - (F) scope, quality, and reliability of services provided
 - (G) governance
 - (H) accountability to stakeholders, particularly end users/customers /clients/beneficiaries
 - (I) others *[please list below]*

SECTION 4 GENERAL

29. How does your organization rate the technical assistance provided by the project in terms of enabling your organization to improve its performance in the future?
- (A) substantial impact
 - (B) some impact
 - (C) little or no impact
- If the answer is C, please explain the main reasons below:*
30. To what extent has the performance of the technical assistance provided by the project been adversely affected by factors outside the control of your organization and ADB?
- (A) not very much affected
 - (B) affected to some extent
 - (C) greatly affected
- If the answer is C, please list the main factors below:*
31. In the view of your organization, what are the main ways in which the ADB's technical assistance for capacity development could be made more effective in the future? *[Please set out below]*
32. Does your organization consider that ADB, in its capacity development support, places too little or too much reliance on technical assistance?
- (A) too little reliance
 - (B) about right
 - (C) too much reliance
- If the answer is C, please explain below what other forms of support for capacity development might be more effective than technical assistance.*

THANK YOU FOR ANSWERING THIS QUESTIONNAIRE

Appendix 2: Documents Reviewed Relating to South Asia Operations

Country Sector	Executing Agency	Operation	Project Title	Loan No.	Proj. No.	Date TAR	RRP	TCR/PCR	PPAR	Rating ^a	
Bangladesh	Financial SEC	TA	Institutional Strengthening of SEC	1580	26455	Sep-03		Nov-96		GS	
		TA	Institutional Strengthening of SEC								
		Loan+TA	Capital Markets Development Program					Oct-97			
		TA	Capacity Building of SEC and SE						Apr-03		PS
		Loan	Capital Market Development Program Loan						Aug-03		PS
		TA	Capacity Building of SEC and Selected Capital Market Institutions								
		TA	Preparing Financial Markets Governance Program								
Power	DESCO and PGCB	Loan+TA	Rural Electrification Project	27149			May-95			Dec-03	HS ^e
		TA	Financial Management Upgrade of BPDB and DESA	2004				Mar-96			GS
		Loan+TA	Ninth Power Project ^b	1505				Nov-96			
		Loan+TA	Ninth Power Project—Request to use Loan Surplus for Staff Compensation	1505							
		Loan	Dhaka Power System Upgrade Project	28025				Nov-99			
		Loan+TA	West Zone Power System Development Project	31296				Nov-01			
		TA	Corporatization of DESA	34039				Nov-02			
		Loans	Power Sector Development Program	36205							
Infrastructure	LGED		Rural Infrastructure Development Project		Ap-62						
		Loan+TA	Rural Infrastructure Development Project ^c	908	859		Sep-88				GS
		Loan+TA	Rural Infrastructure Development Project ^c	908	21086			Jun-99		none	
			Second Rural Infrastructure Project		23328						
		Loan+TA	Second Rural Infrastructure Project ^d	1215	23328		Nov-92	Jul-02			S+S
		Loan	Third Rural Infrastructure Project		28023		Oct-97				
		Loan	Rural Infrastructure Improvement Project		31304		Nov-02				
Nepal	Power NEA	Loan+TA	Kali Gandaki 'A' Hydroelectric Project	26362			Jun-96				
		TA	Management Reforms & Efficiency Improvements for NEA	32241		Dec-00					
		TA	Institutional Support for Distribution Planning & Commercial Ops.NEA	18802						Jun-04	PS
		TA	Preparing Rural Electrification & Renewable Energy Project	35349		Dec-04					
		TA	Restructuring of NEA	37196		Jan-05					

Country Sector	Executing Agency	Operation	Project Title	Loan No.	Proj. No.	Date		Rating ^a
						TAR	RRP	
Livestock	DLS	Loan+TA	Livestock Development Project	394		Dec-79	Sep-88	
		Loan+TA	Livestock Development Project	445				Mar-90 NS
		Loan+TA	Second Livestock Development Project	18007			Dec-95	Dec-98 PS
		Loan	Third Livestock Development Project	25054		Aug-96		
		TA	Preparing the Community Livestock Development Project	35170	Dec-02			
		Loan	Community Livestock Development Project	35170		Nov-03		
Infrastructure	MLD/DOLIDAR	TA	Institutional Strengthening for Rural Infrastructure Development	29520		Apr-96	Feb-99	GS
		Loan	Rural Infrastructure Development Project	1450		25322	Jun-96	
		Loan+TA	Decentralized Rural Infrastructure & Livelihoods Project	2092		30232	Sep-04	
Sri Lanka Power CEB		TA	Preparing a Power Sector Restructuring Project	30207		Jan-99		
		Loans	Power Sector Development Program	30207			Oct-02	
		TA	Restructuring the Power Sector-Phase II	35006		Apr-02		
		TA	Energy Sector Master Plan	36177		May-03		
		TA	Preparing Rural Electrification and Network Expansion Project	34323		Dec-03		
		Loan+TA	Second Water Supply and Sanitation Project ^f	23209		May-93	Aug-00	GS
		TA	Rural Water Supply and Sanitation Sector Project	28153		Jul-96		
		Loan	Third Water Supply and Sanitation Project	28153			Oct-97	
		TA	Accounting Review of NWSDB ^g			May-00		
		TA	Preparing Secondary Towns Water Supply & Sanitation Project	31501		Dec-00		
Loan	Secondary Towns Water Supply & Sanitation Project	31501			Dec-02			
TA	Strengthening Regulatory Framework for Water Supply & Sanitation	34315		Dec-02				

BPDB = Bangladesh Power Development Board, CEB = Ceylon Electricity Board, DESA = Dhaka Electric Supply Authority, DESCO = Dhaka Electricity Supply Company, DLS = Department of Livestock Services, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, LGED = Local Government Engineering Department, MLD = Ministry of Local Development, NEA = Nepal Electricity Authority, NWSDB = National Water Supply and Drainage Board, PCR = project completion report, PGCB = Power Grid Corporation of Bangladesh, PPAR = project performance audit report, RRP = report and recommendation of the president, SE = stock exchange, SEC = Securities and Exchange Commission, TA = technical assistance, TAR = technical assistance report, TCR = technical assistance completion report.

Notes:

- ^a Ratings: GS = generally successful, HS = highly successful, NS = not successful, PS = partly successful, S = successful.
- ^b TA Valuation of assets of Dhaka Electricity Supply Company
- ^c TA 1043-BAN Training in feeder road construction and maintenance
- ^d TA 1809-BAN Strengthening LGED's management capability
- ^e Sector Assistance Program Evaluation; SAP: BAN 2003-30, December 2003
- ^f TA 1900-SRI Management strengthening of NWSDB; October 1993
- ^g Small-scale TA

Appendix 3: Executing Agencies—Capacity Development Interventions and Capacity Growth

Local Government Engineering Department (LGED), Bangladesh

Assistance Related to Capacity Development (CD) from the Asian Development Bank (ADB): 1988 to the present

The Rural Infrastructure Development Project (RIDP, loan, approved in September 1988, [ADB 1988a and c]). The loan included advisory technical assistance (TA) to strengthen the capability of local contractors and government staff to construct all-weather roads, manage and maintain equipment, and maintain feeder roads. The Local Government Division of the Ministry of Local Government, Rural Development and Co-operatives was the executing agency (EA) and LGED was the implementing agency.

The project completion report (PCR) concluded that the consultants' input, which included 62 training workshops and seminars, was very useful in upgrading the capability of LGED staff and local contractors for road construction and implementation (ADB 1999b). The PCR noted that the TA has had "a significant impact on the construction efficiency and quality in the RIDP and the ongoing" subsequent RIDP2 and RIDP3. Generally, LGED was considered at the time to have adequate implementation capacity due to its long experience in implementing several donor-funded projects. However, LGED needed clearer priorities for road design standards and to be more responsive to the need for benefit monitoring and evaluation activities, for which LGED lacked the necessary expertise and resource allocation. The PCR rated the project as "generally successful."

The Second Rural Infrastructure Development Project (loan, approved in December 1992 [ADB 1992a and b]). The RIDP2, which was very similar in scope to the first RIDP, included advisory TA¹ to strengthen LGED's planning, management, and information systems.

During the 4 years of the TA, which came to be widely known as "MANCAPS," the consultants analyzed LGED's strengths, weaknesses, opportunities, and risks and prepared an action plan and organizational manual for the agency. Reduced dependence on institutional support projects and the establishment of key posts in LGED to manage an increasing portfolio of more than 50 projects was proposed. Recommendations covered all major areas of LGED including management, human resources (HR) development, planning and financial management, monitoring and evaluation, and engineering management. Most recommendations were adopted, including the establishment of a training unit in LGED.

The PCR concluded that there had been a "noticeable improvement in LGED's financial management system and that the consultants' output was an invaluable document to both LGED and ADB" (ADB 2002a). The TA was rated "successful." However, the PCR noted that the government overregulated and gave insufficient autonomy to its departments concerning remuneration and promotion. The PCR recommended that LGED's personnel management systems be streamlined and modernized, while appreciating that such civil service reforms would cut across all government agencies and were complex matters that might not be feasible to address during the TA period.

Institutional support services were also provided under the loan for (1) strengthening LGED's training programs, monitoring systems and supervisory development and to train contractors, local government representatives, and LGED staff; and (2) maintenance of rural infrastructure by setting up a special cell at the center with branch networks. Infrastructure maintenance was of great concern to ADB and other donors that had been in policy dialogue with government about this for many years.

¹ TA 1809-BAN Strengthening LGED's Management Capability.

The PCR for the project assessed the project's capacity building as "very appropriate," and the TA as being very useful in equipping LGED staff to manage the project (ADB 2002a). The training program for contractors was considered "excellent." Overall, the project was rated "successful."

The Third Rural Infrastructure Development Project (TA, approved in March 1996 [ADB 1996g]). The TA aimed to help the government formulate the project. Although LGED staff had been trained in rural development under the ongoing Rural Employment Sector Programme II, financed by Swedish and Norwegian aid, LGED needed "more practical experience in socio-economic aspects through project preparation and implementation." The TA covered verification of data collected by LGED, review of LGED's feasibility studies, assessment of local level needs and priorities, and the preparation of the project in consultation with all stakeholders.

The Third Rural Infrastructure Project (loan, approved in October 1997 [ADB 1997d]). Among the lessons learned from previous projects were the needs (1) for continued institutional strengthening of LGED's management structure and systems, and development of its human resources to meet the increasing demands on the agency; (2) for strengthening of the role and capacity of local government institutions in rural infrastructure planning and implementation, operations and maintenance (O&M), and financing; (3) for more participatory approaches in rural infrastructure projects; and (4) to ensure high technical standards by training local contractors to improve their technical and managerial skills, provide adequate laboratory facilities, assure adequate supervision of LGED works, and provide sufficient LGED staff capacity at the field level. RIDP3 planned to provide additional training to staff in LGED headquarters and district training centers, and consulting services to "upgrade management and technical staff of LGED and local government bodies." In addition to using the ongoing Institutional Support Project (funded by the Swedish International Development Agency [SIDA], a new training unit was to be established in LGED. Overseas study tours and short courses were to be provided for core, active project staff on a limited basis.

The report and recommendation of the president (RRP) concluded that "LGED has developed into an efficient organization for the provision of local infrastructure with a reputation for implementation efficiency . . . [and is] . . . recognized by the external funding community as the core agency for developing and maintaining rural infrastructure."

The Rural Infrastructure Improvement Project (TA, approved in September 2001 [ADB 2001e]). LGED submitted a feasibility study based on the three earlier RIDPs. However, the proposed project was limited to selecting roads and market subprojects, based on economic returns. While recognizing that the study demonstrated a strong commitment on the part of LGED, ADB considered that more work was needed to improve the social, environmental, and economic analyses and to evaluate the project's poverty reduction impact. An important lesson learned from earlier projects was that the strong involvement of local stakeholders in planning and design will increase the usefulness, acceptance, and maintenance of rural infrastructure. Under the government's decentralization policy, union councils (each is a council of several villages) were to plan, operate, and maintain local infrastructure, but their capacity to do so was limited. The TA was accordingly tasked with preparing a project with three components: (1) stakeholder capacity building, (2) infrastructure improvement, and (3) institutional support for effective management. The TA report was to include a capacity development (CD) plan.

The Rural Infrastructure Improvement Project (loan, approved in November 2002 [ADB 2002d]). Under the LGED capacity building component, staff members were to be trained in decentralized and privatized maintenance, procurement, financial management, and, particularly, the use of participatory approaches to infrastructure development. The need for further institutional reform was to be assessed, including clearly demarcating road construction and maintenance responsibilities between the Roads and Highways Department, LGED, and union councils. LGED staff members need nontechnical training to meet "the growing demand for them to perform the functions of facilitators and social mobilizers." The RRP noted that LGED needs to move gradually away from its role as a planner and implementer of infrastructure facilities at the local

level to an enabling role. Increasingly, its primary task would be to facilitate and assist local bodies such as union councils to take responsibility for the planning, implementing, and managing infrastructure at the grassroots level and to secure greater involvement of the private sector.

The project is intended to improve local governance by training union council members in their roles and responsibilities and supporting a pilot program for introducing participatory mechanisms for union-level governance. Local governance training would be provided in 5-day courses for all 899 union councils, with additional 5-day courses for 32 pilot union councils. An action plan for local governance would focus on securing improved administrative and management responsibility for all union councils, and, in 32 pilot union councils, improved coordination and collaboration between subdistrict administration and union councils; participatory consultation with stakeholders (including women, nongovernment organizations [NGOs], and community leaders); and local resource mobilization.

Relative Magnitude of ADB's Assistance (for all purposes)

During 1988–2002, approximately \$1.5 billion was committed to rural infrastructure (roads and markets) projects in Bangladesh by 16 agencies other than ADB (ADB 2002d, Appendix 1). The loans for the four ADB-supported investment projects referred to in the previous section totaled \$307 million.

Evolution of LGED's capacity

For several years, ADB has regarded LGED as an efficient implementer of local infrastructure projects. Other donors have clearly thought so too, and the high demand from external development financiers as well as from the government for LGED to act as an EA may account for ADB's repeated assessments that further strengthening of LGED is still required.² It is currently managing nearly 70

projects and cooperating with over 20 development partners. The other major factor relevant to recent capacity assessments is the ongoing transformation of LGED's role from primary provider to facilitator and enabler. LGED is changing from being basically an engineering organization to acting as a change agent itself at local government and community levels with regard to the transfer of responsibility for infrastructure planning, construction, and maintenance. LGED now tells its staff that they are in their job for two reasons: first, to provide rural infrastructure; and second, to assist local government. The principal challenge is to ensure that existing infrastructure is adequately maintained.

LGED's capacity has grown enormously since the early 1980s when it was a small bureau, undertaking food-for-work programs. Its conversion to its present status is attributed in large part to particularly strong leadership by the first head of LGED during most of the 1990s. The individual concerned had influence with the government, was personally committed to changing LGED for the better, and could inspire his staff. Larger projects were taken on, involving most rural infrastructure except highways and main roads, and the building of a strong management team from the center down to the subdistrict level. Much support came in from donors. This has meant that while LGED does not lack for financial resources, there is some risk that service quality may be sacrificed for quantity as more new projects are added to LGED's portfolio.

Although its staff are subject to civil service employment conditions, an informal system of perks and incentives established by the original director general (and probably also reflecting the substantial involvement of external donors) persists and helps to motivate staff. As important are the relatively progressive HR policies of LGED, which grooms people for suitable positions in the organization. Managers for new projects are carefully selected, prepared prior to the projects' inception, and expected to stay in the job until project completion. Transfers are relatively infrequent and staff turnover is low. The present chief engineer, for example, is only the third person to hold his position since LGED was created.

² The World Bank is supporting the Institutional Strengthening Action Plan, which is currently under way.

Unfortunately, the stability in personnel deployment is not matched by local government staff. (In this respect, LGED regards the use of covenants in external loan agreements to put pressure on the central government to provide more support for local government as very helpful.) Of LGED's staff, 90% work at the local level, 9% at district and regional levels, and only 1% at headquarters. This allows for intensive supervision that helps ensure the quality of civil works, as does the rapid reporting of substandard performance that becomes possible when local government is closely involved. LGED has only one staff association, as contrasted with the multiple unions that represent staff in some other government agencies.

Training is taken seriously, with a training calendar devised each year for all staff, including project directors, and monitored by headquarters. Training of trainers for local government is assuming greater importance, but can sometimes overstretch the capability of engineers. A comprehensive training needs assessment is conducted every few years. Trainees who have participated in external training programs are expected to make presentations to other staff to ensure dissemination of their newly acquired knowledge. Counterparts are assigned to consultants on a full-time basis.

LGED considers ADB to be one of its better partners. The long-established presence of the Bangladesh Resident Mission has undoubtedly helped foster a constructive relationship.

Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR), Nepal

CD-Related Assistance from ADB (1996 to the present)

Institutional Strengthening for Rural Infrastructure Development (TA, approved in 1996 [ADB 1996g]). The TA, comprising consulting services and training, aimed at strengthening the technical capabilities of the Ministry of Local

Development and local institutions at regional, district, and village levels. The TA was intended to help the government formulate a long-term strategy, prepare action plans, develop monitoring systems, organize awareness campaigns, assess training needs, and organize training programs. The International Labour Organization (ILO) provided the necessary consulting services and the outputs mainly pertained to technical practices concerning labor-based rural road construction and equipment inventories, as well as the draft national strategy. A significant result of the TA, in line with the strategy, was the formation of a new Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR). The PCR rated the TA "generally successful," noting that it had brought about "a notable change in the work attitude of technical staff of the Ministry of Local Development and local administrations" so that the new DOLIDAR now had "a pool of reasonably motivated staff." The PCR attributed success to the close working relationship established with the EA as a result of close monitoring and assistance from the resident mission (ADB 1999b).

The Rural Infrastructure Development Project (RIDP) (loan, approved in 1996 [ADB 1996c]). The RRP for this investment project pointed to lessons learned from audited ADB agriculture and agro-industries projects in Nepal, including the needs for (1) simple implementation arrangements with the minimum number of EAs; (2) active involvement of beneficiaries in planning, implementation, and monitoring; (3) intensive ADB supervision of implementation; (4) advance action on deploying staff for institution building activities; and (5) the use of local level groups and low-cost facilities as much as possible so as to keep the project within local capabilities. Strong commitment and ownership from the government was also cited as being essential. Specific experiences with other rural road projects in Nepal underlined the importance of strong community support, public awareness about environmental protection, output-based wage payments, toll collection for partial financing, and control over vehicle use.

The project aimed to build on successful experience with labor-based and environmentally friendly rural road construction methods within the management structure of decentralized local

government that had been established in Nepal. The consulting services provided, operating in parallel with the institutional strengthening TA referred to in the previous paragraphs, included design and supervision of the civil works components led by international consultants to ensure efficient and timely project implementation. Other tasks by domestic and international consultants were concerned with developing and applying construction and maintenance systems at the local level, involving road user committees (which experience from Swiss and German assistance has shown to be critical to success) and other community-based groups.

The Decentralized Rural Infrastructure and Livelihood Project (DRILP, loan, approved in 2004 [ADB 2004d]). The RRP for the DRILP lists “(1) community development and rural livelihood restoration [following civil conflict], (2) capacity building and decentralized governance, (3) rural transport infrastructure, and (4) project management services” as the project’s objectives. The order in which these are listed reflects the priorities. The input of consulting services was to be substantial—70% more than that planned for RIDP—as was the input of NGO services. This reflects lessons learned from RIDP, including the needs for (1) rigorous selection and design of subprojects, (2) intensive supervision of civil works, (3) CD of district development committees and of private sector organizations involved, (4) improved awareness of the need for maintenance and skills for implementing it, (5) better social mobilization procedures, and (6) stronger monitoring. These all require increased management, advisory, and facilitation inputs. The ultimate objective was to assist DOLIDAR and district agencies to efficiently contract out much of their work.

The loan, from which the bulk of the consulting services was to be financed, was accompanied by a small institutional development TA intended to assist the government with further strategy and policy formulation with regard to decentralized rural infrastructure development. The RRP states that the “highest priority is to help DOLIDAR instill a maintenance culture in district development committees, and establish effective planned rural road maintenance practices.”

Relative Magnitude of ADB’s Assistance (for all purposes)

The RRP for the DRILP estimated that, since 1979, external donors had committed about \$300 million to Nepal’s rural infrastructure sector, of which ADB had accounted for roughly 30%. ADB support goes back further than that of most other donors, if rural/agricultural development projects such as the Integrated Rural Development Project (1979–1988) and Hill Agriculture Project (1985–1993) are counted.

Evolution of DOLIDAR’s Capacity

In advocating the separate TA, the RRP for the DRILP notes that DOLIDAR had implemented monitoring to only a limited extent, had difficulty meeting the differing needs of development partners and assuming full authority of investment programs, had made slow progress in formulating district transport master plans, and had achieved only limited adoption by local government authorities of road maintenance systems. The shortcomings are attributed to staff shortages, vagueness about functions,³ and the uncertainties engendered by incomplete decentralization. DOLIDAR’s problems are said to be compounded by the poor quality of local consulting firms services, the substandard outputs of many NGOs, and the private sector’s weak social mobilization skills in general.

Despite these assessments, ADB staff members consider that, overall, DOLIDAR has emerged as a significant success in CD terms. This is despite the low civil service salaries. Among the key factors involved has been the vision of its first director general; the career development opportunities for staff that opened up during the agency’s expansion⁴ under his leadership; and the substantial, coordinated support from donors. With the government pursuing decentralization and

³ For example, there is confusion over district development committee secretaries, who are local development officers but in practice frequently chair district development committees, about whether they or DOLIDAR’s District Technical Office have primary responsibility for technical matters.

⁴ DOLIDAR started with about 20 engineers; it now has around 200.

grassroots engagement as a key element of its development strategy, DOLIDAR staff recognized that this is where professional advancement lay. (DOLIDAR staff members say they have to change from being engineers to becoming “social engineers.”) However, this motivation is now being undermined to some extent by the difficulty of assessing the implications of decentralization for career prospects. It also seems that the present director general has not been able to sustain the same degree of commitment to and enthusiasm for DOLIDAR’s mission among his staff.

The DRILP RRP considers that the technical and project management skills of DOLIDAR have developed substantially since its formation (in 1997). However, despite its rapidly accumulated experience in managing externally funded projects, ADB assessed the agency’s HR base as still limited compared with the demands of a complex project such as DRILP. District institutional capacities are also limited.

National Water Supply and Drainage Board (NWSDB), Sri Lanka

CD-Related Assistance from ADB (1993 to the present)

The Second Water Supply and Sanitation Project (WSSP2, loan, approved in June 1993 [ADB 1993b]). The CD objectives included (1) helping the National Water Supply and Drainage Board (NWSDB) improve its operational efficiency and financial viability, (2) promoting sector reform to foster appropriate national water management, and (3) raising public awareness of key water issues throughout the country. Support was provided for consulting services, operations and maintenance (O&M), construction supervision, and training of NWSDB and local authority staff in technical and management matters as well as community participation and hygiene. The PCR concluded that the training substantially strengthened the O&M capacity of NWSDB staff but was not successful in strengthening that of the municipal authorities (ADB 2000a). The public awareness campaign was successful. NGO performance was less than

satisfactory, with some staff lacking financial and technical experience. The capacity of NGOs should have been more carefully examined during the selection process.

Responsibility for the O&M of water supply systems should have been transferred from NWSDB to local authorities on completion of each subproject but NWSDB failed to provide the necessary support in preparing for this.

A pilot project for community-based rural water supply showed that beneficiaries were highly motivated to improve their water and sanitation services and were willing to make substantial financial contributions. This led to several improvements for WSSP3.

The PCR rated WSSP2 as “generally successful,” but concluded that NWSDB needed to expand its capacity building support of local authorities and to encourage them to assume more responsibility. WSSP2 reinforced the financial viability of NWSDB and its operational efficiency, which improved project sustainability. The PCR recommended that NWSDB be made more autonomous in staffing, financial management, and O&M. As there was political influence on tariff decisions, the PCR also recommended the establishment of an independent regulatory body to approve all tariff revisions.

Management Strengthening of NWSDB (TA, approved in October 1993 [ADB 1993d]). The TA was rated “generally successful” in developing a computer-based integrated management information system, personnel management, and staff training, and assessing the potential for privatizing some services. The TA revealed a serious weakness in NWSDB’s internal audit function as well as deficiencies in its accounts.

The Third Water Supply and Sanitation Project (WSSP3, loan, approved in June 1997 [ADB 1997d]). Consulting services were provided to (1) strengthen and support project management and implementation capabilities; (2) support policy reforms (introducing a sewerage tariff, helping to establish a regulatory authority, and introducing private sector participation); and (3) prepare policies and operational procedures for water rights and groundwater use.

Accounting Review of NWSDB (TA, approved in 2000 [ADB 2000a]). The TA was provided to diagnose problems (revealed by the TA for WSSP2) and assess and advise on (1) the adequacy and competence of professional accounting staff, and (2) financial management and accounting procedures and practices. The Auditor General's Office was the EA.

Secondary Towns Water Supply and Sanitation Project (TA, approved in December 2000 [ADB 2000d]). Among their duties, the TA consultants were asked to (1) prepare an institutional development component, including the design of a training element (needs assessment for NWSDB and local authorities and preparation of a training program); and (2) assess the scope for improving information technology. The consultants were also asked to advise the government on the introduction of a regulatory body and “introduce some form of private sector management in the Greater Colombo Water Supply.” The training needs assessment and program were to be largely participatory with the training specialist acting mainly as a facilitator.

Secondary Towns and Rural Community-Based Water Supply and Sanitation Project (loan, approved in December 2002 [ADB 2002b]). The loan again includes “institutional strengthening” to improve NWSDB’s financial management and service delivery. The loan requires NWSDB to prepare a corporate strategy to (1) improve financial planning and resource allocation for the sector, (2) reduce tariff cross-subsidies, (3) introduce performance-based financial incentives to regional centers, and (4) institute appropriate management of existing assets. An action plan to improve operational performance was to be implemented by NWSDB. NWSDB was to identify small-scale water schemes for transfer to local government institutions, private sector, and/or community-based organizations (CBOs).

Training was to be provided for water supply system operators in NWSDB, village councils, and CBOs. A rural component was to provide training, which was to be provided by NGOs, contracted to village councils. The aim was “to strengthen CBOs’ capacity to participate in community development.” Management training was also to be provided, for NWSDB staff.

The project aimed to support decentralization of service provision to local governments, private providers, and civil society. The rural component was to be “demand-driven” and based on participatory approaches through NGOs (NGOs are recognized in the National Policy for Rural Water Supply and Sanitation Sector, 2001, as facilitators of water provision). Beneficiaries were to be organized in CBOs and to collectively take responsibility for subproject implementation. The project aimed to support NWSDB in adapting to its new role in the sector.

The project performance report includes a substantial list of lessons learned from ADB’s impact evaluation study of WSSPs in selected developing member countries and a World Bank evaluation of rural water projects in general (Parker and Skytta 2000).

Relative Magnitude of ADB’s Assistance (for all purposes)

During 1996–2001, approximately \$325 million of external funding was committed to the rural water supply and sanitation in Sri Lanka by nine agencies other than ADB (ADB 2000d). The loans and TA for the ADB-supported projects noted in this appendix above totaled \$240 million.

Evolution of NWSDB’s Capacity

ADB staff members consider NWSDB to be one of the more developed public sector agencies in Sri Lanka in terms of overall capacity, and recent ADB project documents affirm its efficiency at implementing projects. Thus the TA report for WSSP3 noted that in “over 15 years of working as an executing agency for ADB projects, NWSDB had proved to be competent and reliable.” The project performance report for WSSP3 also commended WSSP2’s rate of implementation and the quality of processes employed. NWSDB considers itself to be among the top five EAs in Sri Lanka. It regards the recently prepared corporate plan as its own work and points to the fact that all project proposals now have to be approved by its Planning and Monitoring Division. As with many such agencies in the country, however, its more competent staff are concentrated in a relatively thin layer in the upper levels of the organization and

staffing lower down still requires strengthening. Financial management has been a persistent weakness.

While NWSDB's financial performance has improved as a result of increased customer numbers and improved technical performance, it continues to rely heavily on government and external development assistance for funding major capital works. The government has agreed to ensure that tariff levels at least meet O&M, depreciation, and rehabilitation costs. However, the establishment of an independent regulatory structure has taken a long time.

NWSDB's ability to build capacity at the local government level has not progressed as rapidly as ADB had intended. Local authorities still have little capacity to implement their recent mandate to provide water and sanitation.

NWSDB's public image has improved over time, as has its standing as a public sector employer in the professional labor market—job advertisements attract huge numbers of applicants who are aware of the relatively good salaries and fringe benefits now available. This stems partly from the strong donor support NWSDB enjoys and partly from its status as a semi-independent board, as opposed to being a government department.

Power Grid Corporation of Bangladesh (PGCB) and Dhaka Electricity Supply Company (DESCO), Bangladesh

CD-Related Assistance from ADB
(1993 to the present)

Financial Management Upgrade, Bangladesh Power Development Board (BPDB) and Dhaka Electricity Supply Authority (DESA) (TA, approved in November 1993 [ADB 1993a]). The TA's objective was to enable BPDB and DESA to implement financial management and accounting systems appropriate to modern electric power utilities and to train staff accordingly.

The Rural Electrification Project (loan and TA, approved in April 1995 [ADB 1995]). The EA was the new Rural Power Company, which was mainly owned by the Rural Electrification Board (REB) and five rural electric cooperatives. The objectives were to (1) intensify rural electrification in seven rural electric cooperatives; (2) increase the availability of power to five rural electric cooperatives; and (3) introduce basic elements of corporatization, commercialization, and private sector participation in the power sector. An advisory TA was provided to prepare solicitation documents and assist in evaluating proposals for private sector implementation of the Meghnaghat Power Project. The Sector Assistance Program Evaluation report rated the Rural Electrification Project as "highly successful" (ADB 2003h). This report also praised the advisory TA as an example of how TAs could be used to introduce new concepts and approaches to Bangladesh, for example, through competitive bidding to solicit independent power producers with power purchasing agreements. This resulted in the Meghnaghat plant selling power successfully to BPDB at an internationally competitive price. Partly due to this TA, the Rural Power Company and the Westmont Project had the capacity to solicit private generation projects without further TA.

The Ninth Power Project (loan and TA, approved in November 1996 [ADB 1996b]). This project consisted of power infrastructure development and the provision of engineering services. Crucially, it also involved (1) the creation of the two new EAs, PGCB and DESCO, in November 1996; (2) the unbundling of BPDB, which was the start of corporatization of BPDB and DESA; and (3) the rationalization of DESA's distribution boundaries. A few months previously, the government had agreed to increase retail power tariffs and to introduce a formula for semiautomatic tariff adjustments in response to fuel cost and exchange rate movements. Covenants relating to financial ratios to be maintained during the first 10 years of PGCB's and DESCO's operations were proposed. The construction components were to be implemented by PGCB, DESA, and DESCO and the engineering component by BPDB. The TA was for valuation of the assets to be transferred from DESA to DESCO.

The Dhaka Power System Upgrade Project (loans, approved in November 1999 [ADB 1999c]). The project invested in power infrastructure development for PGCB, DESCO, REB, and DESA and in preparatory work for a training and management development institute for REB.

The West Zone Power System Development Project (loans and TA, approved in November 2001 [ADB 2001b]). The loans invested in power infrastructure development, with PGCB, BPDB, REB, and a new company (to be established to serve the west zone) as the EAs. Consulting services included designing a new training curriculum based on a needs survey, organizing training for staff, and helping to computerize management systems. The TA was for corporatizing BPDB's distribution operations in the west zone.

Corporatization of the Dhaka Electricity Supply Authority (TA, approved in November 2002 [ADB 2002g]). Consulting services were provided to assist the government and DESA to devise appropriate strategies for (1) valuing assets, (2) establishing a viable financing plan, (3) formulating personnel policies, (4) organizing the transfer of staff and assets to the new company, (5) organizing voluntary separation schemes for eligible DESA staff, (6) examining and organizing the sale of DESA's shareholding in DESCO, and (7) implementing financial and management information systems.

The Power Sector Development Program (loans, approved in November 2003 [ADB 2003g]). The program's objectives are to achieve financial stability in PGCB and DESCO and, partially, in BPDB and DESA. The objectives were to be achieved by settling outstanding dues of the government and its semiautonomous and autonomous bodies to DESCO, DESA, BPDB, and the rural electric cooperatives. Although PGCB and DESCO have improved their operations and have broken even, their past liabilities prevent their transformation into profitable companies. The project loan finances power infrastructure development projects, executed by BPDB, PGCB, and the new North West Zone Power Distribution Company.

Relative Magnitude of ADB's Assistance (for all purposes)

During 1973–2002, a total of \$4.1 billion of external assistance was committed to the Bangladesh power sector in loans and grants. Of this ADB had contributed a little under \$1.1 billion (about 26%) and was by far the largest single financier.

Evolution of Power Sector Capacity

General. The RRP for the Power Sector Development Program recorded the following major achievements of the government under the power sector reform program since 1994: (1) creation of a competitive diverse market of independent public and private generation companies, (2) sector restructuring by transferring all transmission business to PGCB, (3) creation of a manageable and competitive environment through benchmarking through corporatization of DESCO and West Zone Power Distribution and restructuring of public sector operated distribution, and (4) passage of the new Energy Act 2003 as a basis for establishing an Energy Regulatory Commission. This report also attributed the dramatic improvements during fiscal year (FY) 2001 in collection performance of BPDB and DESA to the Financial Management Upgrade TA, even though this was completed in 1995.

However, while in 1996 the technical assistance completion report (TCR) had rated the TA "generally successful," in 2003 the Sector Assistance Program Evaluation report offered a different perspective (ADB 1997a and 2003h). The evaluation report noted that although large areas of billing at BPDB and DESA were now computerized, overall the agencies had "fallen progressively further behind good commercial practice in accounting and billing in the last 10 years." This contrasted with experience at the corporatized DESCO, which was also able to produce full monthly management accounts. The RRP also noted that the performance of the seven rural electric cooperatives supported by ADB in the Rural Electrification Project was very good.

In 1999, the RRP for the Dhaka Power System Upgrade Project said that DESA's system losses were well above, and its collection ratios well

below, those of an efficient distribution company (ADB 1999c). In 2002, the TA report for the corporatization of DESA (ADB 2002g) noted that it had made little improvement during the last decade, as its governance structures and rules of business were basically the same as those of BPDB, from which DESA had been split off in 1991 to handle BPDB's Dhaka operations. DESA needed to be incorporated if it was to compete with DESCO (northern Dhaka) in servicing southern Dhaka.

DESCO. Until now, this has had a fully independent board of directors. Its independence was upheld by a court ruling that the board was acting within its powers when it terminated the appointment of DESCO's initial senior management team for poor performance. However, recently the government seems determined to take control of the board by appointing the power secretary as chairman and bringing in another government director, even though DESCO's articles of incorporation ("MemArts") require that half of the board should come from outside government. These proposed moves are causing DESCO senior management considerable concern.

DESCO has introduced a commercial business culture, based on new service rules and remuneration structures. These were written by DESCO, based on REB, BPDB, and DESA policies. All positions in the new company were advertised, but as no government staff applied, all appointees came from elsewhere, including the successful REB. All DESCO employees are on 2-, 3-, or 5-year contracts.

The company broke even in FY2003, and made a substantial profit in FY2003-2004. Its market share has increased to about 10%. Its performance in terms of revenue collection and system losses has been significantly better than DESA's. The big challenge was to improve the delivery of power to consumers, something that had hitherto been neglected.

With hindsight, DESCO would have (1) wanted greater emphasis placed on securing the appointment of its chairman by competitive selection instead of by rotation of government officials; (2) sought greater clarity at the outset

concerning the new company's objectives, functions, and mandate; and (3) identified its staffing requirements earlier.

DESCO considers it wastes much time and staff resources in meeting government reporting requirements for unnecessary detail that DESCO doubts is used.

PGCB. After its establishment, PGCB initially recruited people from outside BPDB because many of its employees were reluctant to forgo past service benefits, especially in the face of uncertainty about the new terms of service with PGCB. In due course, however, the government approved a compensation package and amended BPDB's service and pension rules to facilitate payment. PGCB took the initiative in securing pension benefits for employees with less than 25 years service (BPDB's eligibility threshold). ADB provided funds for this from surplus loan proceeds.

Everyone, from the chief executive officer down, was required to participate in orientation training that included the new corporate objectives, targets, policies, procedures, and levels of financial authority. The new terms of service include maximum 5-year contracts for all staff. Average salaries are 1.5 to 2 times those of BPDB. However, because of a bizarre inconsistency between the Companies Act and the act regulating the Comptroller General's Office, PGCB's expenditure is audited by the government. As a consequence, the company's remuneration structures are challenged as not complying with civil service rules.

The government tried to interfere in PGCB's governance structure by insisting on there being nine government directors and only three nongovernment directors, as opposed to the existing composition of three government, four nongovernment (Consumer Association, Chamber of Commerce, Institute of Engineers, and Institute of Chartered Accountants) and three executive directors. PGCB was successfully able to resist this pressure by pointing to the requirement in the articles of incorporation ("MemArts") that ADB's approval would be needed for such a change.

Civil Service. Reform is long overdue. The service still suffers from excessive bureaucracy

and an appointments system that puts people into posts for which they are not trained or for which they have little relevant experience. Pay is low, strong leadership is lacking, and there is corruption. The result is poor performance despite the employment of highly capable individuals and some excellent training institutes. Many public sector organizations are under threat from the disruptive activities of powerful unions.

Nepal Electricity Authority (NEA)

CD-Related Assistance from ADB (1990 to the present)

Institutional Support for Distribution Planning and Commercial Operations of NEA (TA, approved in 1989 [ADB 1989]). The TA was attached to the Seventh Power Project. It provided the services of a distribution consultant and a commercial consultant for 1 year. The distribution consultant set up all the necessary in-house facilities to plan and operate distribution systems and run a related training course. The commercial consultant overhauled NEA's consumer accounting and billing systems. The evaluation report assessed the TA as only "partly successful" because NEA failed to provide sufficient counterpart funds and lacked commitment to immediate implementation of the TA recommendations (ADB 2004b).

Institutional Strengthening of NEA's Environment Division and Power System Master Plan (TAs, approved in 1996 [ADB 1996c]). The two TAs were attached to the Kali Gandaki A Hydropower Project. The first included assistance to enable NEA to identify and participate in in-country and external training programs. The consultants' terms of reference also noted that they "will co-ordinate closely with the [environment management unit] to maximize training and experience-building opportunities." The second TA was also intended to provide on-the-job training to NEA staff.

Management Reforms and Efficiency Improvements for the NEA (TA, approved in December 2000 [ADB 2000e]). The TA was intended to address several aspects of NEA's

unsatisfactory performance by (1) reviewing NEA's organization structure, management, and relations with government with a view to making NEA more autonomous and efficient; (2) evaluating different models for restructuring NEA's distribution system; (3) analyzing NEA's power supply costs to provide critical information for investment analysis and tariff setting; and (4) studying demand-side management with the ultimate aim of improving consumption efficiency. The terms of reference for the management reforms directed the consultants to be very proactive in considering performance incentives, procedures for merit-based promotion, replacement of weak managers, raising of salaries to private sector levels, etc. A fundamental overhaul of NEA's management was envisaged. However, this part of the TA was never carried through because it was found to duplicate initiatives supported by the World Bank. The terms of reference for the ADB TA were therefore revised and it became a TA for power sector reforms instead.

Restructuring the Nepal Electricity Authority (TA, approved in January 2005 [ADB 2004f]). The TA was intended to help the government establish a transmission company, provisionally called the Nepal Power Grid Corporation (NEPGRID), as the first step toward unbundling NEA into four separate government-owned companies handling generation, transmission, distribution, and engineering. (The previous TA had originally seen the restructuring of NEA's distribution operations as the first priority, but the potential viability of multiple distributors in Nepal's small electricity market has since been questioned). The consultant team is to work jointly with a government-appointed task force on every aspect of the work.

Relative Magnitude of ADB's CD Assistance

The NEA has received investment and/or technical support from many donors, including the Danish International Development Agency (Danida), German Agency for Technical Cooperation (GTZ), Norwegian Agency for International Development (NORAD), United Nations Development Programme (UNDP), United States Agency for International Development (USAID), and World Bank. In 1996, the RRP for Kali Gandaki

Hydropower noted that NEA had by then received 5 years of World-Bank-funded TA. ADB had provided 11 advisory TAs by then as well as several project preparation TAs. USAID (1) is providing TA to set up the Nepal Electricity Regulatory Commission, an essential step on the road to divestiture and corporatization to which ADB's restructuring TA is contributing; and (2) will continue to assist NEA with training and tariff setting. While ADB is an important reforming stakeholder in Nepal's power sector, other funders are influential too.

Evolution of NEA's Capacity

Present Capacity. The TA report for the restructuring TA observes that NEA's operational performance is substandard, with high system losses, poor quality power supply, and a deteriorating financial situation (ADB 2004f). This is despite all the external support over the years to correct technical deficiencies and pressure on government to increase tariffs. Government domination of NEA's board of directors is seen as preventing NEA from having the autonomy, authority, and responsibility it needs to manage its affairs efficiently. However, the government has now given an unambiguous commitment to unbundle NEA and (to start with) create an independent regulator and an autonomous operator of the transmission and dispatch system.

Resident mission staff members score NEA's present capacity at only 59%, based on eight criteria. Management's focus on the end-users, customers, and beneficiaries of NEA's services and its commitment to good governance is rated as below average (<2.5 in the range 1 [very poor] to 5 [very good]).

Change Over Time. Resident mission staff members consider that NEA's overall capacity has deteriorated slightly during the last 10 years or so. ADB's descriptions of NEA in documents written a decade ago suggest that not much has fundamentally changed. However, NEA has attempted some "internal unbundling" (as described by NEA) in the face of the government's slow acceptance of the principles of sector restructuring and policy reform. NEA has disaggregated its operations into four business

groups (generation, transmission and system operation, distribution and customer services, and engineering services), each of which has to operate as a cost or profit center. Managers of the first three groups are on performance contracts and managers of the 19 "distribution centers" (branch offices within the distribution and customer services group) are also given incentives to achieve targets.

Ceylon Electricity Board (CEB), Sri Lanka

CD-Related Assistance from ADB (1998 to the present)

Power Sector Restructuring Project (TA, approved in December 1998 [ADB 1998b]). The EA was the Ministry of Irrigation and Power. This TA aimed to prepare detailed plans for power sector restructuring and a loan to finance it, following the government's acceptance in principle of the ADB-financed energy sector strategy study that had just been completed. The central message was that future power system development would have to rely less on concessionary aid financing and more on commercial borrowing and private investment (a previous World Bank TA had examined the legal and regulatory framework and policy incentives to promote private sector participation). Required operating efficiency improvements would best be achieved by giving CEB more autonomy and a more commercial orientation and by decentralizing operations. CEB and Lanka Electricity Company (LECO) were to be unbundled into two generation companies, a transmission company, and several distribution companies, with eventual privatization in view. An independent regulatory agency was to be established. The TA, which provided consultants and training, also aimed to help the successor companies develop modern utility management systems and resolve HR issues. A concurrent World Bank TA was to provide legal consultants.

Restructuring the Power Sector, Phase II (TA, approved in April 2002 [ADB 2002f]). Following the government's approval of the new power structure in April 2001, this TA was (1) to assist the unbundling of CEB and LECO into three generation

companies (two hydropower and one thermal), a transmission company with two subsidiaries (bulk-power purchase and sales and transmission), and four distribution companies; and (2) to establish the independent regulatory commission. In the design stage of the TA, the commissioners were to be appointed, following enactment of the new legislation. In the implementation phase, consultants were to assist the government with seven tasks: (1) advisory, project planning, and management support for the steering committee; (2) corporate establishment; (3) customer and financial management systems; (4) governance procedures for directors, managers, and civil servants; (5) private sector style organization, recruitment, and remuneration; (6) asset/liability allocation and capital structuring; and (7) technical operating parameters and procurement procedures.

Power Sector Development Program (loans, approved in October 2002 [ADB 2002c]). A program loan (the EA is the Ministry of Finance) was to be disbursed in two equal tranches:

- the first tranche on the condition that necessary legislation is enacted, money owed to CEB is paid, CEB reduces its levels of net receivables, and the government guarantees the financing of CEB's cash shortfall; and
- the second tranche on the conditions that (1) the Public Utilities Commission is established and issues rules for tariff setting, licensing of companies, and the purchase and sale of power; (2) the new companies are licensed and start operations; (3) CEB is unbundled in accordance with the plan; and (4) the major lenders to the sector to the detailed restructuring proposals have no objections.

A sector loan (the EA is the Ministry for Power and Energy) was to finance expansion, modernization, and rehabilitation of the transmission and distribution systems and expand the rural network. One TA was to provide consulting services for unbundling CEB. A separate TA pilot program was to finance connection costs for poorer households under the administration of microfinance institutions, with an NGO undertaking initial poverty assessment, progress monitoring, and impact evaluation.

Energy Sector Master Plan (TA, approved in May 2003 [ADB 2003j]). The TA was to help the government formulate a strategy to develop a sustainable energy sector over a 20-year period from 2004, with particular emphasis on the 3–5 year and 5–10 year horizons. The main outputs were to be (1) policy guidelines and institutional measures to guide market-oriented sector development, including rehabilitation and restructuring; (2) an institutional framework for assessing energy potential and supporting increased investments; (3) a diagnosis of sector agencies (including recommendations for capacity building); and (4) strategies and programs for sustainable financing of selected projects.

Rural Electrification and Network Expansion Project (TA, approved in December 2003 [ADB 2003k]). The TA aimed to establish the technical, economic, and social feasibility of the project “and provide the new distribution companies with capacity for preparing similar projects for external financing.”

Relative Magnitude of ADB's Assistance (for all purposes)

During 1987–2002, ADB accounted for just under 12% (\$215 million) of total external funding committed to the power sector and was the third largest individual donor. Japan was by far the largest.

Evolution of CEB's Capacity

In 2002, ADB criticized CEB for (1) being “run more like a government department than an autonomous corporation”; (2) lacking clear financial and operational objectives; (3) not having board directors who were sufficiently independent or effective; (4) having spending authority levels that were set too low; (5) suffering from procurement and HR problems that stemmed from public service regulations and provisions in the Finance Act; (6) lacking management accountability for results; and (7) having a poor focus on customer services, which manifested itself in poor quality supplies, inconvenient billing processes, and slow response to inquiries, fault notices, and applications for new connections. CEB operations were guided by

politically motivated directions from the ministry rather than by CEB's own financial and operational needs.

Although the power projects financed by ADB and others in Sri Lanka have generally been successful in technical terms, CEB has not been able to meet some of the financial covenants in ADB loans agreements, especially concerning rates of return. Due to lack of self-financing, CEB cannot undertake its own investment program. In 2002, ADB described CEB's financial position as "cause for alarm" and representing "financial hemorrhaging." While system losses have been an important factor, low tariffs have been the major one, with poor revenue collection due to inadequate accounting systems also important.

CEB blames government policy for many of its problems. However, CEB also has weaknesses, such as poor planning and project formulation capabilities and unsatisfactory technical operating efficiencies (system losses are over 18%, when they should be no more than about 12%), which have internal rather than external causes. The most serious "internal" weakness is accounting and financial management, extending even as far as an inability to operate, let alone construct, a spreadsheet model of CEB's financial operations. CEB staff members are still somewhat reluctant to accept that power supply is not just about engineering. Not one social scientist is employed by CEB and it lacks expertise in environmental analysis and management and public relations.

Progress in introducing performance-based remuneration and promotion principles into HR policies is slow. The restructuring proposals mean that all previous employees will be transferred into the new entities, with continuing open-ended employment contracts.

CEB does not always make the best use of consultants. Staff members assigned to work alongside consultants as counterparts are often not strong enough to engage with the consultants in a constructively challenging way. Senior staff members do not allocate enough of their own time to this. This partly reflects the fact that in several areas, CEB staff members have the necessary competencies themselves. An example is the power generation master plan. The Planning

Division is probably capable of doing this work largely with its own resources, with consultants required only to assist in some highly technical areas. The assignment of large numbers of consultants to this planning task demoralizes CEB staff. Whether CEB staff members are acquiring much in the way of new knowledge or skills as a result is questionable. A similar experience occurred with the Energy Sector Master Plan, which CEB staff members did not feel was "theirs" and, consequently, were not very interested in it. CEB did not ask for consultants to work on the Rural Electrification and Network Expansion Project, which CEB did not want as it saw the project as uneconomic and requiring subsidizing. The deployment of consultants for this purpose represents capacity substitution.

USAID is currently implementing a CD project with CEB that uses a South Asian regional approach to institutional and policy reform. It involves training courses, workshops, and exchange visits with particular reference to other regional experience.

CEB considers itself successful at implementing projects (ADB does not insist on using consultants for implementation). CEB's main problem in this respect is the procurement system it is obliged to use. The government tender board procedures can often delay projects. CEB is feeling the negative effects of the present uncertainty over restructuring. A basic mistake was to have overlooked the need for a dialogue with employees and the unions on this matter. Progress with efficiency improvements is hampered by political interference in the hiring, firing, transfer, disciplining, and rewarding of personnel. CEB's staff age profile, which peaks at 45–54 years, is a problem. Despite considerable outsourcing, CEB considers it still has problems maintaining an adequate number of trained, technical people in its core staff.

CEB does see a need for consultant inputs in system maintenance and protection.

CEB considers its internal training arrangements to be inadequate. It needs a proper training unit and additional training resources to support the decentralization drive and provide refresher training courses throughout people's careers with CEB.

CEB considers its relationship with ADB to be good—"ADB trusts us." CEB finds ADB relatively easy to work with, compared with some other donors. ADB is prepared to allow a change of scope in a project if CEB can make a good case for it. Despite the issue of consultant use (just noted), CEB does not see project ownership as a problem.

Securities and Exchange Commission (SEC), Bangladesh

CD-Related Assistance from ADB (1993 to the present)

Institutional Strengthening and Development of SEC (TA, approved in August 1993 [ADB 1993c]). SEC was set up in June 1993 and the TA was intended to build the regulatory and enforcement foundations of this key capital markets agency. The TA covered (1) drafting regulations; (2) reviewing and, if required, adjusting, SEC's mandate and authority in the context of the SEC Act; (3) establishing appropriate organization, systems, and procedures; (4) preparing a development action plan; (5) assisting with staff recruitment and HR management development; and (6) helping to implement the proposals. SEC and the Dhaka and Chittagong stock exchanges subsequently adopted the consultants' recommendations. Training/study tours were organized for SEC officials to countries with more advanced capital markets, such as the Republic of Korea, Malaysia, Thailand, and the United States. In 1996 the TCR rated the TA as generally successful (ADB 1996f).

The Capital Market Development Program (loan and TAs, approved in November 1997 [ADB 1997b]). The EA was the Ministry of Finance. The loan component was a policy reform program to create an environment conducive to attracting more investment capital to augment bank lending. The loan would finance accumulated shortfalls of the Investment Corporation of Bangladesh, rationalization of tax structures between listed companies, removal of preferential pricing on government borrowings, organizational strengthening, and other fiscal costs. A specific objective was to make SEC an autonomous

government agency to insulate it from outside interference and to centralize powers over the capital market on it. The SEC board was to be strengthened with members from the private sector, and the SEC was to be granted authority to make rules and regulations without prior approval of the Ministry of Finance. SEC was to be given direct, specific authority over clearing, settlement, and depository functions and broader powers to impose fines and other sanctions. Policy actions required for the release of the second tranche concerned developing capital market infrastructure, modernizing support facilities, increasing the limited supply of securities in the market, and improving the demand for securities from institutional sources of capital. The conditions also required the government to make SEC an autonomous agency and grant it the powers and responsibilities outlined above.

The PCR considered that ADB's tranche conditions had ambiguities (ADB 2003d). Future programs should be designed to be more specific and concrete, with clear distinction between which actions or steps were tranche conditions and which were not in order to avoid arguments over compliance. This had implications for the design of monitoring systems. ADB was too lenient in its judgments on compliance status, and failed to follow up with specific measures to ensure full compliance. After the second tranche release, there should have been more regular dialogue on key outstanding issues, including privatizing the state-owned enterprises and restructuring the Investment Corporation of Bangladesh. The PCR rated the program "partly successful." Governance in the capital markets remained weak.

The three TA projects aimed at improved governance and capacity building in key capital markets organizations, including SEC. In view of the weak oversight and enforcement ability of SEC and the stock exchanges that had been exposed by the stock market crash of 1996, the focus of the TA for capacity building of SEC and the stock exchanges included (1) market monitoring and surveillance; (2) automated management information; (3) improved data collection, reporting, and evaluation; (4) staff training for increased inspections; (5) preparations for investigations and prosecutions; (6) development of an HR program; and (7) increased research capability (ADB 1997b).

ADB described the TA assistance as being “medium term” and “hands-on.” The TCR (1997) rated the TA “partly successful” (ADB 1997e). A major problem was that the automated system installed at SEC was not user-friendly and produced inaccurate reports. This required rectification in a follow-up TA. SEC is reported as having considered the TA as very useful in developing its capabilities as a regulator.

Capacity Building of SEC and Selected Capital Market Institutions (TA, approved in November 2000 [ADB 2000c]). SEC was the EA. The TA’s objective was to build SEC’s capacity to perform as a market regulator and audit the corporate governance of listed companies and securities issuers. It would also help the stock exchanges and Central Depository Bangladesh Limited become more effective and efficient. The main activities concerned (1) corporate governance of capital market organizations; (2) financial reporting and disclosure; (3) compliance with international accounting standards; (4) an automated central depository system; and (5) market regulation, surveillance, and monitoring. A substantial amount of training of SEC staff by the TA consultants as well as external training was envisaged.

Financial Markets Governance Program (TA, approved in December 2003 [ADB 2003k]). The EA was the Finance Division of the Ministry of Finance. With regard to SEC, the TA was to strengthen its enforcement capability and review its rule-making process to ensure appropriate stakeholder consultation when legislative changes are being considered. Ways of achieving greater autonomy of SEC’s decision-making process were to be identified. Regional models that could help SEC improve its funding, income, and staff compensation situation were to be reviewed.

Relative Magnitude of ADB’s Assistance (for all purposes)

Other donors also provided CD support for capital markets development in Bangladesh, particularly USAID and the World Bank. ADB’s CD interventions with SEC were fundamental components of the overall process.

Evolution of SEC’s Capacity

On completion of ADB’s initial institutional strengthening intervention (ADB 1993c), the TCR (ADB 1996f) concluded that Bangladesh had “the basic structure of a regulatory and enforcement authority for capital markets and has begun to regulate an active stock market.” However, it recommended further TA to strengthen SEC’s regulatory strategy and research and surveillance capabilities, the self-regulatory role of the stock exchanges, and the technical expertise of SEC and stock exchange officials. In fact, the Bangladesh capital market crashed in 1996 due to corrupt practices, partly due to the “weak capacity of SEC and stock exchanges to oversee and enforce regulations” (ADB 1997b).

The PCR for the Capital Markets Development Program reported that SEC had been made into an independent agency and was empowered to issue regulations without government approval (ADB 2003d). The regulatory framework for disclosure, listing rules, inspections, sanctioning, and broker conduct had been strengthened, and SEC had specific and direct authority over clearing, settlement, and depository functions. Training courses, including on-the-job with real cases, had enhanced the knowledge and skills of SEC staff and enabled SEC to be a more effective supervisor with likely sustainable benefits for the capital market. However, SEC’s consultation with capital market participants needed improvement, and market participants perceived that SEC had not adequately disclosed its policy for exercising its powers and discharging its functions. Importantly, SEC still lacked the capacity to inspect, investigate, maintain surveillance, and enforce, mainly due to a severe shortage of qualified staff. Although SEC was operationally autonomous, the government still determines the appointment conditions of board members and staff and exercises authority over SEC. This would not change until SEC became self-financing, but the small size of the market made such self-financing unlikely in the near future.

SEC’s own view of ADB’s assistance is that its TAs contributed to CD in two main ways:

- (1) Setting up a good regulatory framework—while the framework is not perfect, it at least approximates to the standards of similar

frameworks in neighboring countries. SEC is now in a better position to identify violations, which means another 1996-type stock market crash should be avoidable.

- (2) Training SEC staff—most staff members have now received training abroad, which has particularly strengthened SEC’s monitoring and surveillance capabilities, although it is still being conducted on an essentially ad hoc basis at present due to the lack of an information technology (IT) system. (This deficiency is being addressed in a new ADB-supported program.)

Department of Livestock Services (DLS), Nepal

CD-Related Assistance from ADB (1978 to the present)

The Livestock Development Project (LDP, approved in 1979). The LDP investment followed a project preparation TA in 1978. The LDP provided TA (for consultants and training) in technical areas. The evaluation report concluded that project had been overly ambitious and had strained the capacity of the EAs, which included the Dairy Development Corporation (DDC) and Agricultural Development Bank of Nepal (ADBN) as well as DLS (ADB 1990). The report rated the project “unsuccessful,” while noting that DLS’s performance had been “generally satisfactory.” The evaluation report verdict on the whole project was challenged by the director general of DLS. In fact, both the evaluation report and the director general agreed that the project had been pioneering (“revolutionary” in the director general’s words) and had laid the foundations for the institutional development of the livestock subsector.

The Second Livestock Development Project (LDP2, approved in 1985 [ADB 1985]). LDP2 was approved 1 year after a project preparation TA. LDP2 provided for TA (consultants and training) for “institution building” in both managerial and technical respects. The evaluation report concluded that although the project had been well designed its performance had been only “partly successful” due to a low economic internal rate of return and fewer beneficiaries than planned

(ADB 1998a). However, the report noted that the LDP2 “had more success in institutional development,” with the emergence of farmer groups through which extension services were effectively channeled and village animal health workers supplementing the role of government extension staff. This was despite the disruption caused by a merging of DLS and the Department of Agricultural Development in 1992 and separation again in 1994. The farmer group approach was adopted in LDP3 and has also been taken up by extension services generally throughout Nepal. The evaluation report recommended greater emphasis in future projects on such “software” components, with training for farmers and private entrepreneurs as well as government staff.

The Livestock Sector Master Plan. ADB supported the preparation of the Livestock Master Plan, which was completed in 1993. The plan proposed more effective capacity building for public and private livestock sectors and advocated a people-centered participatory integrated systems approach to livestock development. This resonated with the government’s emerging understanding of what a poverty reduction focus in development strategy would mean for the roles required of its various agencies.

The Third Livestock Development Project (LDP3, TA, approved in 1994 [ADB 1994]; loan, approved in 1996 [ADB 1996e]). The feasibility study for the LDP3 was completed in 1996. The CD component aimed at reorienting DLS toward taking a more process-based and stakeholder participatory approach to service provision. The primary objective in this was to develop the capability of rural communities to plan and manage livestock development activities themselves, supported by better access to (mostly privately provided inputs), markets, and services. NGOs were to be involved and a special effort was to be made to involve women. Training was considered to be a major factor in unlocking rural productivity, with collaborative learning based on “livestock action teams” operating in villages. A postgraduate program on facilitating participatory processes was to be established in a national institution. TA (for consultants and training) was to guide process-related activities, provide technical support, and address privatization issues concerning farmers’

services, inputs, marketing, and agro-processing. The RRP envisaged a major shift in approach compared with the two previous projects and stated that “all stakeholders in the livestock sector are expected to cope with the change from the previous command or paternalistic support of the public sector to a more independent, private sector, farmer group, market-oriented industry.”

The Community Livestock Development Project (LDP4, loan, approved in 2003 [ADB 2003f]). In a departure from previous practice, DLS prepared its own feasibility study for a fourth investment project. Using its own resources, DLS engaged one of the international consultants who had been working on LDP3 to assist with the feasibility study for LDP4. This cut the cost of the project preparation TA in half. In 2002 ADB provided TA “to update Government’s feasibility study and design an investment project suitable for external financing.” LDP4 was approved in 2003. It was to cover 28 districts already under LDP3 and 30 new ones. The LDP3’s “pocket package” (concentration of project delivery into mini-projects in selected localities) and group approach was to be modified. Experience showed that there needed to be more emphasis on preparing communities in advance for livestock development interventions, and pilot tests would be conducted in 4 districts. Concerning the capacity building initiatives of LDP3, the RRP for LDP4 noted that “all stakeholders highly appreciate the livestock action teams . . . for the latter’s usefulness in project planning, but the teams’ role in supporting **implementation and monitoring** needs to be strengthened” [emphasis added]. A major training component was included to give guidance in process-related activities, technical support, and privatization issues (i.e., similar to the objectives in LDP3).

Relative Magnitude of ADB’s Assistance (for all purposes)

Between 1980 and 2003, external donors disbursed approximately \$65 million for the livestock components of projects, of which ADB provided approximately \$39 million. This excludes a large Danida-supported dairy development project (19912000) with total project costs estimated at \$63 million.

Evolution of DLS Capacity

Present capacity. It is useful to begin by assessing where DLS is now considered to be in capacity terms.

- **For strengths**, the RRP for LDP4 notes “DLS has shown that it has the necessary organization structure and staff skills to manage successfully a large and diverse project.” “DLS is considered one of the more innovative government departments in Nepal and is more attuned to development priorities. It has pioneered several innovations such as public-private partnerships, cross-sector cooperation, and small-scale entrepreneur development. DLS has the technical competence to implement another project, but” (ADB 2003f).
- **For weaknesses**, “the changes in [DLS’s] managerial ability, role orientation, cross-sectional linkages, extension capability, and competence started under [LDP3] need to be continued and reinforced.” The RRP also identified the following constraints on DLS capacity: a staff/farm household ratio of 1:2,000, insufficient training for technical staff, lack of specialization, mobility, weak monitoring and evaluation capacity, and an input-driven orientation as opposed to the demand- and output-driven outlook that public-private partnerships can address.

Change over time. DLS admits that 25 years ago it had very little capacity and acknowledges the huge help provided by the first two LDPs in building livestock infrastructure. DLS is proud of its pioneering of the farmer group approach and the fact that it quickly spilled into nonproject districts and of the lead DLS took with regard to female participation. However, DLS considered the project management structure to have been too top-heavy; but this was rectified with LDP3’s narrower focus, which has worked. Among the lessons that DLS has learned about training in rural communities is the need to build on the skills people already have, albeit in “low technology” activities. Support for farmers has to focus not only on production but also on quality and cost, for example, in upgrading meat hygiene standards. DLS considers it still needs to improve its ability to reach and train farmers and

other rural business people. This means technically oriented DLS staff have to acquire skills in communication, group dynamics, leadership, and the like.

A review of the ADB–EA relationship over such a long time span shows how substantially ADB’s concept of what constitutes effective development assistance in general has changed. The first two LDPs were production-focused, and sought to create infrastructure and transfer technology and to assist DLS to implement the project as designed. Shortcomings in service delivery to farmers led to exploration in LDP2 into the use of farmer groups, an approach endorsed by the Livestock Master Plan. The principle was elaborated in LDP3, which was also concerned with marketing and value-adding activities, with the formation of livestock action teams and the involvement of NGOs and other CBOs. This approach was extended in LDP4, building on the lessons of LDP3. Thus DLS has had to change from being the primary service provider to becoming a facilitator of service provision including privately provided services. It has had to

greatly increase its physical presence at the local level in order to act effectively as the integrator of rural development components. This may soon be institutionalized under the government’s formal decentralization policy.

Not only did DLS have to increase its capacity to deliver services in the “traditional” manner but it later had to learn how to deliver these in a radically different way and adapt to an altogether new role. Such a transformation of a public sector agency requires fundamental changes in the understanding staff have of their jobs, by what criteria their performance in them will be judged, and of the ultimate purpose of DLS and the justification for its existence. By any measure, such a task will require a lot of training and close support. This has indeed been provided and helps to explain why the amount of TA supported remains relatively large, despite successive interventions over a very long period. It also explains why DLS itself considers it still needs more training to help it complete the transformation.

Appendix 4: Consulting Services for Selected Projects

Sector	Country	Executing Agencies	Project	Date	Consultants (person-months)		Notes			
					Int'l	Domestic Total				
Infrastructure	Bangladesh	LGED	TA 1043-BAN	Oct-88	58	219	277 actual	feeder road technical for local contractors and LGED		
			RIDP	Oct-88	132	696	828 planned			
			TA 1809-BAN	Dec-92	24	36	60 actual	1019 actual	extension for flood rehab supervision	
			RIDP-2	Dec-92			1218 actual		extension for flood rehab supervision	
			TAR BAN 28023	Mar-96	8	36	44 planned		preparation	
			RIDP-3	Oct-97	201	882	1218 planned		project implementation and management support	
			TAR BAN 31304	Sep-01	9	30	39 planned		preparation	
			RIIP	Nov-02	134	1238	1372 planned		works implementation	
					48	606	654 planned		community-based and local governance support	
							11	24	35 planned	
							10	279	289 planned	
							90	425	515 planned	
							10	28	38 planned	
				63	87	150 planned				
				59	172	231 actual				
				15	25	40 planned	sector project preparation			
				76	445	536 planned	project management & implementation (package A): 423 policy reform (package B): 57			
							water rights and groundwater use (package C): 41			
							STWSSP preparation			
							mostly project management (711)			
							536 planned engineering			
Power	Bangladesh		TA 2004-BAN	Nov-93	30	50	80 actual	financial management upgrade, BPDB and DESA		
			TA	Nov-96	3	10	13 planned	asset valuation for DESCO		
			TA (RRP 31296)	Nov-01	22	20	42 planned	corporatizing BPDB's west zone distribution		
			TAR 34039	Nov-02	22	30	52 planned	corporatizing DESA		
			TA 1267	Jan-90			24 actual		inst. support for distribution planning and commercial operations	
			KG loan	Jun-96	30	11	41 planned		strengthening NEA's environ div+prep power system master plan	
				18	15	33 planned	mgt reforms and efficiency improvements			
				8	22	30 planned	restructuring NEA			

Sector	Country	Executing Agencies	Project	Date	Consultants (person-months)			Notes
					Int'l	Domestic	Total	
	Sri Lanka		TAR SRI 30207	Dec-98	20	25	45	planned management and engineering studies
					?12			planned power sector reform adviser
			TAR SRI 35006	Apr-02	24	25	49	planned CEB unbundling and regulatory commission
			TAR SRI 36177	May-03	10	16	26	planned energy sector master plan preparation
			TAR SRI 34323	Dec-03	14	26	41	planned rural electrification project preparation TA
Capital Markets	Bangladesh	SEC	TA 1943-BAN	Aug-93	12	24	36	planned launching SEC
			TA with CMDP	Oct-97	27	13	40	planned market surveillance/information/enforcement systems
							42	actual
			TA BAN 3534	Nov-00	16	20	36	planned capacity building of capital market institutions
			TA 26917	Dec-03	14	8	8	planned financial markets governance
Livestock	Nepal	DLS, DDC, ADBN	LDP1		128		128	planned
					137		137	actual
		DLS	LDP2		35	36	71	planned
					51	54	105	actual
		DLS	LDP3		109	407	516	planned
		DLS, RMDC	CLDP (LDP4)		67	464	531	planned

ADB = Agricultural Development Bank of Nepal, BAN = Bangladesh, BPDB = Bangladesh Power Development Board, CEB = Ceylon Electricity Board, CLDP = Community Livestock Development Project, CMDP = Capital Market Development Program, DDC = district development committee, DESA = Dhaka Electric Supply Authority, DESCO = Dhaka Electricity Supply Company, DLS = Department of Livestock Services, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, DRILP = Decentralized Rural Infrastructure and Livelihoods Project, IS for RID = Institutional Strengthening for Rural Infrastructure Development, KG = Kali Gandaki 'A' Hydroelectric Project, LDP1 = Livestock Development Project, LDP2 = Second Livestock Development Project, LDP3 = Third Livestock Development Project, LDP4 = Fourth Livestock Development Project, LGED = Local Government Engineering Department, MLD = Ministry of Local Development, NEA = Nepal Electricity Authority, NWSDB = National Water Supply and Drainage Board, RIDP = Rural Infrastructure Development Project, RIIP = Rural Infrastructure Improvement Project, RMDC = Rural Microfinance Development Centre Ltd, RRP = report and recommendation of the president; SEC=Securities and Exchange Commission; SRI=Sri Lanka; STRCBWSSP=Secondary Towns and Rural Community-based Water Supply and Sanitation Project; STWSSP=Secondary Towns Water Supply and Sanitation Project; TAR=technical assistance; TWSSP=Third Water Supply and Sanitation Project.

Totals may not equal the sum of the parts due to rounding.

Source: Asian Development Bank project documents.

Appendix 5: Assessment of Executing Agencies' Capacities

Appendix 5. Assessment of Executing Agencies' Capacities

Scores given by resident mission staff to executing agencies (1 = very low, 5 = very high)

Criterion	LGED	DOLIDAR	NWSDB	DESCO	PGCB	NEA	CEB	DLS
1 Ability to formulate policy, devise strategy, and plan	5	4	4	4	4	4	4	4
2 Ability to mobilize resources (knowledge, people, funds)	5	3	4	4	5	3	2	5
3 Ability to prepare and implement projects and programs	5	4	4	4	5	3.5	4	5
4 Ability to manage growth and development	4	4	3	4	4	3	3	4
5 Ability to monitor, evaluate, and learn from experience	5	2	3	5	4	3	4	5
6 Management's focus on increasing efficiency/reducing unit costs	4	2	2	5	5	2.75	3	4
7 Management's focus on the end users/customers/beneficiaries of services provided	3	3	2	5	4	2.25	2	5
8 Management's commitment to good governance (integrity, transparency, accountability)	3	2	3	5	5	2	2	4
Total	34	24	25	36	36	23.5	24	36
Percentage score (maximum total = 40)	85%	60%	63%	90%	90%	59%	60%	90%
Over the last 10 years, the executing agency has:								
improved substantially	X	X	X	X	X			X
improved a little								
deteriorated a little						X	X	

CEB = Ceylon Electricity Board, DESCO = Dhaka Electricity Supply Company, DLS = Department of Livestock Services, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, LGED = Local Government Engineering Department, NEA = Nepal Electricity Authority, NWSDB = National Water Supply and Drainage Board, PGCB = Power Grid Corporation of Bangladesh.

Note: "Management" refers to the people in charge of day-to-day operations and so would normally include senior, full-time staff and officers, including executive board directors, but would exclude part-time board appointees and non-executive board directors.

Appendix 6: Diagnosis—The Main Capacity Issues that Needed to be Addressed

Table A6.1: Rural Infrastructure Sector

Type of Change	Area	LGED, Bangladesh	DOLIDAR, Nepal	NWSDB, Sri Lanka
Institutional Change	Sector Structure	Clear demarcation needed between roles/responsibilities of LGED and union councils (e.g., maintenance to be local government's responsibility).	Lack of functional focus: separate technical department needed (led to creation of DOLIDAR).	Independent regulatory body to set all tariffs needed. NWSDB needs more autonomy in staffing, financial management, operation and maintenance NWSDB's roles as owner, operator, regulator should be separated; adequate legal/regulatory framework lacking. Regulatory authority needs to be established; private participation required.
Organizational Change	Service delivery		Incomplete decentralization policy results in uncertainty over DOLIDAR's function. Civil service recruitment freeze is a constraint.	National water management policy needed. Policies and procedures for water rights/licensing needed tariffs for sewerage need to be introduced. Independent tariff setting mechanism needed; cross-subsidy structure is inefficient. Donor-supported projects must be manned by contract staff only, not by transferees from the executing agency.
	Civil Administration	Union councils inadequately financed due poor tax collection; new "tax culture" needed. Poor governance at local level.	Uncompetitive salaries, weak linkage between performance and reward in the civil service.	Public awareness of water management issues is poor.
		Involvement of local stakeholders in planning and design limited; participatory approaches underdeveloped. Union councils' capacity is weak.	More emphasis on road maintenance, as opposed to new road construction, required. Limited adoption of road maintenance programs by local government.	Overcentralized service delivery.

Type of Change	Area	LGED, Bangladesh	DOLIDAR, Nepal	NWSDB, Sri Lanka
Management		Key posts need to be institutionalized; new training posts needed; training unit needed.	DOLIDAR has limited monitoring capability.	Operation and maintenance of NWSDB and local authorities needs improvement.
		Complete overhaul of planning, financial management, human resource policies, monitoring and evaluation, engineering, management required. LGED staff need more experience in socio-economics; LGED staff need nontechnical training. LGED lacks structures, processes, expertise for benefit monitoring and evaluation.	DOLIDAR made slow progress in formulating district transport master plans. Management of district and village development communities is weak.	Accounting and financial management, management information system, inventory management, human resource development need improvement. Appropriate performance targets lacking.
Interorganizational Change		Small-scale contractors require training. Closer engagement with local government/communities needed.	Outputs of nongovernment organizations are substandard. Private sector lacks social mobilization skills. Local consulting firms are of poor quality.	NWSDB needs to support capacity building of local authorities and encourage them to assume more responsibility.
			DOLIDAR has difficulty meeting needs of different development partners.	

DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, LGED = Local Government Engineering Department, NWSDB = National Water Supply and Drainage Board.

Table A6.2: Power Sector

Change	Area	BPDB and DESA, Bangladesh ^a	NEA, Nepal	CEB, Sri Lanka
Institutional Change	Sector Structure	Limited delegation of powers from government to management and from management to staff. "Extent of improvements that can be made to existing power entities in their present form is limited."	NEA transmits and distributes—if needs be established; Nepal Power Grid Corporation to be established. Government closely controls NEA management and operations; NEA needs more autonomy and an independent board of directors. Sector needs a regulatory commission.	Union and management resistance to unbundling anticipated; also public reaction to tariff increases. More autonomy, more commercial orientation, decentralization of operations needed. Lack of competitive business environment. CEB cannot build equity funds or earn reasonable return on net assets. Government should restrict its role to taxation/subsidizing and privatization; regulatory commission would implement
	Policies	Tariffs set based on political factors. Entity losses compensated by long-term, low interest loans that distort market.	Tariff increases agreed but not executed. Government declined NEA's request for seasonal tariff to reduce costs. Most of NEA's costs are outside management's direct control.	Tariff setting politicized. Cumbersome procurement procedures; low authority levels, excessive committees (an Asian Development Bank technical assistance failed to strengthen capacity of Procurement Support Bureau).
	Civil Administration	Government policies on personnel and wages (not performance-based) are restrictive. Political unrest, labor militancy, peace and security enforcement, speed and quality of judicial processes, ability of education system to provide skilled labour are constraints.	Salaries/promotions not performance linked. Incentive schemes need to be introduced. Maoist insurgency creates a difficult operating environment for NEA.	Requirements of public service management, particularly those justified by Finance Act and various regulations are at root of procurement, human resource, and management accountability problems.

Change	Area	BPDB and DESA, Bangladesh ^a	NEA, Nepal	CEB, Sri Lanka
Organizational Change	Service Delivery	Insufficient and unreliable supply in urban and rural areas outside Dhaka.		Generation and load capacities inadequate. Poor focus on customer services.
	Management	Poor collections and cash management; high nontechnical system losses.	Financial accounting disorganized and unsatisfactory; slow to prepare accounts, audit; lack of qualified, motivated accounting staff. Little attention to commercial matters. Technical planning weak (monthly marginal power supply costs). Need to improve operational performance.	CEB financial management "antiquated." Operational governance a problem. No management information system No integrated energy accounting system. Authority levels in CEB set too low.

BPDB = Bangladesh Power Development Board, CEB = Ceylon Electricity Board, DESA = Dhaka Electric Supply Authority, NEA = Nepal Electricity Authority.

^a These were the precursor entities (that still exist) out of which Power Grid Corporation of Bangladesh and Dhaka Electricity Supply Company were corporatized.

Table A6.3: Capital Markets and Livestock Subsectors

Change	Area	SEC, Bangladesh	DLS, Nepal (since the preparation of the Third Livestock Development Project in 1996)
Institutional Change	Sector Structure	<p>Although SEC has operational autonomy (and this has improved), government still controls terms and conditions for Board members and staff and generally exercises authority over SEC.</p> <p>Until SEC can become self-financing, it will remain under the authority of government. However, the capital market in Bangladesh is unlikely to grow fast enough for SEC financial independence to be feasible in the foreseeable future.</p>	
	Policies	<p>SEC's efforts to formulate its own human resource policies, including staff compensation, in line with technical consultants' recommendations, are restricted by the need to follow Civil Service procedures and pay scales.</p> <p>Meager compensation of SEC staff means that it cannot attract people of the required caliber from the private sector.</p>	<p>Government controls and regulations tend to stifle investment and community initiatives.</p>
	Civil Administration	<p>SEC Board members have limited or no capital markets experience.</p> <p>The slow, unreliable court system impedes SEC's ability to prosecute offenders against capital market regulations in a timely manner (no cases brought despite strong indications of irregularities).</p>	<p>Anomalies in advancement of public service staff in their areas of expertise and transfer within the public sector are serious bottlenecks.</p>
Organizational Change	Service Delivery	<p>High staff turnover at SEC is a significant constraint on the creation of institutional memory.</p>	<p>DLS needs to be more output-oriented than input-preoccupied and to develop a facilitation capability if it is to serve adequately its beneficiaries.</p> <p>DLS is weak at monitoring and evaluation.</p>
	Management	<p>Staff shortages constrained effective implementation of ADB technical assistance.</p> <p>Staff trained under capacity development interventions by the Asian Development Bank have left SEC for better pay elsewhere.</p>	<p>Competency levels of community-beneficiaries need to be raised before project.</p> <p>Shortage of trained people at all levels. Training is a major factor in unlocking rural productivity.</p>

Change	Area	SEC Bangladesh	DLS Nepal (since the preparation of the Third Livestock Development Project in 1996)
Interorganizational Change		Confidence of capital market participants in SEC is low: it lacks transparency concerning its rule-setting and enforcement policies.	Risk of overstretching the capacity of nongovernment organizations since they are in demand by other sectors—hopefully addressed by training.
		Disclosure-based systems of regulation depends also on other capital market participants, especially stock exchanges, to regulate themselves satisfactorily, and on merchant banks to deliver services effectively.	
		A large number of member firms of stock exchanges have limited capitalization, weak governance structures, and inefficient operations.	

DLS = Department of Livestock Services, SEC = Securities and Exchange Commission.

Appendix 7: Assessment ADB's CD Assistance Relative to Best Practice

Table A7.1: Rural Infrastructure Sector, Bangladesh, Main Executing Agency—Local Government Engineering Department (LGED)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	satisfactory	Equality in the primary relationship with donors (in the sense that demand for them from LGED's project implementation services is balanced by LGED's own ambitions for new projects) means that project ownership is not really an issue. LGED initiative to prepare its own feasibility study for RIIIP indicated confidence in its own planning capabilities, not a desire to move away from the type of project ADB had supported previously.
Suitability of incentives	good in practice if not in principle	Civil Service terms and conditions of service would be demotivating for LGED staff, but close involvement with multiple donors has provided opportunity (taken up by the first DG) for organizing an informal system of incentives (perks, fringe benefits) not generally available to other government departments. The system continues, due to unofficial autonomy afforded to LGED by its good relationship with Ministry. ADB project resources (training, key posts) are probably part of this incentive system.
Use of existing capacities/ integration of external inputs with national priorities, processes, systems	good	Throughout ADB's engagement, use has been made of existing local administration structures for service delivery. Recent projects have sought to build on existing informal community structures, particularly concerning local markets. ADB's interventions have been in line with national strategies and policies, of which those concerning decentralization, poverty reduction, and participatory development processes are particularly relevant. Substantial use is made of local consultants.
Adaptation of "imported" models to local requirements and conditions	good	Success of MANCAPS technical assistance demonstrated the compatibility of a model that reflected best public sector organization practice at that time. Subsequently, use also made of successful subregional experiences.
Extent to which EA is a driver for change, reform leader	potentially large	LGED's public profile was significantly raised due to strong leadership committed to effective service delivery. The ambitious agenda in terms of transforming LGED's role from primary provider to enabler/facilitator (in ADB and other projects) may mean it is serving as a change leader for other relevant public sector agencies.
Sequencing	good (but by design or default?)	Logical sequence: 1—significantly strengthen LGED as a technically based provider of infrastructure; 2nd—use LGED to develop the capacity of government and community bodies at the local level to manage infrastructure development; 3—reposition LGED as sector development enabler, with much service provision outsourced to the private sector.
Processes	satisfactory	CD objectives generally clearly distinguished from other (e.g., investment project implementation) objectives, particularly in more recent interventions. Organizational culture developed that supports capacity development goals. Policies and procedures established that make good use of newly acquired knowledge. Not clear how far results-based management is actually practiced.
Partnership/engagement	strong	ADB interventions well integrated with other donors'. Close and sustained partnership with LGED, resulting in substantial mutual trust. Early recognition of need to strengthen capacity of local contractors and local government staff in their role as partners to LGED.
Accountability to beneficiaries	low initially, but improving	Problems with road maintenance suggest lack of ultimate beneficiaries' involvement in decision making re. infrastructure development; this should improve with RIIIP's emphasis on stakeholder capacity building and participation. LGED's monitoring and evaluation capability continues to be highlighted by ADB as problematic and requiring redressal.

ADB = Asian Development Bank, CD = capacity development, DG = director general, LGED = Local Government Engineering Department, MANCAPS = Strengthening LGED's Management Capability, RIIIP = Rural Infrastructure Improvement Project, TA = technical assistance.

Table A7.2: Rural Infrastructure Sector, Nepal, Main Executing Agency—Department of Local Infrastructure and Development of Agricultural Roads (DOLIDAR)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	high	Creation of DOLIDAR during implementation of RIDP provided close identification by EA with RIDP and its successor DRILP, so few problems occurred with project ownership in principle. Perceived new mission to "socialize" the delivery of its services fostered strong "esprit de corps" among engineers. However, the ministry is less committed to CD interventions than was DOLIDAR.
Suitability of incentives	satisfactory	No specific incentives other than opportunity to work with consultants and NGOs on professionally challenging projects strongly supported by donors and, to this extent, offering career development opportunities. First DG inspired staff and built up high morale and strong motivation associated with working on ADB-supported projects. However, EA considers motivation of and/or incentives for counterpart staff not always sufficient.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	satisfactory	RIDP established a project management office and district project implementation units (which goes against international CD orthodoxy but agrees with ADB views). In DRILP, the project coordination unit used the existing District Road Support Program management structure. District-level implementation used the existing structure of district technical offices within DDCs. Local training organizations and consultants were used.
Adaptation of "imported" models to local requirements and conditions	good	RIDP and DRILP designs were based closely on best practice of other rural infrastructure projects in Nepal supported by donors, particularly GTZ and SDC. These labor-based, environmentally friendly construction methods result from long-term experience and testing of different approaches. Participatory features build on Nepal's tradition of local community self-help.
Extent to which EA is a driver for change, reform leader	potentially large	RIDP not especially innovative, but DRILP has ambitious objectives that aim to move rural power structures toward more egalitarian arrangements. If they succeed, the impact of "reform by example" should be very high.
Sequencing	too soon to assess	DRILP (2004) extends mission of RIDP (1996) to transform EA from a technical- and engineering-focused organization to one capable of developing capacity of DDCs and the private sector to manage decentralized infrastructure provision. Some signs that DOLIDAR's learning ability may be overstretched if insufficient time is allowed for internalizing lessons of experience.
Processes	basically sound	Clear focus on behavioral change (including attitudes to road maintenance as opposed to construction) in DOLIDAR and local level EAs. Heavy reliance on consulting services (70% more in DRILP than in RIDP) to help execute multiple tasks of engineering management improvements, local level capacity building, better social mobilization, and stronger monitoring.
Partnership; engagement	strong, but still to be fully tested	Close and sustained relationship between ADB and DOLIDAR, with substantial mutual trust. Too early to gauge durability of relationship with NGOs which are called upon to play an increasingly important role in infrastructure provision.
Accountability to beneficiaries	low up to now	Continuing weak monitoring and evaluation means that accountability is stronger in principle than in practice. May improve if NGO involvement works well.

ADB = Asian Development Bank, CD = capacity development, DDC = district development committee, DG = director general, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, DRILP = Decentralized Rural Infrastructure and Livelihoods Project, EA = executing agency, GTZ = German Agency for Technical Assistance, NGO = nongovernment organization, RIDP = Rural Infrastructure Development Project, SDC = Swiss Agency for Development and Cooperation.

Table A7.3: Infrastructure Sector, Sri Lanka, Main Executing Agency—National Water Supply and Drainage Board (NWSDB)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	generally good	EA recently prepared corporate plan and ADB agreed to support it, instead of the original WSSP4. However, ADB need to institutionalize this approach, including providing training on a demand basis. EA staff members' views on ownership mixed: some feel have full ownership, with externally supported projects an opportunity to advance NWSDB goals, others consider that consultants are given responsibilities that should be given to counterpart staff.
Suitability of incentives	not entirely suitable, but pragmatic	Substantial donor support, particularly from bilaterals, has provided widespread incentives in overseas training. Some doubt its efficacy and efficiency. ADB is aware of the dangers and tries to ensure better alignment of incentives with CD intervention objectives. NWSDB human resources systems recognize and reward training.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	fairly satisfactory	EA perceived major design flaw in WSSP3; bilaterally funded training component bypassed NWSDB's Training Division, which starved of resources (belated attempt was made to remedy this). Balance of international and local consultants and their roles in technical assistance is an issue.
Adaptation of "imported" models to local requirements and conditions	fairly satisfactory	Models for CD of local authorities less successfully adapted than the models for community based and other nongovernment organizations.
Extent to which EA is a driver for change, reform leader	fairly large	Recent political changes resulted in some resistance to sector restructuring and reforms. NWSDB perceived publicly as effective service provider, with reform agenda being driven by ADB, among others.
Sequencing	reasonably satisfactory	Successful community-based rural water supply initiatives (started as pilot projects) gave practical effect to Government's policy of decentralized service provision involving private providers and civil society. Logical sequence: 1—improve NWSDB's operational efficiency and financial viability, and raise public awareness of water management issues; 2—promote sector policy reforms and support decentralized service provision. Sequence not well adjusted to later changes of government attitude and policy toward sector reform.
Processes	fairly satisfactory	CD objectives not always clearly distinguished from other (e.g., investment project implementation) objectives, and scope of consultants' CD work sometimes not well defined. However, good use made of consultants, who were mostly effective. But NWSDB wants more flexibility from ADB re. consultant and training inputs as implementation progresses.
Partnership; engagement	generally strong	Not clear how far results-based management actually practiced. ADB interventions quite well integrated with other donors'. Close and sustained partnership with NWSDB. Valuable support given to CD of local contractors in post-conflict areas.
Accountability to beneficiaries	improving	Emphasis on beneficiary accountability increased with later CD interventions.

ADB = Asian Development Bank, CD = capacity development, EA = executing agency, NWSDB = National Water Supply and Drainage Board, WSSP3 = Third Water Supply and Sanitation Project, WSSP4 = Fourth Water Supply and Sanitation Project.

Table A7.4: Power Sector, Bangladesh, Main Executing Agency—Bangladesh Power Development Board (BPDB), Dhaka Electricity Supply Authority (DESA), predecessors of Power Grid Corporation of Bangladesh (PGCB) and Dhaka Electricity Supply Company (DESCO)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	quite high	ADB said Government was to be complimented on following through difficult, politically sensitive action that led to law and order problems. Government has always delivered on conditionalities since the reform program began in 1994. Recently, the Government has, on its own initiative, started rationalizing retail electricity tariffs for BPDB and DESA.
Suitability of incentives	poor/intractable until corporatization occurs, then good	Inadequate incentive system in Civil Service is a severe constraint, not easily remedied through CD intervention in government departments. CD interventions to corporatize government departments are effective in creating opportunities to introduce incentive schemes for management and staff that are appropriate for a commercial enterprise in a competitive environment.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	good	Power Sector Master Plan 1995–2010 (1995) much valued by BPDB, which is capable of updating it and using it to plan network extensions. BPDB staff can produce complete analyses of current and planned systems unaided. Commissioned studies driven by BPDB managers. Unlike some donors, ADB does not insist on PGCB using consultants for project implementation.
Adaptation of "imported" models to local requirements and conditions	good	Entire strategy for power sector restructuring and policy reform is based on successful experiences and best practices in other countries, but corporatization is a "local" (subregional?) adaptation since sector entities are government departments rather than state-owned statutory corporations that were usually the pre-reform entities elsewhere.
Extent to which EA is a driver for change, reform leader	substantial	PGCB, DESCO and Rural Power Company (created by CD intervention) are good examples of the potential for transforming bureaucratically managed government departments into commercially oriented enterprises that are more accountable to their clients. Technical assistance for soliciting private investment by independent power producers was successful and created capacity in EAs to do it themselves.
Sequencing	basically sound	In principle, restructuring and policy reform sequence is: 1—improve efficiency in government entities; 2—unbundle these into generation+transmission+distribution units and corporatize these; 3—solicit private sector participation; and 4 (or 2)—establish an independent sector regulator and transparent tariff-setting formulas. In practice, the first step is repeated as government "department-type" entities continue alongside corporatized ex-departments.
Processes	sound in case of corporatization CD blueprint approach	Corporatization processes (legislation/incorporation, capital restructuring, asset/liability allocation, governance arrangements, procurement procedures, technical operating plan, business plan, financial management systems, HR policies/procedures, personnel recruitment & remuneration, etc) are clear cut with in-built results based driver.
Partnership; engagement	excellent	ADB very persistent, staying engaged despite World Bank withdrawing over governance issues and DfID considering doing so due to DESA's failure to achieve agreed targets. ADB view is that BPDB's and DESA's continuing poor performance is reason for deepening reform rather than relinquishing it.
Accountability to beneficiaries	probably satisfactory more recently	In later years, diagnosis and design of restructuring and policy reform involve stakeholder consultation (briefing and feedback through workshops and seminars).

ADB = Asian Development Bank, BPDB = Bangladesh Power Development Board, CD = capacity development, DESA = Dhaka Electric Supply Authority, DESCO = Dhaka Electricity Supply Company, DfID = Department for International Development, EA = executing agency, HR = human resources, PGCB = Power Grid Corporation of Bangladesh.

Table A7.5: Power Sector, Nepal, Main Executing Agency—Nepal Electricity Authority (NEA)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	variable	More ownership of ADB-supported CD interventions by NEA than by line ministry (water resources), hence NEA's internal unbundling initiative when government slow to implement sector restructuring. Government generally reluctant to accept TA unless attached to loan, which implies weak ownership of many CD projects.
Suitability of incentives	limited opportunity to incentivize	Scope for improving incentives is limited in absence of substantial corporatization and associated increase in management autonomy of power sector entities.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	variable	TA for management reforms and efficiency improvements at NEA (not implemented) was quite aggressive, suggesting insufficient regard for local processes and systems. NEA considers it does not need more technical help and finds the way ADB selects consultants sometimes unhelpful. The latest TA emphasizes the need for consultants to work with the relevant government task force (rather than for it). Although some donors were sceptical of NEA's internal unbundling exercise, ADB eventually accepted it as going in the right direction and built it into its own CD intervention.
Adaptation of "imported" models to local requirements and conditions	reasonable	Entire strategy for power sector restructuring and policy reform is based on successful experiences and best practices in other countries, but corporatization is a local variant. NEA is appreciative that ADB took on board NEA's own attempt at unbundling, even though this fell short of the standard corporatization requirement.
Extent to which EA is a driver for change, reform leader	unclear	Power sector restructuring and policy reform debate is very visible publicly, but the extent of its positive impact by example is unclear.
Sequencing	probably sound	ADB has a logical approach of providing TA for preparation of road map and reform plans, supplemented by follow-on TA for implementing reforms. NEA disagrees over sequencing: believes NEA should reach its full potential before unbundling starts, and policy is needed for transmission function first. ADB's experience is that potential is hard to realize without at least corporatization (hence the CD intervention to create the transmission corporation NEPGRID).
Processes	sound in principle, not always in practice	Although sector CD strategy is apparent to NEA, clarity of objectives sometimes obscured by the CD method. Thus, NEA sees details of road map as too vague to justify dismantling of NEA, and finds many manuals prepared by consultants not very useful because they are too complicated. Consequently, NEA is writing its own manuals for consultants to review (paid by donors).
Partnership; engagement	good	ADB has been a long-term partner. Many financiers are engaged in the power sector. USAID is supporting institutional (regulatory) reform. ADB is supporting organizational (NEA) reform.
Accountability to beneficiaries	becoming better	Not a prominent feature of CD interventions earlier, but greater emphasis later; e.g. ADB recognizes the need to link rural electrification projects to other livelihood improvement and rural development projects.

ADB = Asian Development Bank, CD = capacity development, EA = executing agency, NEA = Nepal Electricity Authority, NEPGRID = Nepal Power Grid Corporation, TA = technical assistance, USAID = United States Agency for International Development.

Table A7.6: Power Sector, Sri Lanka, Main Executing Agency—Ceylon Electricity Board (CEB)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	perhaps not as good as may seem at first sight	CEB apparently did not feel the Energy Sector Master Plan was "theirs" because of the way in which it was prepared. CEB apparently did not want the Rural Electrification and Network Expansion project and see it as "ADB's project." ADB did try to increase local ownership of major sector restructuring proposals by leaving it to a government steering committee to select options from those identified by consultant teams. CEB is frustrated that it cannot approach ADB directly with project proposals, but has to go through the Ministry of Finance. The previous administration (before recent political realignment) showed much stronger commitment to sector restructuring and policy reforms than the present one.
Suitability of incentives	(difficult to assess)	ADB recognizes stress on EA staff caused by sector restructuring/reform, but no specific measures proposed to build the needed "motivation and enthusiasm of LECO's management and workforce."
Use of existing capacities; integration of external inputs with national priorities, processes, systems	not always satisfactory	CEB planning staff reportedly demoralized by consultants being brought in to prepare generation master plan. TA for preparing the Rural Electrification Project pays lip service only in consultants' terms of reference to building project preparation capacity in the new distribution companies, despite the avowed TA intention. However, detailed planning and implementation of unbundling is being left to teams comprising CEB and LECO staff.
Adaptation of "imported" models to local requirements and conditions	local acceptance is an issue	Foreign models of power sector restructuring and policy reform (e.g., from Australia and the United Kingdom) are justified on grounds that electricity tariffs will be reduced in the long run. However, public awareness campaigns on issues seem not to have had much impact on union/employee resistance to change—more intensive dialogue is needed. Allowing government steering committee discretion over major restructuring options is seen by ADB as "creating Sri Lankan solutions to the issues."
Extent to which EA is a driver for change, reform leader	EA is seen as being under pressure to change	ADB has high public profile over its stance on power sector restructuring and policy reform and is seen as the champion of privatization and market liberalization as the basic solution to inefficiency and poor service in the sector. Thus, CEB is seen to be a test to some extent of the government's ideology, and hence is politically sensitive.
Sequencing	needs clarification	In principle, sequencing of CD interventions follows the blueprint for power sector restructuring/reform. However, that the Energy Sector Master Plan TA left it to the consultants to recommend capacity building measures suggests there is no clear road map in practice.
Processes	room for improvement	CEB considers consultants are not always used efficiently; CEB staff seldom acquire new knowledge. CEB suggests too little attention in CD interventions is given to achieving behavioral change as opposed to delivering technical solutions and executed projects.
Partnership; engagement	good	Despite the above weaknesses in CD interventions, CEB sees its relationship with ADB as constructive and based on mutual trust. CEB appreciates ADB's willingness to be flexible over project scope when a good case exists for modification. Recent political events have put pressure on the sustainability of government commitment to power sector restructuring/reform and ADB will need patience to stay engaged.
Accountability to beneficiaries	satisfactory	Program loan TA sought to build consumer awareness and public understanding and to promote dialogue between the public and the regulatory commission. Rural electrification TA focused strongly on the need to improve intra-village connectivity (from 45–65% of households to 80–85%).

ADB = Asian Development Bank, CD = capacity development, CEB = Ceylon Electricity Board, EA = executing agency, LECO = Lanka Electricity Company, TA = technical assistance.

Table A7.7: Capital Markets Subsector, Bangladesh, Main Executing Agency—Securities and Exchange Commission (SEC)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	fairly strong	After its establishment, SEC Advisory Committee met only once in 2.5 years. MOF gave strong support for CMDP and SEC for the attached TA on capacity building of SEC and stock exchanges. SEC considers ADB should leave SEC to judge when there are opposing views (e.g., concerning rules for brokers with merchant banking functions). ADB agreed to adjustments to program components (e.g., removal of demutualization) when SEC judged them impractical.
Suitability of incentives	a problem area	Government at various times has agreed to look at ways of augmenting meager (Civil-Service-determined) compensation for SEC staff. The condition that staff who went abroad for training should subsequently remain with SEC for 3 years did not prevent them from leaving prematurely. Later TA used an SEC panel to screen external training allocations.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	generally satisfactory	Satisfactory arrangements were made for integrating the work of consultants with SEC staff in some cases, but in others counterpart staff were mainly required to provide logistical rather than professional support. Not much input by SEC to Project Preparation TA.
Adaptation of "imported" models to local requirements and conditions	quite good	At early stages of SEC development, SEC staff members went on training/study tours in other Asian countries that had been through the same stage of capital markets development. SEC regulations/procedures were adapted to the emerging situation in Bangladesh. A later TA reviewed regional examples of SEC funding, income, and salaries to search for models that could be effectively applied in Bangladesh to address the issues of lack of independence and low staff compensation in SEC.
Extent to which EA is a driver for change, reform leader	an assumed role	ADB is mainly driving the capital market reforms, with support from some parts of government but not from others.
Sequencing	sequencing possibly too fast	While each successive TA built logically on the scope of the previous one, there was considerable repetition, suggesting pace of change for SEC may have been too fast for sustained acquisition of new knowledge and skills and adjustment to new structures, policies, and function, given the quantity and quality of SEC staff available.
Processes	generally satisfactory	Mostly standard management consulting approaches are used to organization building with their attendant strengths and limitations.
Partnership; engagement	good	Sustained efforts by ADB, in concert with other financiers.
Accountability to beneficiaries	satisfactory in the circumstances	CMDP completion report concluded that TA and training focused too much on SEC, to the neglect of capacity development needs of other capital market participants. This partly remedied later by TA addressing corporate governance of public companies, listed security issuers, stock exchanges, brokers, dealers, merchant banks, asset management companies, etc., indirectly by improving SEC's ability to diagnose failings and intervene appropriately. New program aims to train and test market players.

ADB = Asian Development Bank, CMDP = Capital Market Development Program, SEC = Securities and Exchange Commission, TA = technical assistance.

Table A7.8: Livestock Subsector, Nepal, Main Executing Agency—Department of Livestock Services (DLS)

Best Practice Feature	Rating	Comment
Local ownership; respect for local values; self-esteem	high now	This extended from DLS (which was closely involved in designing LDP3 and 4) to farmer beneficiaries due high level of participation in planning and execution. Emergence of farmer-group approach suggests good alignment with local values. Morale in DLS is relatively high, which suggests positive professional self-esteem.
Suitability of incentives	suitable	Training fellowships were valued by DLS staff.
Use of existing capacities; integration of external inputs with national priorities, processes, systems	fairly good	PMUs still seem to be favoured device for project implementation, which seems to go against the usual organization by function, service, and/or geographical area. However, the center-district management responsibilities were left intact.
Adaptation of "imported" models to local requirements and conditions	became much better	Poor in earlier years, when systems/technologies inappropriate to local infrastructure and organization were introduced. Later, much better, with some notable successes building on rural Nepal's tradition of group DLS was encouraged to pioneer far-reaching changes in socioeconomic structures and participation at the village level.
Extent to which EA is a driver for change, reform leader	very high	
Sequencing	poor at first, becoming better	Initial emphasis was on "advanced" technology transfer to DLS before it had effective means of ensuring uptake by end users. Later emphasis was on improving DLS capacity as enabler of service provision.
Processes	became better	According to DLS, ADB became more flexible regarding both project design and implementation.
Partnership; engagement	close and sustained	Long engagement despite initial disappointments, good personal relationships developed, strong commitment by both parties to find the best approaches and make things work. Too early to gauge relations with nongovernment organizations (etc.) on which heavy reliance is placed to enter into partnerships with DLS and
Accountability to beneficiaries	low at first, becoming better	Continuing weak M&E means that accountability is stronger in principle than in practice.

DLS = Department of Livestock Services, LDP3 = Third Livestock Development Project, LDP4 = Fourth Livestock Development Project.