

**ASIAN DEVELOPMENT BANK**

**TAR: IND 36061**

**TECHNICAL ASSISTANCE**

**TO**

**INDIA**

**FOR**

**POLICY RESEARCH NETWORKING TO**

**STRENGTHEN POLICY REFORMS**

**December 2002**

## CURRENCY EQUIVALENTS

(as of 10 December 2002)

Currency Unit	–	rupee/s (Re/Rs)
Re 1.00	=	\$0.0207
\$1.00	=	Rs48.20

## ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance
CSP	–	country strategy and program
CSPU	–	country strategy and program update
CPM	–	country programming mission
DMC	–	developing member country

## NOTES

- (i) The fiscal year of the Government begins on 1 April and ends on 31 March.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. In May 2002, the Country Programming Mission (CPM) reached agreement with the Government on providing advisory technical assistance (TA) for policy research networking,<sup>1</sup> based on consultations with the Government, concerned policy research institutions, and other experts in the fact-finding exercise conducted during the CPM. The goals, outputs, activities, implementing arrangements, and financing arrangements are detailed in this paper. The TA framework is in Appendix 1.<sup>2</sup>

## II. ISSUES

2. India's Tenth Five-Year Plan (2002–2007) is being finalized. The Government's main strategic goal is to reduce poverty through approaches similar to those supported by the Asian Development Bank (ADB): sustainable growth, social development, and good governance. India made impressive strides in reducing poverty during the past decade, mainly on account of rapid growth.<sup>3</sup> However, sustainability of such growth-led poverty reduction is now in doubt because of two major challenges: structural distortions, especially fiscal imbalances, which can impede macroeconomic stability, and poor infrastructure. Similarly, despite significant recent improvements, India's human development index rank is 124 out of 173. Some core structural distortions and capacity constraints urgently need to be addressed, but a mobilized civil-society constituency to support economic reforms is lacking. Experts and policy advisors appreciate the major structural distortions and required reforms, but a constituency to support policymakers in implementing reforms is also missing. Such a constituency is essential to sustain and consolidate the reform process since economic reforms in India, as elsewhere, inevitably involve the competing interests of different stakeholders. Potential losers seek to block reforms and, hence, sustainable growth, social development, and poverty reduction. A vehicle enabling experts, policymakers, and opinion makers to network among themselves would be useful to build and strengthen a coalition for reforms, based on sound research on key policy reform issues.

3. Based on ADB's operational experience in India, analysis of the economic situation, and consultations with senior officials and other experts, five thematic clusters of key economic policy issues have been identified:

- (i) **Macroeconomic Management and Government Finances.** Macroeconomic management and fiscal policy, especially the burgeoning public debt and the political economic problems of deficit containment, are major challenges.
- (ii) **State Government Budget Constraints and Social Services.** State governments are largely responsible for providing public education and health services but do not have the commensurate power to raise revenue. Preemption of available resources for committed expenditures such as debt servicing, wages, and salaries greatly constrains the governments' capacity to provide quality services, especially in education and health.
- (iii) **Agriculture, Food Security, and Rural Development.** The challenges for the next phase of development in agriculture, food policy, and rural nonfarm activities will directly impact on poverty since most of the poor live in rural areas.

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<sup>1</sup> CPM Aide Memoire (24 May 2002) and CPM Back to Office Report (7 June 2002).

<sup>2</sup> The TA first appeared in ADB's *Business Opportunities* on 23 August 2002.

<sup>3</sup> ADB. August 2002. *Country Strategy and Program Update (2003-2005)*: India. Manila.

- (iv) **Trade Policy, Industrial Performance, and Private Sector Development.** Modern economic growth, as characterized by Nobel laureate Simon Kuznets,<sup>4</sup> features the leading role of the industrial sector. However, industrial performance has been tardy in recent years, often due to problems of adjustment to an emerging new trade policy regime consistent with World Trade Organization requirements. As the public sector gradually withdraws from economic production, a suitable enabling environment has to be put in place to promote domestic and foreign private investment.
- (v) **Infrastructure Development for Poverty Reduction: Priorities, Constraints, and Strategies.** Poor infrastructure is a major barrier to high growth. The role of infrastructure in poverty reduction has emerged as an important policy issue for the international development community.<sup>5</sup>

4. The country has a great deal of expertise and capacity to analyze policy distortions and their impact on economic performance. However, these intellectual resources are typically individual experts scattered in many public institutions which, unfortunately, lack the resources to conduct sustained and focused research or to network among themselves to design policy reforms, develop public policy dialogue, and build a reform consensus. This is a serious gap in policy networking capacity, which needs to be addressed to accelerate and consolidate the next generation of economic reforms. TA is required to establish a vehicle for such networking among experts, policymakers, and opinion makers to build a constituency for reforms based on sound policy research.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

5. The main purpose of the TA is to provide catalytic assistance to develop policy research networking capacity to build support for and consolidate the reform process. In particular, the TA will support high-level policy dialogue, as well as civil-society policy discourse and constituency building for reform, based on sound policy research in priority areas.

6. These goals will be reached through partnerships between ADB, senior policymakers, public nonprofit research institutions of national importance, individual experts, and opinion makers. Networking will be organized around five priority themes identified above.

7. The policy research networking process is being designed to generate three outputs:

- (i) about 50–60 policy research papers covering the priority themes, comprising a consolidated and easily accessible stock of analytical knowledge on key economic policy issues and reform requirements;
- (ii) reform road maps for the thematic areas based on policy dialogue and consensus building among policymakers, by engaging key policymakers, especially through policy retreats, to discuss the analysis and reforms proposed by experts' policy research papers; and

<sup>4</sup> Kuznets, Simon. 1966. *Modern Economic Growth*. Yale University Press.

<sup>5</sup> See for instance ADB. 2001. RETA 5947: *Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction* (Interim Report) and DFID. November 2002. *Making Connection: Infrastructure for Poverty Reduction*.

- (iii) coalition building among stakeholders in civil society for reforms in the thematic areas, through focused public policy discussions in seminars and conferences for targeted stakeholders in civil society, and through the media, which will play a critical role.

## **B. Methodology and Key Activities**

8. The TA will finance, and serve as the vehicle for, the policy research networking process, and enable it to draw on international best practice experience. For instance, RETA 256-02: Technical Assistance for the Network of Public Administration Institutes of the Asia and Pacific Region refers to the successful operation of the network of institutes and schools of public administration in central and eastern Europe (established with 15 member institutions in 1994, and which now has 150 member institutions). Similarly, the South Asia Network of Economic Research Institutes, consisting of about 40–50 members, has emerged as an important voice in policy discussions and research at the South Asia regional level. However, no such initiative is currently available for policy research networking to strengthen policy reforms within India. The TA will fill this gap by drawing on international networking experience. The knowledge base for the policy research networking process will be provided by the large repository of country-specific knowledge and expertise available in India, which can be cost-effectively tapped. Such expertise and specialized knowledge is typically located in nonprofit public institutions, recognized as national centers of excellence in their fields. A suitable modality should be created to tap into these repositories of knowledge in developing the envisaged policy networking process. The other partners in this process are policymakers, opinion makers, and ADB.

9. Each partner will play a key role in policy research networking. The individual experts will undertake policy research and generate ideas about reform road maps. The policymakers will translate ideas into actual policies. The opinion makers, particularly journalists, will communicate ideas to civil society to build the constituency that policymakers need to implement reforms. The research or hub institutions, which will be the TA implementing agencies, will organize and manage interaction between experts, policymakers, opinion makers, and other stakeholders in civil society to generate thematic area outputs. ADB, in consultation with, Economic Division of Department of Economic Affairs, Government of India, the Executing Agency and the five advisory committees, will anchor the networking process and also strategically guide the process.

10. The TA activities include the following:

- (i) establishment of advisory committees for the five thematic priorities;
- (ii) establishment of a tier-1 network of hub institutions covering the thematic priorities (Appendix 2);
- (iii) establishment of a tier-2 network of thematic clusters of individual experts, opinion makers, and policymakers organized by the hub institutions;
- (iv) planning and review meetings of the advisory committee to develop a policy research program for each thematic area, and for monitoring the program's implementation;
- (v) commissioning of policy papers by the hub institutions;
- (vi) preparation of policy research papers;
- (vii) holding of expert technical workshops;
- (viii) policy retreats for consultations with policymakers on reform road maps;
- (ix) focused policy reform seminars with opinion makers;

- (x) participatory policy reform consultations with targeted stakeholder groups in civil society; and
- (xi) evaluation of the policy research networking TA.

### C. Cost and Financing

11. The total TA cost is estimated at \$875,000, including \$105,000 of foreign exchange cost, and \$770,000 equivalent of local currency cost (Appendix 3). The TA will be financed on a grant basis by the ADB's TA funding program. ADB will provide \$700,000 on a grant basis from the ADB's TA funding program to cover the entire foreign exchange cost of \$105,000, and \$595,000 equivalent of the local currency cost. The Economic Division, Department of Economic Affairs, Government of India and implementing agencies will cover the equivalent of \$ 175,000 for local currency costs in kind.

### D. Implementation Arrangements

12. **Executing Agency.** The Economic Division, Department of Economic Affairs, Government of India, will be the Executing Agency.

13. **Implementing Agencies.** The implementing agencies for each thematic area will be finalized, subject to the conclusion of partnership agreement with these institutions after the TA is operational, from the following shortlist of institutions for specific themes, which have been identified in consultation with the Government and other experts:

- (i) **macroeconomic management and government finances**
  - (a) Indian Institute of Management, Kolkata
  - (b) Institute of Economic Growth, New Delhi
  - (c) Indira Gandhi Institute of Development Research, Mumbai
  - (d) National Council of Applied Economic Research, New Delhi
- (ii) **state government budget constraints and social services**
  - (a) National Institute of Public Finance and Policy, New Delhi
  - (b) Centre for Development Studies, Trivandrum
  - (c) Institute of Social and Economic Change, Bangalore
- (iii) **agriculture, food security, and rural development**
  - (a) National Centre for Agricultural Economics and Policy Research New Delhi
  - (b) Centre for Economic and Social Studies, Hyderabad
  - (c) Institute of Social and Economic Change, Bangalore
- (iv) **trade policy, industrial performance, and private sector development**
  - (a) Indian Council for Research on International Economic Relations, New Delhi
  - (b) Indian Institute of Management, Bangalore
  - (c) National Council of Applied Economic Research, New Delhi
- (v) **infrastructure development for poverty reduction: priorities, constraints, and strategies**
  - (a) National Council of Applied Economic Research, New Delhi
  - (b) Tata Energy Research Institute, New Delhi
  - (c) Indian Institute of Management, Ahmedabad

14. ADB will sign partnership agreements with the final hub institutions, which will constitute the tier-1 network, indicating the activities they will manage, the resources they will contribute, and the assistance that ADB will provide. The institutions will commission the policy research papers and oversee their completion, review, and revisions. The institutes will also organize expert technical workshops, policy retreats, policy reform seminars, and participatory stakeholder consultations. The partnership agreements will indicate that ADB's financial assistance will be liquidated in accordance with ADB procedures. All documentary outputs of the TA will be under the joint ownership of ADB and the partner institutions. The institutions will coordinate with ADB and the Economic Division, Department of Economic Affairs, Government of India, under the relevant advisory committee.

15. **Advisory Committees.** Separate advisory committees will be established under the TA for each thematic area, consisting of eminent experts. ADB will constitute the committees in consultation with the Economic Division, Department of Economic Affairs, Government of India, implementing agencies, and expert peer groups. The committees will work with ADB and the Economic Division, Department of Economic Affairs, Government of India to provide overall strategic guidance for the policy research networking process. The committees, the Economic Division, Department of Economic Affairs, Government of India, and ADB will jointly determine the issues on which policy papers should be commissioned; identify the resource persons to prepare papers; and participate in the technical workshops, policy retreats, and dissemination programs. The committees will also continuously monitor and evaluate TA implementation in cooperation with ADB and the Economic Division, Department of Economic Affairs, Government of India. The implementing agencies will serve as committee secretariats. A chart describing the role of different entities in the policy research networking process is in Appendix 2.

16. **Consulting Services.** Since the advisory committees, the Economic Division, Department of Economic Affairs, Government of India, ADB, and hub institutions will be primarily responsible for planning and implementing activities, consulting services will be limited to 4 person-months of international and 50 person-months of domestic consultancy. The consultants will be individuals selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The international and domestic consultants will be economists, specializing in economic reform. The international consultants will mainly advise the implementing agencies on international networking best practices; reviewing and commenting on the policy papers; and preparing short papers and participating in workshops, conferences, and seminars as required. The international consultants will also evaluate the TA near its end. The domestic consultants will mainly anchor the overall TA, help manage its implementation, review documents, and prepare papers. Outline terms of reference of the consultants are in Appendix 4.

17. The TA will commence on 1 March 2003 and be implemented over 2 years, ending 28 February 2005.

#### IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$700,000 on a grant basis to the Government of India for Policy Research Networking to Strengthen Policy Reforms, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b> Develop policy research networking capacity to build support for and consolidate the reform process</p>	Accomplishment of reform milestones (to be developed during TA implementation) in the five thematic areas	<p>Continuous monitoring by the advisory committees</p> <p>Periodic TA review by ADB staff</p>	<ol style="list-style-type: none"> <li>1. Nonpolicy variables may adversely effect outcomes.</li> <li>2. Policy research may not be translated into reforms.</li> </ol>
<p><b>Purpose</b> Establish an institutional vehicle for networking among experts, policymakers, and opinion makers to build a constituency for reforms to promote growth and reduce poverty, based on sound policy research. The networking process will draw on international best-practice experience.</p>	Accomplishment of networking milestones (to be specified during TA implementation)	<p>Continuous monitoring by the advisory committees</p> <p>Periodic TA review by ADB staff</p>	<ol style="list-style-type: none"> <li>1. Networking milestones may not be accomplished.</li> <li>2. Networking activities may not strengthen reforms.</li> </ol>
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. Fifty to sixty policy research papers in the thematic areas</li> <li>2. Development of road maps of reforms in the thematic areas</li> <li>3. Constituency building for reforms among stakeholders in civil society</li> </ol>	<ol style="list-style-type: none"> <li>1. Completion of about 25–30 refereed papers at the end of the first year</li> <li>2. Completion of an additional 25–30 refereed papers at the end of the second year</li> </ol> <p>Completion of reform road maps in all thematic areas</p> <p>Reform coalitions to be mobilized within 2 years</p>	<ol style="list-style-type: none"> <li>1. Technical workshops</li> <li>2. Continuous monitoring by the advisory committees</li> <li>3. TA review</li> </ol> <ol style="list-style-type: none"> <li>1. Policy retreats with policymakers</li> <li>2. Continuous monitoring by the advisory committees</li> <li>3. Periodic TA review by ADB staff</li> </ol> <ol style="list-style-type: none"> <li>1. Continuous monitoring by the advisory committees</li> <li>2. Periodic TA review by ADB staff</li> </ol>	<ol style="list-style-type: none"> <li>1. Papers may be delayed.</li> <li>2. The quality of papers may be inadequate.</li> </ol> <ol style="list-style-type: none"> <li>1. Policymakers may not reach a consensus on road maps.</li> <li>2. Reform road maps may not be translated into policy reforms.</li> </ol> <ol style="list-style-type: none"> <li>1. Opinion makers may not succeed in building public opinion.</li> <li>2. Reform conditions may not be effective.</li> </ol>

<b>Design Summary</b>	<b>Performance Indicators/ Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Establishment of advisory committees for the thematic priorities</li> <li>2. Establishment of a tier-1 network of hub institutions</li> <li>3. Establishment of a tier-2 network of thematic groups of individual experts</li> <li>4. Planning and review meetings of advisory committees</li> <li>5. Commissioning of policy papers</li> <li>6. Preparation of policy research papers</li> <li>7. Expert technical workshops</li> <li>8. Policy retreats with policymakers</li> <li>9. Policy reform seminars with opinion makers</li> <li>10. Participatory policy reform consultations with targeted stakeholders in civil society</li> <li>11. Evaluation of the policy research network TA</li> </ol>	<ol style="list-style-type: none"> <li>1. Timely establishment of advisory committees, and tier-1 and tier-2 networks</li> <li>2. Timely completion of research papers</li> <li>3. Timely holding of technical workshops, policy reform seminars, and participatory consultations with stakeholders in civil society</li> <li>4. Timely accomplishment of policy retreats with policymakers</li> <li>5. Timely completion of TA evaluation report</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous monitoring by the advisory committee</li> <li>2. Periodic TA review by ADB staff</li> </ol>	<ol style="list-style-type: none"> <li>1. Activities may be delayed.</li> <li>2. Activities may cost too much.</li> <li>3. Activities may not be accomplished.</li> </ol>
<p><b>Inputs</b></p> <ol style="list-style-type: none"> <li>1. ADB TA funding of \$700,000</li> <li>2. Counterpart funding by India of \$175,000 (including executing agency and implementing agency staff input)</li> <li>3. ADB staff inputs</li> </ol>	<p>Provision of adequate inputs by ADB and DMC as planned</p>	<ol style="list-style-type: none"> <li>1. Continuous monitoring by the advisory committee</li> <li>2. Periodic TA review by ADB staff</li> </ol>	<ol style="list-style-type: none"> <li>1. Financial inputs may cost too much</li> <li>2. Inadequate staff inputs may delay activities</li> </ol>

ADB = Asian Development Bank, DMC = developing member country, TA = technical assistance.

**POLICY RESEARCH NETWORKING PROCESS**  
**Figure A2.1: Tier-1 Network**

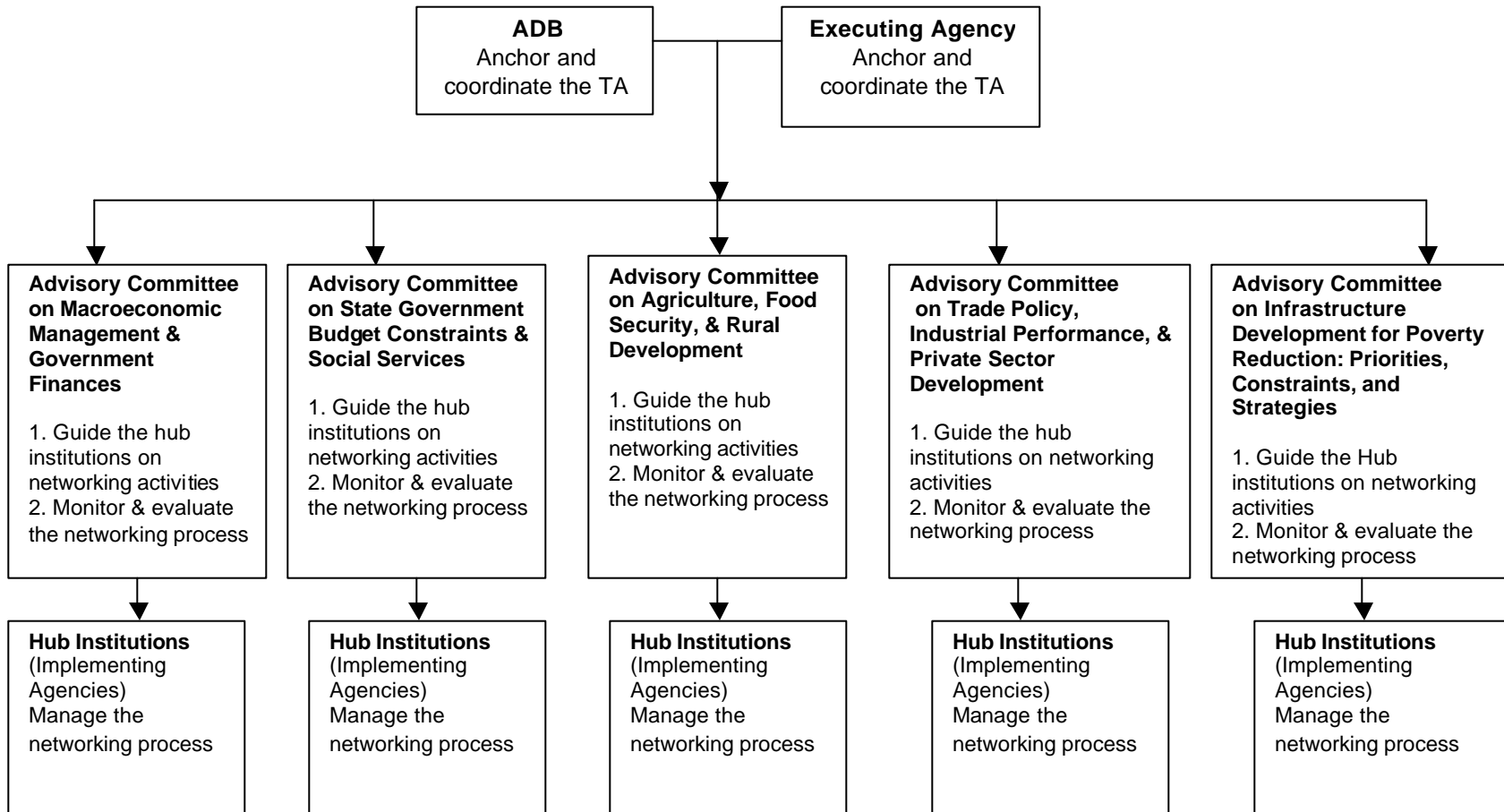
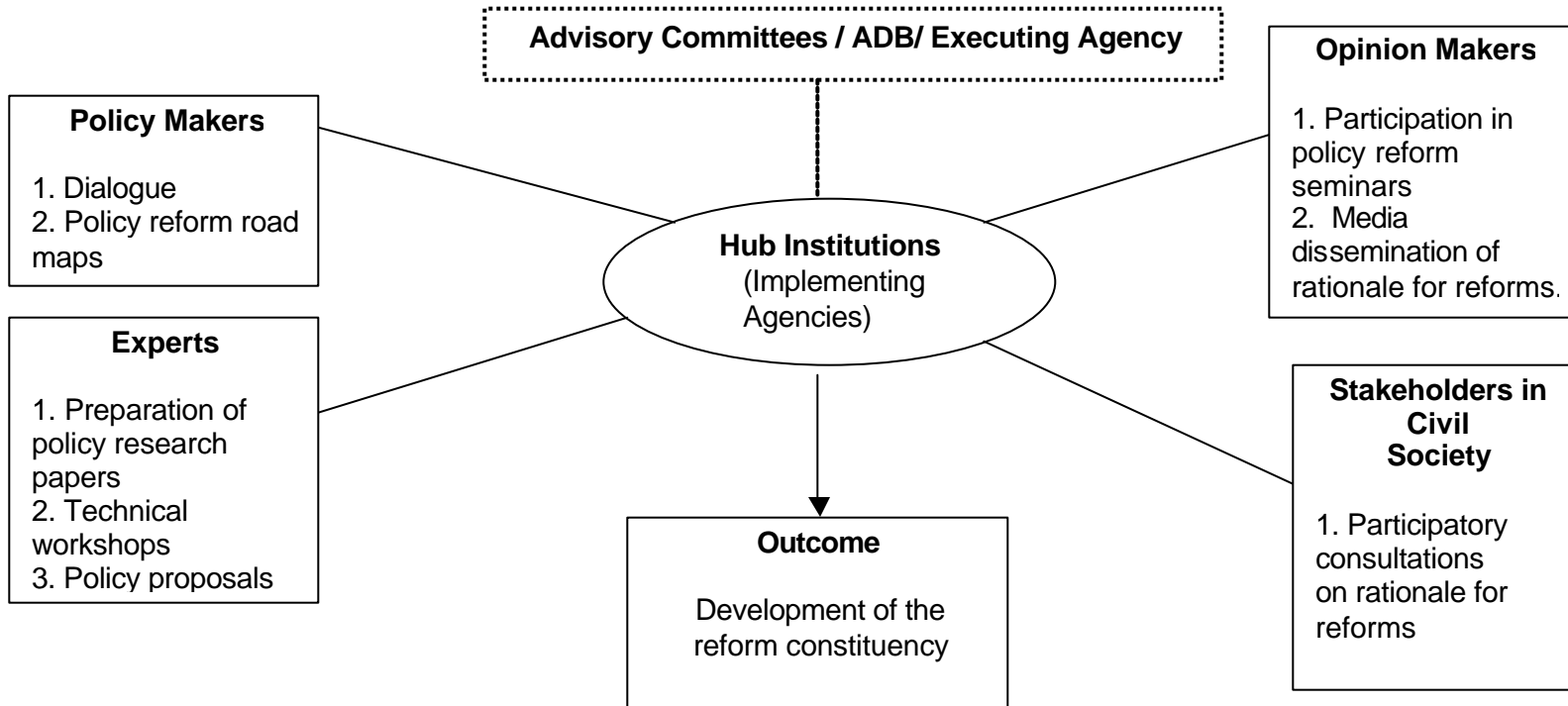


Figure A2.2: Tier-2 Network



**COST ESTIMATES AND FINANCING PLAN**  
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing</b>			
1. Consultants			
a. Remuneration and Per Diem			
International	60,000		60,000
Domestic		50,000	50,000
b. International/Domestic travel	16,000	10,000	26,000
2. Training/ Seminars			
Policy Retreats with Policymakers		60,000	60,000
Policy Seminars for Opinion Makers		40,000	40,000
Participatory Stakeholder Consultations		70,000	70,000
3. Studies			
i. Preparation of 50–60 Policy Research Papers (including technical workshops)		250,000	250,000
4. Equipment (hardware and software)	11,000		11,000
5. Miscellaneous Administrative Costs			
i. Advisory Committee TA Monitoring and Review		30,000	30,000
ii. Consumables, Documents, and Publications		11,000	11,000
6. Contingency	18,000	74,000	92,000
<b>Subtotal (A)</b>	<b>105,000</b>	<b>595,000</b>	<b>700,000</b>
<b>B. Government Financing</b>			
1. Counterpart Staff	0	100,000	100,000
2. Office Accommodation and Facilities	0	33,000	33,000
3. Local Transportation	0	6,000	6,000
4. Documentation	0	10,000	10,000
5. Miscellaneous Administrative Expenses	0	6,000	6,000
6. Contingency	0	20,000	20,000
<b>Subtotal (B)</b>	<b>0</b>	<b>175,000</b>	<b>175,000</b>
<b>Total</b>	<b>105,000</b>	<b>770,000</b>	<b>875,000</b>

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

The consultants, will be all individuals consultants, selected and engaged in accordance with *Guidelines on the Use of Consultants* of the Asian Development Bank (ADB) and with other arrangements satisfactory to ADB for engagement of domestic consultants. The consultants will anchor networking activities, which will be managed by the hub institutions. The consultants will also review and comment on the policy papers prepared under the technical assistance (TA) to ensure that they take cognizance of international best practices in proposing policy reforms to support growth and poverty reduction, and in the networking process. The terms of reference for international and domestic consultants are outlined below:

### A. International Consultants (4 person-months)

- (i) Review policy research papers commissioned by the hub institutions as required;
- (ii) Ensure that international best-practice policies are taken into account in the policy papers;
- (iii) Advise the implementing agencies on international best practices in similar networking activities and incorporate these practices into the TA as appropriate;
- (iv) Participate in TA workshops, seminars, and conferences, as required; and
- (v) Provide inputs to evaluate the TA before its completion.

### B. Domestic Consultants

- (i) Senior advisers (2 person-months) will do the following:
  - (a) Review TA documents and comment on them;
  - (b) Participate as resource persons in TA workshops, seminars, and conferences, as required;
  - (c) Prepare short papers on topics to be identified during TA implementation as required; and
  - (d) Provide inputs for TA evaluation.
- (ii) The adviser (24 person-months) will do the following:
  - (a) Help ADB staff anchor the networking activities of the hub institutions and liaise with them;
  - (b) Help ADB staff organize workshops, conferences, seminars, and other consultations as required;
  - (c) Develop and implement a management information system for the TA;
  - (d) Help ADB staff liaise with policymakers, advisory committee members, other stakeholders in civil society, and experts participating in the project; and
  - (e) Participate in TA project missions as required.
- (iii) The senior project assistant (domestic, 24-person months) will do the following:
  - (a) Help ADB staff and the adviser anchor hub institutions' networking activities;
  - (b) Help ADB staff and the adviser organize workshops, conferences, and seminars as required;
  - (c) Help the adviser develop and implement a management information system for the TA;

- (d) Help ADB staff and the adviser liaise with policymakers, advisory committee members, other stakeholders in civil society, and expert TA participants;
- (e) Ensure the smooth flow of TA documents and communications;
- (f) Help compile and edit TA reports;
- (g) Help draft routine communications; and
- (h) Participate in TA project missions as required.