

## **MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON LESSONS IN CAPACITY DEVELOPMENT: SECTORAL STUDIES IN SRI LANKA**

On 12 May 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management welcomes this Operations Evaluations Department (OED) Special Evaluation Study on Lessons in Capacity Development: Sectoral Studies in Sri Lanka and provides the following response to OED's recommendations and some key findings.

2. **Sri Lanka country strategy and program (CSP) (recommended follow-up action 1, page 38)**. The Study suggests that the next CSP include an assessment of the impact and sustainability of past and ongoing capacity development activities as one of the criteria to help guide decisions on whether ADB should be involved in or withdraw from particular sectors. This assessment should not be carried out as a stand-alone assessment across all sectors and as an input to the CSP. Instead, assessing the impact and sustainability of capacity development activities of past and ongoing projects should be done in the context of broader sector-wide assessments of ADB priority sectors in Sri Lanka. This is for the following reasons:

- (i) the definition of capacity development adopted in the Study is rather 'all encompassing'. With this definition, an assessment of all projects that had past or ongoing capacity development activities would end up being a mammoth task; and
- (ii) an assessment of performance of capacity development activities within a sector could be the basis for deciding whether future projects/programs in the sector should or should not include capacity development components. It should not, however, be the basis for deciding whether or not to withdraw from a sector.

3. **Definition of Capacity Development (recommended follow-up action 3, page 38)**. The Study suggests that OED and Regional and Sustainable Development Department (RSDD) develop a clear definition of what capacity development means in operational terms. RSDD is currently developing the definition through its proposed report, Integrating Capacity Development into Country Programs and Operations—Proposed Medium-Term Framework and Action Plan 2006–2010. Once this is available, there is a need to discuss capacity development concepts with DMCs based on generic templates and guiding principles that have been provided by RSDD. Capacity development approaches need to be jointly agreed and routinely used (with refinement as experience accumulates) as the basis for identifying DMCs' capacity development needs and formulating and monitoring responses to these.

**4. Smallholder Tea Subsector (Follow-up action in para. 106, page 35).**

The Study suggests that ADB remain involved in the Smallholder Tea subsector. The rationale is that, if ADB moves out of the sector, the capacity built so far may be lost. While it is a risk, capacity building needs are a relatively minor reason for engaging in a sector. Most important is the sector's potential for growth and poverty reduction.

**5. Relevance of Project Design (para. 58, page 19).**

The Study states that 'study on private participation in secondary education is irrelevant because private secondary schooling already exists'. This is not correct as private schooling in Sri Lanka is very limited, with 94% being public. The issue here was the lack of quality of secondary education due to limited public resources and the need for private participation to offset the rising cost of secondary education (as explained in para. 20 of the Report and Recommendation to the President [RRP] of the Secondary Education Modernization Project). The study on private participation in secondary education was essential to help the enabling environment for capacity development. However, it was never undertaken. Therefore, the study was relevant but not efficient.

**6. Capacity Development Impact (para. 86-89, page 28-29).**

The Study indicates that impacts at the level of individual employee and the organization or the network levels were modest for the water sector. While this may have been the case for the Third Water Supply and Sanitation Project, subsequent interventions such as the Secondary Towns and Rural Community-Driven Water Supply and Sanitation Project have provided more focus and attention to these levels. Interventions need to be thought at the 'program' level and not at the 'project' level, and need to be thought as a sequential progression of activities; consequently, not all can be addressed at once. Similarly, in order to accommodate change management, timing needs to be selected accordingly.

**7. Unimportance of Formal and Overseas Training (para. 100, page 34).**

The Study does not really substantiate that overseas training was not effective and therefore should be avoided.

**8. Depth in Capacity Development (para. 103, page 34).**

The Study indicates that capacity activities to date had only reached national level agencies. While this may have been the case up to the Third Water Supply and Sanitation Project, ADB last year approved a project for local government infrastructure development which specifically targets capacity development of provincial and local authorities.