

**Management Response on the Special Evaluation Study
on Capacity Development Assistance of the Asian Development Bank
to the Lao People's Democratic Republic**

On 5 August 2004, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management supports the OED report's recommendation that a more systematic approach is needed to improve the effectiveness of ADB's capacity development assistance. In order to mainstream capacity development into ADB operations, Management established a working group on capacity development in April 2004. The working group has incorporated the findings and recommendations of this report. In addition, the revised Poverty Reduction Strategy (PRS) approved in July 2004 included capacity development as a thematic priority.

1. On Lao PDR, several country specific initiatives are being planned or ongoing. The governance assessment in 2004 and the proposed public administration reform program loan in 2006 will identify country-wide systemic issues on capacity development and address concerns on the incentive systems of public services in Lao PDR. A comprehensive needs assessment for capacity building in environmental monitoring is currently being conducted and a medium and long-term capacity building program will also be prepared. The issues raised in the SES report will be further addressed in the next CSP for Lao PDR in 2005.