



# Final Report

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January 2006

## Review of the Governance Cooperation Fund

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAR	–	Central Asian Republic
CSP	–	Country Strategy and Program
CFWS	–	Cooperation Fund for the Water Sector
DMC	–	developing member country
ECRD	–	East and Central Asia Department
GC	–	Governance Committee
GCF	–	Governance Cooperation Fund
GCF-BP	–	GCF Board Paper
GDCF	–	Gender and Development Fund
MKRD	–	Mekong Department
NGOs	–	nongovernment organization
OCO	–	Office of Cofinancing Operations
OGC	–	Office of the General Counsel
OSI	–	Open Society Institute
PARD	–	Pacific Department
PRF	–	Poverty Reduction Cooperation Fund
PRS	–	Poverty Reduction Strategy
PTF	–	Poverty task force (in Viet Nam)
RD	–	regional department
RETA	–	regional technical assistance
RSDD	–	Regional and Sustainable Development Department
RSCG	–	Capacity Development and Governance Division
SARD	–	South Asia Department
SERD	–	South East Asia Department
SME	–	small and medium enterprise
TA	–	technical assistance

## NOTE

- (i) In this report, '\$' refers to US dollars.

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## EXECUTIVE SUMMARY

### Introduction

The Asian Development Bank (ADB) approved the establishment of the Governance Cooperation Fund (GCF) in November 2001, with funding from the Governments of Canada, Norway and Denmark. The GCF financed technical assistance grants for policy advice, project preparation, training, capacity building, and institutional support activities. With most GCF resources committed, ADB organized an independent review of the performance of the GCF in late 2005.

### Evaluation

**Relevance.** GCF goals remain relevant: ADB lacks the resources needed to effectively implement its Medium Term Agenda and Action Plan for Promoting Good Governance. The GCF encouraged some staff working with “agents of change” to pilot new ideas, and to raise institutional awareness of the potential benefits from directly addressing governance issues in ADB operations. Some GCF funded innovative stand-alone projects have had important development impacts (e.g., budget and investment planning processes and development of accountability mechanisms).

However, the GCF had limited financial resources and these resources were spread over many small and disparate projects. GCF goals and objectives were broad, and overlapped with other fund objectives (especially the poverty funds). The GCF’s role in implementing ADB’s Governance Action Plan was quite limited. The selection criteria might have focused more on addressing governance and corruption issues directly linked to ADB operations.

The GCF design also suffered because of a conflict between ADB’s need to ensure government ownership of ADB financed technical assistance (TAs), and the practical benefits of working with civil society to help build demand for governance reforms.

**Efficacy.** Efficacy suffered because the design was too ambitious given the limited resources available. A tighter specification of selection criteria helped increase focus following the 2003 review. The small size of most individual projects was not suited to addressing longer-term institutional strengthening needs. Broader dissemination of experiences from innovative projects was limited by the lack of a knowledge management system. The GCF was not able to respond quickly to emerging needs: proposals had to pass through both GC endorsement and normal ADB TA processing procedures.

**Efficiency.** High administrative costs spread over a large number of relatively small projects meant that the ratio of administrative costs to disbursements was very high. Participation of three individual donors in a relatively small fund added to administrative costs.

**Sustainability.** The GCF itself is not sustainable without additional replenishments, but project reports suggest that elements of most GCF funded initiatives are likely to be sustained. The review did not have sufficient resources to undertake an independent review of individual GCF funded projects.

**Institutional Development.** Most GCF funded projects were too small, and too short-term, to have substantive impacts in terms of strengthening core governance institutions. The GCF design lacked clear provisions with respect to expected results and mechanisms for

monitoring and reporting on GCF performance. The design also lacked adequate mechanism for knowledge management and information sharing.

However, the GCF did help push governance issues in ADB pipeline (e.g., helped create demand for governance initiatives), and demonstrated how a governance focus can improve the quality of broader ADB operations. In some case, the GCF projects helped lay the foundations for more substantive follow-up assistance. The GCF probably helped in changing institutional attitudes with respect to the important role of governance in development.

## **General Recommendations**

More careful costing of the resource implications of establishing trust funds is needed to ensure resources are used efficiently. Appropriate performance monitoring mechanisms need to be established to allow regular assessment of the efficiency and efficacy of these funds. An independent review<sup>1</sup> of the performance of all ADB trust funds is recommended to:

- (i) Learn from operational experiences to identify best practices;
- (ii) Help develop a coherent strategy and criteria for the use of trust funds;
- (iii) Recommend guidelines for processing and negotiating trust funds; and
- (iv) Recommend actions to streamline trust funds administration and develop mechanisms to minimize their drain on limited ADB human resources.

ADB should also consider taking steps to ensure that major ADB action plans (e.g., Promoting Good Governance: ADB's Medium Term Agenda and Action Plan) include sufficiently detailed human and financial resource plans. Programmatic approaches, with clear identification of human resource and financing gaps, could help in targeting donor support in areas where there are clearly defined needs. Where donors provide quite limited resources, funds should be designed to finance more discrete components of the action plan.

ADB may also consider reviewing the need for alternative mechanisms to TAs for utilizing Trust Fund resources. Opportunities to support reform can emerge quite rapidly: more flexible funding mechanisms are needed so that ADB can respond more quickly to emerging opportunities to support reform.

Finally, there is need for ADB wide improvements in knowledge management systems to ensure that the findings and lessons learned from innovative projects are better documented and more broadly disseminated within ADB and to other development partners.

## **External Support to Implement ADB's Governance Action Plan**

ADB needs additional resources to implement its second Medium Term Action Plan for Promoting Good Governance. The challenge facing ADB and its donors is to identify the most appropriate way of providing and administering such resources.

One option would be to seek additional funding to extend the life of the GCF. However, there are questions about whether it makes economic sense to operate separate administrative arrangements for relatively small funds like the GCF. The GCF absorbed an inordinate amount of ADB's limited human resources with specialist governance skills. Should a decision be made to extend the life of the GCF, efforts would need to identify the design weaknesses identified in

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<sup>1</sup> E.g., by the Operations Evaluation Department of ADB.

this report (e.g., the need for (a) a more narrow focus on corruption and governance issues directly related to ADB operations, (b) the clear provision (and resources) for results based reporting and for improved knowledge management, and (c) mechanisms to more readily work with civil society (when appropriate) to help generate national demand for governance reforms. ADB would also need to clearly identify, and allocate funding for, the full costs of effectively administering the fund.

Alternative options which ADB may wish to consider in seeking donor support include:

- (i) Retain and seek additional funding for the GCF, continuing with strong focus on poverty, but re-organize it as a sub-fund of existing poverty fund. This would help streamline and reduce administration costs.
- (ii) Seek (relatively modest) external funding for a flexible mechanism to fund: (a) emerging opportunities to support small governance initiatives; (b) innovative initiatives to promote increased demand for good governance initiatives; (c) applied research/consultation activities that could help generate demand for good governance; and (d) short-term experts to participate in the formulation of CSPs, in economic and sector work, and in the preparation of relevant programs and projects. Streamlined procedures would be needed. One option would be to seek external donor support for a regional TA to fund such activities. Another option might be to empower Country Directors or Directors General to directly authorize funding for small-scale governance activities.
- (iii) Seek more substantive fund support to provide the resources needed to support longer-term capacity building of governance institutions in developing member countries (DMCs). Such a fund should focus on a limited number of priority governance sub-sectors (e.g., budget planning and accountability processes, strengthening procurement, combating corruption in service delivery, etc.).
- (iv) Seek external “program support” to finance ADB internal resource gaps in its action plan on governance and anticorruption (or for sub-themes of this action plan). Support could be in the form of financing for additional staff and/or long-term consultants with strong governance expertise to help implement core governance initiatives. This could include developing strategic alliances with donors to provide medium-term support for governance initiatives at selected resident missions. Such alliances could help in developing closer working relationships among partners to better share experiences and lessons learned, and to achieve synergies between programs.



## I. OVERVIEW OF GOVERNANCE COOPERATION FUND AND THIS STUDY

### A. Establishment of the Governance Cooperation Fund (GCF)

1. The Asian Development Bank (ADB) approved the establishment of the GCF<sup>1</sup> in November 2001 as a multi-donor umbrella facility to support Government-led governance<sup>2</sup> related reforms. The Governments of Canada, Norway and Denmark financed the GCF.<sup>3</sup> The GCF finances technical assistance (TA) grants for policy advice, project preparation, training, capacity building, and institutional support activities. The GCF was one of the first few thematic trust funds established by ADB.

2. The GCF Board Paper (GCF-BP) states that the Fund would ‘*have the following objectives, all of which help promote, either directly or indirectly, the basic goals of the ADB’s Medium Term Agenda and Action Plan [for Promoting Good Governance]*’:<sup>4</sup>

- (i) *Improve the transparency, accountability, predictability and/or the participatory aspects of decision making in the public sector in developing member countries;*
- (ii) *Promote the mainstreaming of focused and technically well informed participation of NGOs and other community organizations as an integral part of public decision making processes (e.g., participation in different phases of the budget cycle);*<sup>5</sup>
- (iii) *Enhance the capacity of DMC governments to design and implement governance reforms;*
- (iv) *Encourage and assist in developing focused governance related activities that support: (a) the improvement in the welfare of the poor and other vulnerable groups in society (e.g. designing an appropriate governance structure for a micro finance program); (b) programs/projects that promote the emergence and/or growth of small and medium sized enterprises (e.g. conduct of firm surveys on constraints to growth of SMEs); and (c) activities that strengthen the management capability of local governments (e.g. systematic linking of planning and budgeting at the local level).*
- (v) *Promote regional initiatives including selected exchanges with other non-ADB regions.*

3. The Capacity Development and Governance Division (RSCG)—under the Regional and Sustainable Development Department (RSDD)—administer the fund. The GCF is accessed by submission of proposals—via GCF departmental focal points—to the GCF Secretariat. Applications are ranked using pre-determined “priority themes.” Proposals endorsed for GCF funding are then processed following regular ADB business procedures.

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<sup>1</sup> ADB, 2001, Governance Cooperation Fund, Manila.

<sup>2</sup> “*Governance has to do with the institutional environment in which citizens interact among themselves and with government agencies/officials*” (ADB, 1995).

<sup>3</sup> The Government of Canada pledged Can\$2.5 million (about US\$1.6 million) to the GCF in 2001, the Government of Norway pledged Nkr15 million (about US\$2.0 million) in 2002, and the Government of Denmark pledged DKK 9 million (about US\$1.35 million) in 2003.

<sup>4</sup> Agreements with Canada (Art. 3), Norway (Art. 3) and Denmark (Art. 2) specified that the fund would support the “*four dimensions of Good Governance Policy—accountability, participation, predictability and transparency.*”

<sup>5</sup> This would include, among others, capacity building of NGOs and community based organizations to undertake the required tasks, such as carrying out report card surveys or monitoring the implementation of infrastructure projects.

## B. Purpose of Review<sup>6</sup>

4. The purposes of this review are to ask:
  - (i) Whether the objectives of the GCF are being achieved?
  - (ii) Were the GCF objectives realistic?
  - (iii) What are the key lessons learned from experiences in implementing the GCF?
  - (iv) How can ADB best cooperate with other donors to implement ADB corporate and operational efforts with respect to governance and anti-corruption policies?
  
5. Some key specific factors that are to be considered in the review include:
  - (i) Impact of GCF on implementation of ADB's medium-term agenda and action plan for Promoting Good Governance.<sup>7</sup>
  - (ii) Extent to which the GCF has made concrete contributions to government-led reform activities for poverty reduction.
  - (iii) Appropriateness of GCF design and administrative arrangements.
  - (iv) Progress in implementing recommendations of the 2003 GCF review.<sup>8</sup>

## C. Study Methodology

6. The review methodology combined:
  - a. Desk reviews of key documents
    - GCF proposal review and approval documentation, and project monitoring and output documents;
    - minutes of consultation meetings with donors;
    - the 2003 review of the GCF, and
    - reviews of other ADB trust funds.
  
  - b. Interviews with key stakeholders in ADB, including<sup>9</sup>
    - RSCG, the Governance Committee, and the Office of Cofinancing Operations office
    - Bank staff that have applied for and/or used GCF resources
    - Country Directors and/or operational staff responsible for Country Strategy and Programs (CSPs) and governance assessments in case study countries, and
    - Coordinators of other thematic trust funds in ADB.
  
  - c. Selected case studies to analyze the application of GCF.

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<sup>6</sup> Terms of Reference for an Independent Review of the GCF is attached as Appendix 1.

<sup>7</sup> ADB, 2000, *Promoting Good Governance: ADB's Medium Term Agenda and Action Plan*, ADB Board Paper.

<sup>8</sup> ADB, 2003, *Review of the Governance Cooperation Fund*, Internal Interdepartmental Review.

<sup>9</sup> A list of persons consulted is attached as Appendix 2.

## II. GCF GUIDELINES, ELIGIBILITY AND APPROVAL PROCESS

### A. Eligibility for GCF Funding

7. The GCF-BP states that all interested ADB Departments/Offices can submit proposals for GCF financing, and that NGOs can submit proposals “*sponsored by a relevant Department of ADB,*”<sup>10</sup> and that the “*GCF will support government-led governance initiatives that can be shown to clearly and concretely improve transparency accountability, predictability and/or the participation... they must have strong links with ADB operational activities, and/or concerns consistent with the CSPs; the stronger the link the higher the priority.*”<sup>11</sup> Given the “*same degree of linkages to operations*”, priority was to be given to ‘*activities that can be shown to contribute concretely to reducing poverty.*’<sup>12</sup> More detailed criteria were to be developed following ADB Board approval.<sup>13</sup>

### B. Application Process

#### 1. Overview

8. The GCF-BP specified a two-stage approach for processing GCF proposals.<sup>14</sup> First, the ADB sponsoring department had to prepare a concept paper in consultation with concerned developing member country (DMC) government and any other national stakeholders; this concept paper was then to be used to prepare a proposal consistent with GCF criteria. ADB’s governance focal point (RSCG)<sup>15</sup> was to provide assistance in this process and was to be the focal point and central channel of communication between various departments. Second, proposals were to be submitted to the Governance Committee (GC) for endorsement.<sup>16</sup> RSCG was to act as the secretariat to the GC. The GC was to comprise selected governance specialists from operational departments and was to meet once every two months<sup>17</sup> to discuss and endorse proposals based on eligibility criteria. Responsibility for chairing the GC was to rotate on a bi-monthly basis among members. TAs had then to be processed following ADB’s standard practices for TAs; proposals for funding of more than US\$250,000 required additional clearance from GCF donors.<sup>18</sup>

9. The GCF-BP noted that the processing “*procedures indicated herein will be of an interim nature given the ongoing reorganization of the Bank. The procedures will be revised accordingly once the reorganization is completed.*”<sup>19</sup> An internal ADB review of the GCF,<sup>20</sup> noted that following ADB reorganization: “*the actual procedures still follow a two-stage approach, but with the following changes:*

<sup>10</sup> Para. 16 of GCF-BP.

<sup>11</sup> Para. 9 of GCF-BP. Examples of candidate projects were presented in Annex 1 to the Board Paper.

<sup>12</sup> Para. 12 of GCF-BP.

<sup>13</sup> Para 13 of GCF-BP.

<sup>14</sup> Para. 17 of GCF-BP.

<sup>15</sup> After ADB’s reorganization, RSCG took on the responsibilities of its predecessor (the Governance Unit) that was located in the Strategy and Policy Department. The report refers to RSCG for simplicity reasons.

<sup>16</sup> The Board Paper refers to the GCF Review Committee (GCFRC), but under ADB’s reorganization it is now the GC.

<sup>17</sup> The GCF-BP (footnote 8, p. 5) foreshadowed the possibility of increasing this to monthly meetings.

<sup>18</sup> During the first two rounds of applications all proposals were endorsed for funding of US\$250,000 or less.

<sup>19</sup> Para. 15 of GCF-BP.

<sup>20</sup> ADB, 2003, Review of GCF, para. 18.

- (i) *The GC was established, with among others, responsibilities for reviewing and endorsing applications to the GCF. The composition of the GC meets the specifications for the GCFRC;*
- (ii) *A senior governance specialist, RSCG chairs the GC, with the director of RSCG as the alternate. However, contrary to the GCF paper, responsibilities for chairing the GC do not rotate.*
- (iii) *Governance specialists in RDs,<sup>21</sup> are expected to provide assistance in preparing proposals, rather than RSCG. The latter remains the focal point for GCF administration, communications with all RDs, and coordination between applicants and the GCs.*
- (iv) *In 2002, a concept paper and an application form were needed, while in 2003, a logical framework became an additional requirement to the other 2 papers;*
- (v) *In 2003, a one-stage clarification process was introduced, whereby GC members can request information for clarification from applicants to help in the assessment, rating, and ranking of applications;*
- (vi) *Once cleared by the GC, proposals are processed according to ADB's business processes for TAs, i.e., they are not submitted through RSCG for approval; and*
- (vii) *The approval of proposals is processed in batches, once per year rather than on an ongoing basis every two months.'*

10. The GC clarified that no single department would access more than 50% of the total funding in one year. This provision was not an issue until the 2005 round of applications, when the Director General (DG), RSDD waived this provision because only two proposals (from South Asia) were received.<sup>22</sup> No formal GC meeting was held to endorse the 2005 proposals because there was general agreement by GC evaluators on the merits of both proposed projects.<sup>23</sup>

## **2. Calls for Proposals and Selection Process in 2002 and 2003**

11. Annual applications were initiated via a memo sent to DGs<sup>24</sup> of operational departments inviting applications for proposals in early 2002, 2003 and 2004.<sup>25</sup> These invitations included details on selection criteria and documentation requirements. In response to staff concerns about limited staff awareness (especially in resident missions) about opportunities for GCF funding, invitations for the last two rounds of funding were also published in the internal E-magazine, "ADB Today."

12. Criteria set out in the invitation included the four dimensions of governance and the eight sub-areas of governance. The 2002 and 2003 invitations required proposals to (i) be an integral part of CSPs, or sub-regional or inter-regional strategy; (ii) strengthen the enabling environment for poverty reduction or make a direct contribution; (iii) contribute to an ongoing project/program or sector plan (not a stand-alone activity); (iv) have an element of innovation and learning outcome; (v) offer opportunities for replication; and that (vi) preference would be given to

<sup>21</sup> Regional Departments.

<sup>22</sup> AFG: *Promoting Transparency and Accountability in Public Services* (USD 600,000), and; BAN: *Improved Transparency and Access to Laws in Bangladesh* (USD 450,000).

<sup>23</sup> Email from Chair of GC to GC members dated 1 August 2005, and Email from Director, RSCG dated 15 August 2005.

<sup>24</sup> Memo sent from Director, RSCG—through Director General, RSDD—to relevant DGs.

<sup>25</sup> See memos submitted through Director, RSDD, dated 7 March 2002, 27 January 2003 and 6 June 2004.

proposals seeking co-financing with other sources of funding. Invitations specified that proposals would be ranked using five selection criteria, namely; (i) contribution to the CSP, (ii) contribution to poverty reduction, (iii) innovativeness, (iv) scope for replication and, (v) expected learning outcome. Following a review, the GC circulated a memo listing the ranking of proposals, but did not providing substantive information on the decision-making process.

13. Following donor and internal requests to improve the selection process, ADB conducted an internal, interdepartmental review of the GCF processing arrangements in 2003. The adoption of recommendations of this review led to changes in the processing of GCF proposals in subsequent years as discussed below. A summary of these recommendations and actions taken to implement the recommendations are attached as Appendix 3.

### 3. Call for Proposals and Selection Process in 2004 and 2005

14. In line with the recommendations of the 2003 review of the GCF, the eligibility criteria for GCF funding were changed in 2004 and 2005 to “*focus on selected and specific governance objectives to distinguish it from other funds and enhance possibilities for assessing outcomes.*”<sup>26</sup> Proposals were to focus on improving the demand side of good governance by supporting innovations in three themes:

**Theme one:** Active public involvement in discussion of corruption through access to information and public participation.

**Theme two:** Pro-poor budgeting covering the policy making, planning and budgeting processes and doing this in ways which allows for the provision of information on the management of state finances to citizens and giving attention to gender equality and the participation of women.

**Theme three:** Policymakers and service providers improve services for the poor.<sup>27</sup>

15. The 2004 invitation for proposals for GCF funding followed the same format as in earlier years. No formal memo was sent inviting applications for GCF funding in 2005.<sup>28</sup> Instead, invitations were posted in several issues of “ADB Today”, and selection criteria were posted on the GCF website.

16. Application guidelines noted that GCF applications must comply with the above themes and must show: (a) how the initiative will contribute to DMC poverty reduction strategies; and (b) how it will contribute to the delivery of ADB's governance strategy in the CSPs.

<sup>26</sup> Source: ADB GCF Website <http://adb.org/GCF/eligibility.asp>.

<sup>27</sup> Through one or more of the following: (a) strengthening people's voice and particularly the poor in planning and monitoring services, (b) introducing measures to assess whether resources allocated for services particularly to the poor actually reach the service providers, the effectiveness and efficiency of these transfers and utilization by the service providers; (c) introducing effective instruments to assess quality of services in a manner that creates the environment for greater transparency and accountability to the citizens and particularly the poor; (d) strengthening capacity amongst policy makers and service providers to be able to use effective participatory and consultative instruments to engage with citizens; (e) introducing service delivery policies and instruments that effectively consider and are inclusive of the poor and the marginalized.

<sup>28</sup> A 30 March 2005 memo—requesting the nomination of GCF focal points and evaluators, and including a time table for processing—foreshadowed that the RSCG would be inviting applications.

17. The more focused criteria placed increased weight on projects that had direct poverty impacts in selection criteria;<sup>29</sup> the increase weighting given to direct poverty impacts was in line with the agreements reached during the December 2003 meeting between donors and ADB.<sup>30</sup>

### III. WHAT WAS FUNDED AND WHY

#### A. The GCF Portfolio

##### 1. Distribution of GCF Applications and Approvals

18. Details of the distribution of applications by ADB departments/offices from 2002 to 2004 are presented in the following table. The Mekong Department and the East and Central Asia Department dominated applications, and together accounted for more than half the total approved funding. Of the offices applying for funds, the Office of General Counsel (OGC) received the least (2% of the total). Southeast Asia Department received 6% of funds and had the lowest endorsement rate (16%). All RSDD applications were endorsed,<sup>31</sup> while endorsement rates for other departments ranged from 32% to 55%. While specifically provided for in the GCF-BP, no proposals were submitted by NGOs. The 2003 review of the GCF noted that “ADB funding is normally channeled through developing member country (DMC) governments – directly or indirectly. There are no provisions for direct applications of NGOs to ADB for funding without DMC government clearance.”<sup>32</sup>

**Table 1: Applications and Approval for GCF Funding, 2002-2004**

Department	Applications	Number				Amount (\$'000)			
		% of Total	Endorsed	% of Total	Endorsed Rate	Applications	Endorsed	% of Total	Endorsed Rate
ECRD	11	25%	4	19%	36%	2,970	950	23%	32%
MKRD	13	30%	7	33%	54%	2,920	1,260	30%	43%
OGC	3	7%	1	5%	33%	301	100	2%	33%
PARD	5	11%	3	14%	60%	1,170	600	14%	51%
RSDD	2	5%	2	10%	0%	400	400	10%	100%
SARD	5	11%	3	14%	60%	1,110	610	15%	55%
SERD	5	11%	1	5%	20%	1,610	250	6%	16%
<b>Total</b>	<b>44</b>	<b>100%</b>	<b>21</b>	<b>100%</b>	<b>48%</b>	<b>10,481</b>	<b>4,170</b>	<b>100%</b>	<b>40%</b>

ECRD = East and Central Asia Department, MKRD = Mekong Department, OGC = Office of the General Counsel, PARD = Pacific Department, RSDD = Regional and Sustainable Development Department, SARD = South Asia Department, SERD = Southeast Asia Department.

Source: Asian Development Bank estimates.

##### 2. Average Size of GCF Funded Projects

19. The average size of endorsed project increased sharply, from \$140,000 in 2002, to \$256,000 in 2004 (and \$525,000 in 2005). The average size of project proposals fell from

<sup>29</sup> The GCF-BP Board Paper specified that, given the “same degree of linkages to operations,” priority was to be given to “activities that can be shown to concretely to reducing poverty.”

<sup>30</sup> See point 4 on page 2 of the minutes of discussions between ADB and donors in 4-5 December 2003.

<sup>31</sup> Pre-GC peer screening of RSDD proposals by governance experts may explain their high success rate.

<sup>32</sup> ADB, 2003, Review of GCF, para. 15.

\$308,000 to \$215,000 over the same period. None of the four large (above \$250,000) projects proposed in 2002 were endorsed by the GC: neither were the two large proposed projects in 2003. The net result was that the average size of endorsed projects during the first two years was very small. The average size of project proposals declined substantially in the second year (see Table 2). Some staff said that proposals were kept below \$250,000 to avoid the additional stage of processing (clearance from donors) and to reduce approval time. The GC endorsed the first large project (above \$250,000) in 2004. Both projects endorsed in 2005 were above \$250,000 and had to be sent to donors for clearance.

**Table 2: Average Size of Projects Proposed and Approved for GCF Funding, 2003-2004**  
(\$'000)

Department	2002		2003		2004		2002-2004	
	Endorsed	Proposed	Endorsed	Proposed	Endorsed	Proposed	Endorsed	Proposed
ECRD	0	450	150	196	500	500	238	270
MKRD	150	433	187	166	200	153	180	225
OGC	100	100	-	150	-	51	100	100
PARD	200	235	250	275	150	150	200	234
RSDD	-	-	150	150	250	250	200	200
SARD	120	120	250	250	240	245	203	222
SERD	-	250	-	430	250	250	250	322
<b>Total</b>	<b>144</b>	<b>308</b>	<b>184</b>	<b>215</b>	<b>256</b>	<b>215</b>	<b>199</b>	<b>238</b>

20. Nearly 60% of GCF funded projects were managed by the governance and finance divisions of the regional departments. Given the GCF objective of mainstreaming governance, the under-representation of non-governance divisions in GCF funding is cause for concern.

### 3. Trends in Applications and Endorsement Rates

21. Applications numbers peaked in 2003, and declined sharply in later years. The decline in 2004 followed the adoption of more focused eligibility and assessment criteria in line with 2003 GCF review findings. Some staff argued that low endorsement rates in 2002 and 2003 deterred staff from submitting applications; some complained that the procedures involved in applying for GCF funding were cumbersome with unpredictable results. Other staff argued that the process of applying for GCF funding was relatively straight forward. Some staff suggested that, because of the strong emphasis on poverty reduction, the criteria for GCF funding were similar to that for the larger poverty funds. They argued that it was often easier to seek funding from funds with which they were already familiar. Some GC members complained about the poor quality of applications, especially during the initial rounds of applications.<sup>33</sup>

<sup>33</sup> The peer review process in the GC was specifically aimed at improving the quality of project proposals. The impact of peer review processes on project design quality could not be assessed in the time available.

**Table 3: Trends in GCF Applications and Endorsements**

	2002	2003	2004	2005
Applications (number)				
-applied	11	23	10	2
-number endorsed	5	9	7	2
<i>Endorsement rate (%)</i>	45	39	70	100
Applications (USD '000)				
-of applications	3,390	4,940	2,151	1,050
-of endorsed projects	720	1,660	1,790	1,050
<i>Endorsement rate (%)</i>	21	34	83	100
Average size (USD '000)				
-of applications	308	215	215	525
-of endorsed projects	144	184	256	525

## B. Overview of Portfolio of GCF Funded Projects

22. The portfolio of GCF funded projects is summarized in the following table. Strengthening accountability, and public expenditure and decentralization, were common themes for GCF funded projects from 2002-2004. Most had a strong focus on participatory processes. Overall, the project portfolio is consistent with the objectives described in the GCF-BP. Given the broad scope of objectives outlined in the GCF-BP, this is hardly surprising.

**Table 4: Distribution of Projects by Major Themes\***

	Anticorruption/ Public Accountability/	Public Expenditure Planning & Decentralization	Improved Service Delivery	Corporate Governance & SMEs	General Governance and Other
	Theme 1	Theme 2	Theme 3	Theme 4	Theme 5
2002	THA: Strengthen Accountability Mechanisms (3)  PAK: Strengthen the National Accountability Bureau (3)	RETA/Pacific: Assessing Community Perspectives on Governance		LAO: Strengthening Corporate Governance for Banking Sector Reform	RETA: Public Opinion Surveys on Judicial Independence & Accountability (3, 1)
2003		VIE: Provincial Development Planning in Central Highlands (3)  KAZ: Strengthen Government Program  KAZ: Support to Local Government Reforms (3)  RETA/Pacific: Civil Society Participation in		CAM: Capacity Building of Electricity Authority (1)  LAO: Secured Transactions Reform (1)	BAN: Support Good Governance Initiatives  RETA: Promoting Knowledge Transfer Through Diaspora  RETA. ADB-OSI Central Asia Education Cooperation Network (3)

	Anticorruption/ Public Accountability/	Public Expenditure Planning & Decentralization	Improved Service Delivery	Corporate Governance & SMEs	General Governance and Other
	Theme 1	Theme 2	Theme 3	Theme 4	Theme 5
		Budget Formulation			
2004	VIE: Capacity Building Support to Government Inspectorate  PAK: Improving Governance in the Non-Profit Sector (3, 4)	CAM: Strengthen National Program Budgeting for the Agriculture Sector  TAJ: Local Government (Jamoat) Budget Consultation Processes	RMI: Increasing Ownership and Effective Demand for Improved Education (2, 1).  PHI: Enhance Access of Poor to Microfinance Service/Capacity Building of the Basic Sector in Frontier Areas (3)		RETA: Regional Environmental Compliance and Enforcement Network (1, 3)
2005	BAN: Improved Transparency and Access to Laws (5)		AFG: Improved Transparency & Accountability in Public Services (1)		

RETA = regional technical assistance, SME = small and medium-sized enterprise.

\* Evaluator's classification. Bracketed numbers refer to column numbers of other relevant themes.

23. Surprisingly—given ADB's strategic focus—no projects directly targeted improving service delivery during the first two rounds of applications. However, sound arguments could be made that improvements in public expenditure planning and decentralization would lead to improved public service delivery. Indeed, it was not always easy to distinguish whether Theme 2 or Theme 3 was the primary objective. Following the 2003 GCF review, improved service delivery replaced corporate governance as the third major theme of approved projects.

24. While the GCF design envisaged the financing of innovative interventions directly targeted at reducing corruption and improving accountability,<sup>34</sup> relatively few of the completed GCF financed projects were directly targeted at reducing corruption in areas specifically linked to ADB operations.<sup>35</sup> However, initiatives to increase public participation in investment planning processes and support to improve the corporate governance of public institutions, such as banks and power companies, would be expected to help reduce the risk of corruption in ADB supported institutions. There was only limited use of GCF funds to support the capacity building of business organizations, media, the judiciary<sup>36</sup> or legislature as envisaged in the GCF-BP (para. 14), or to directly support small and medium-sized enterprise (SME) development as envisaged in the GCF-BP (para 9 (iv)).

25. GCF regional technical assistance (RETAs) tended to be less clearly linked to the specific themes identified in the GCF-BP and/or the 2003 review (see Table 4).<sup>37</sup> However, all

<sup>34</sup> See para 4, 9, and 11, and Annex A to the GCF-BP. The rejected proposal for support to the anti-corruption efforts of the Attorney-General's Department in Indonesia is an example of the sort of project that appears to have been envisaged under the GCF. This proposal appears to have been rejected because of concerns that the proposal was not innovative, and may not be sustainable.

<sup>35</sup> TA 4140-BAN is a notable exception. The recently started "*Capacity Building Support to Government Inspectorate*" (TA 4467-VIE) may indirectly help in reducing corruption in areas linked to ADB operations.

<sup>36</sup> For example, the Lao project to support corporate Governance for Banking Sector Reform did provide relevant training for the judiciary, but this was not a core objective of the assistance.

<sup>37</sup> All RETAs—except the two RETAs targeting the Pacific which focused on public expenditure planning and decentralization—fell under the general governance theme.

RETAs were consistent with the overall GCF objective of implementing ADB's action plan for Promoting Good Governance.

### C. Rejected Proposals

26. Only 45% of proposals were endorsed by the GC in 2002 and 39% in 2003. The percentage of endorsed projects increased following the 2003 GCF review, to 70% in 2004 and 100% in 2005. The more focused guidelines issued following the review probably helped ensure a more consistent view about what was expected from proposals for GCF funding.

27. During the first and second rounds of applications, no projects greater than \$250,000—the threshold at which donor concurrence would have had to been sought—were endorsed by the GC. Larger projects were endorsed in subsequent rounds of applications. Many of the larger proposals that failed to gain endorsement in the earlier years included relatively broad and long-term objectives—such as support for public administration reform,<sup>38</sup> and/or capacity building in planning processes and policy analysis. The larger projects endorsed following the 2003 review tended to be designed to address more narrowly focused issues.

**Table 5: Distribution of Rejected Projects by Major Themes\***

	Anticorruption/ Public Accountability/	Public Expenditure Planning & Decentralization	Improved Service Delivery	Corporate Governance & SMEs	General Governance and Other
	Theme 1	Theme 2	Theme 3	Theme 4	Theme 5
2002	MON: Strengthen Public Sector Administration and Financial Management (5) [Funded by TASF TA 3920]  INO: Support for Anticorruption (Attorney General's Office) [dropped]			INO: Corporate Governance Reform II [dropped]	AZE: Governance Assessment [Funded by TASF and became a RETA 6043]  RETA: Strengthen Capacity Building of Policy Analysis Skills in PDMCs (3, 5). [dropped]  VIE: Governance and Public Administration Reform [Funded by TASF (TA 3886) and co-financed by the France and New Zealand
2003	MON: Support for Performance Auditing in the Public Sector [dropped]	MON: Governance Reforms at the Local Level in Mongolia [dropped] PRC: Reform of National Development Planning Process [Funded by PRCF under TA 4298]	VIE: Strengthen Public Service Delivery Mechanisms for the Poor [dropped]  INO: Support to the Development of Effective Public Sector Accounting/ Auditing Education	AZE: Develop a Competition Policy Framework (1, 5) [Funded by TASF TA 4126]  LAO: Improving Corporate Governance in the Lao Agriculture Promotion Bank	KAZ: Strengthen Core-Government Capacity for Policy Development and Implementation [dropped]  PRC: Strategic Review and Planning for Development of Legal and Judicial

<sup>38</sup> Public administration reform and local governance reform were included as candidate activities in Annex A (points b and c) of the GCF-BP.

	Anticorruption/ Public Accountability/	Public Expenditure Planning & Decentralization	Improved Service Delivery	Corporate Governance & SMEs	General Governance and Other
	Theme 1	Theme 2	Theme 3	Theme 4	Theme 5
		NEP: Establishing Processes for Improving Performance in Key Ministries [ <i>Funded by TASF TA 4249</i> ]  INO: Fiscal Decentralization [ <i>dropped</i> ]	and Training [ <i>dropped</i> ]  VIE: Capacity Building for Beneficiary-Based Monitoring and Impact Assessment (1, 2) [ <i>dropped</i> ]	[ <i>Funded by JSF TA 4135</i> ]  VIE: Implementing the Action Plan of the Viet Nam Bank for Agriculture and Rural Development [ <i>Funded by TASF TA 4395</i> ]	System [ <i>Funded by TASF TA 4237</i> ]  RETA: Improving Governance in the Pacific through ICT [ <i>dropped</i> ]
2004			CAM: Assisting Government meet the needs of poor Under the Chong Kneas Environment Improvement Project [ <i>dropped</i> ]		IND: Administration of Justice [ <i>Funded by UK: TA 4437</i> ]  BAN: Symposium on Judicial Reform and Human Security [ <i>Funded by TASF RETA 6221</i> ]

RETA: regional technical assistance.

\* Author's classification. Bracketed numbers refer to column numbers of other relevant themes.

28. Most rejected proposals were subsequently funded from alternative ADB sources, including many from TASF resources. This supports arguments that most proposals for GCF funding were important priorities for ADB and DMCs (i.e., proposals were not just supply driven). However, it also raises a question of the rationale for establishing a separate fund—with additional administration and transaction costs—if many proposals were funded by other sources. On the other hand, many of the staff consulted who administered GCF funded projects<sup>39</sup> argued that projects endorsed for GCF funding were unlikely to be funded from other sources within ADB;<sup>40</sup> they argued that the GCF allowed staff to try new approaches to resolving governance issues.

#### D. Current Status of GCF-Funded Projects

29. The current status of GCF funded projects is summarized in Appendix 4. While implementation of most projects was delayed due to delays in TA processing and start-ups, most projects have achieved—or are still expected to achieve—most major planned outputs. It is difficult to make definitive analysis of outcomes (i.e., progress towards achieving project purposes and goals) in such a brief review,<sup>41</sup> especially given the uneven standards of reporting on performance indicators for individual project. A brief review and analysis of key available

<sup>39</sup> Because of limited time, and high turnover of relevant staff, it was not possible to make a systematic assessment of what changes (if any) were made in the proposals between when applications were rejected for GCF and when they were accepted for other funding.

<sup>40</sup> Examples cited included the RETA-Assessing *Community Perspectives on Governance*; VIE: *Provincial Development Planning in Central Highlands*; and RMI: *Increasing Ownership and Effective Demand for Improved Education*.

<sup>41</sup> It is important to recognize that any findings are indicative: this whole study had to be completed in 35 working days, which meant that most reviews of individual projects were conducted in a few hours. There was no time to consult with any of the key national project stakeholders in the field which would be required for an independent evaluation of individual projects.

performance indicators for all projects funded by GCF from 2002-2004 is included in Appendix 4.

30. Three of the five projects endorsed in 2002<sup>42</sup> have now been completed and two others will be completed in 2006 (TA 4043-PAK in mid-2006 and TA 4002-LAO,<sup>43</sup> which received substantial additional ADB TA cofinancing, by end of 2006). Available indicators suggest that one of the completed projects<sup>44</sup> has been generally successful in achieving intended objectives, and that two other projects<sup>45</sup> have made progress towards achieving stated objectives. In the limited time available, the mission was not able to obtain adequate information to verify whether the other two completed projects<sup>46</sup> have achieved planned objectives. This does not imply these projects have failed: rather that there was no compelling evidence was readily available of progress towards achieving planned objectives.

31. Three of the nine projects approved in 2003<sup>47</sup> have been completed and another 2 should be completed by the end of 2005. Two of these projects<sup>48</sup> have been generally successful in achieving intended objectives. There appears to be significant risk that the outcomes of the Central Asia Education Cooperation Network will be considerably less than planned.<sup>49</sup> Further time is needed to attempt to assess the outcome of the other completed project.<sup>50</sup> The remaining projects are now scheduled to be completed by mid-2006. Most outputs are being produced as planned, but with delays (see Appendix 4). There remains some risk of further delays in the TAs supporting strengthen governance reforms in Kazakhstan. Initial indications from project reports suggest that other TAs are likely to substantially achieve planned outputs, but it is still too early to assess likelihood of achieving planned outcomes.

32. One of the seven projects endorsed in 2004<sup>51</sup> has been substantially completed. This project in the Republic of the Marshall Islands has already had substantive impacts both in host

<sup>42</sup> TAs 3976-THA: *Strengthening Accountability Mechanisms II*; 4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*; 4043-PAK: *Strengthening the National Accountability Bureau (NAB)*; 6063-REG: *Public Opinion Surveys on Judicial Independence & Accountability*, and; 6065-REG: *Assessing Community Perspectives on Governance in the Pacific*.

<sup>43</sup> This later project is part of a larger program of technical and loan assistance that includes additional ADB TA funding. This impact of this GCF TA was enhanced by the greater leverage resulting from these linkages.

<sup>44</sup> 6065-REG: *Assessing Community Perspectives on Governance in the Pacific*.

<sup>45</sup> 4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*; 4043-PAK: *Strengthening the National Accountability Bureau (NAB)*.

<sup>46</sup> In the case of *Strengthening Accountability Mechanisms (3976-THA)*, only a brief project summary was available in English. Key consultant reports from the project were only available in Thai language. Project monitoring reports indicated that GCF helped increase public awareness, but difficult to assess outcomes because of limited English language documentation, and limited time for direct interviews. In the case of the support for *Public Opinion Surveys on Judicial Independence & Accountability (6063-REG)*, it was difficult to determine from project reports and policy implications and/or other linkages with ADB operations. Nor was it possible—in the short time available—to find evidence of outside use of project outputs (studies and reports) in ADB programming or by the media or academics.

<sup>47</sup> TAs 4140-BAN: *Supporting Good Governance Initiatives*; 4163-VIE: *Provincial Development Planning in the Central Highlands*; 4169-CAM: *Capacity Building of Electricity Authority*; 4190-KAZ: *Supporting Local Government Reforms*; 4191-KAZ: *Strengthening Government Program*; 6117-REG: *Promoting Knowledge Transfer Through Diaspora*; 6124-REG: *ADB-OSI Central Asia Education Cooperation Network*; 6126-REG: *Civil Society Participation in Budget Formulation*; 4279-LAO: *Secured Transactions Reform in the Lao PDR*.

<sup>48</sup> 4163-VIE: *Provincial Development Planning in the Central Highlands*; 4169-CAM: *Capacity Building of Electricity Authority*.

<sup>49</sup> Partly because of deterioration in relations between participating Governments and the Open Society Institute which was to play a key role in implementing this TA.

<sup>50</sup> 6126-REG: *Civil Society Participation in Budget Formulation*.

<sup>51</sup> TAs 4428-CAM: *Strengthening National Program Budgeting for the Agriculture Sector*; 4458-RMI: *Increasing Ownership and Effective Demand for Improved Education*; 4467-VIE: *Capacity Building Support to Government*

country policy debate, and in influencing ADB programming decisions. It is too early to assess likely impacts of the other GCF funded projects endorsed in 2004 and 2005. One TA,<sup>52</sup> endorsed and highly praised by the GC in 2004, was only approved on 3 October 2005.

#### IV. KEY FINDINGS AND ISSUES

##### A. Fund Design and Objectives

##### 1. Relevance of GCF Goals and Objectives

33. As discussed earlier, the GCF goal is to help promote, either directly or indirectly, the basic goals of the ADB's Medium Term Agenda and Action Plan for Promoting Good Governance. The increasing priority ADB attaches to good governance is reflected, for example, in the recent ADB decision to increase the weight given to governance indicators in performance based allocations for ADF resources to 50%. Thus, the GCF goals are still relevant to ADB. GCF funded projects were generally consistent with the GCF goals, and with the criteria established in the GCF-BP.<sup>53</sup> Most GCF funded national projects were of direct operational relevance to CSPs.<sup>54</sup> Some RETAs were less clearly linked to ADB operations.<sup>55</sup>

34. However, there remain internal concerns as to whether ADB DMCs, and ADB as an institution, are fully committed to GCF goals and priorities.<sup>56</sup> There has been no clear trend in the share of ADB TA and lending resources allocated to activities classified as governance<sup>57</sup>. A more important question is to what extent are governance issues being adequately addressed in mainstream ADB activities. A recent draft review of ADB's Governance Action Plan concluded that "*full implementation has been hampered by the highly ambitious nature and objectives of the plan, a lack of ownership within ADB and its DMCs, and a lack of dedicated resources.*"

35. Only limited donors resources were mobilized to support the GCF, and the GCF only funded a small proportion of total ADB approved TA activities aimed at implementing the ADB's Governance Action Plan. While the GCF goals were relevant, the limited funds meant that the GCF could not be relevant in terms of implementing all of the broad and ambitious range of potential activities specified in Annex 1 of the GCF-BP. The limited GCF resources may have had greater relevance if more narrowly focused in a thematic or geographic sense.

36. Nevertheless, the GCF did provide champions of governance initiatives within ADB a modest source of dedicated resources to support such activities. Some GCF project officers argued that there was—and still is—need for flexible financing instruments to finance small,

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*Inspectorate; 4538-PAK: Improving Governance in the Non-Profit Sector of Pakistan (NPOs); 4544-PHI: Enhancing Access of the Poor to Microfinance Services in the Philippines and Capacity Building of the Basic Sector in Frontier Areas; 6234-REG: Regional Environmental Compliance and Enforcement Network; and 4661-TAJ: Local Government (Jamoat) Budget Consultation Processes.*

<sup>52</sup> TA 4661-TAJ: *Local Government (Jamoat) Budget Consultation Processes.*

<sup>53</sup> This was hardly surprising given the broad nature of GCF objectives and criteria.

<sup>54</sup> The Board Paper states that "*GCF supported activities must have strong links to ADB operational activities and/or concerns consistent with the Country Strategies and Programs (CSPs); the stronger the link, the higher the priority.*"

<sup>55</sup> For example, TA 6117-REG: *Promoting Knowledge Transfer through Diaspora* (which is likely to have indirect (albeit potentially important) linkages with ADB operational activities), and 6063-REG: *Public Opinion Surveys on Judicial Independence & Accountability.*

<sup>56</sup> Similar concerns were raised in a recent review of the PRF (Social Development Direct, p. 5 and 30).

<sup>57</sup> Of course, this is a weak indicator of implementation of the Governance Action Plan. A better indicator would be an increasing inclusion of governance concerns in CSPs and ADB operational activities.

innovative<sup>58</sup> and potentially higher risk initiatives aimed at promoting good governance. They argued that GCF helped encourage staff to take the initiative in working with national or regional “agents of change” to pilot new ideas. Current project processing and personnel policies were seen to stifle such initiatives. Thus, the GCF was relevant in the sense of providing an opportunity for ‘champions’ to raise institutional awareness of the potential benefits from directly addressing governance issues in ADB operations.

## 2. Governance, Governments and NGOs: Inconsistencies in GCF Design?

37. The Board paper states that “*The GCF will support government-led governance reform activities...*” (para. 11) and that “*outside parties such as NGOs may submit proposals...*” (para. 15). Allowing NGOs to submit proposals—while requiring that the GCF only support Government-led reforms—could be seen as inconsistent. Moreover, staff noted that it was not possible to process proposals from NGOs for TAs under normal ADB TA processing arrangements which are required for GCF funded projects.<sup>59</sup>

38. Some staff argued that Governments in countries with weak governance are less likely to demand projects to improve good governance.<sup>60</sup> Staff argued that ADB sometimes needed to be pro-active in creating demand for reforms aimed at promoting improved governance. They noted that ADB had helped create such demand in the Pacific by working with civil society to demonstrate the costs of weak governance.<sup>61</sup> Consultative governance assessments are seen as an important tool for working with Government and civil society to identify opportunities for change. Thus, the GCF design may have been better to specify that GCF support should be for “country-led” rather than “government-led” governance reforms to increase the flexibility to work with civil society where possible. The RMI project,<sup>62</sup> discussed earlier was an example of such an approach. At the same time, it is important to recognize that such approaches may not be acceptable in all countries, and must not detract from the need for national ownership of governance initiatives.

## 3. Additionality of GCF funding

39. Mixed messages were provided to questions related to additionality. On the one hand, many project officers said that the GCF funded projects for which they were responsible were unlikely to have been funded from core ADB TA resources. They stressed that the projects were innovative, or even experimental, and thus unlikely to be funded from core funding. Most noted that they had been informed by their managers to look for alternative financing, because their proposed projects were not a priority for funding from core ADB resources. This suggests that the GCF contributed to an increase in the number of ADB administered governance TA projects.

<sup>58</sup> A 24 August 2001 memo with OED comments on the draft Board Paper cautioned against the use of innovative as a criteria because it was so open to interpretation. The memo also cautioned that “pilot –testing” is most likely to be effective if it is part of a longer term process.

<sup>59</sup> The CFWS is able to fund NGO proposals under a RETA approved each year, without the requirement of separate TA funding for each proposal.

<sup>60</sup> ADB Long-term Strategic Framework instead establishes the first (or four) operating principles as “ensure country ownership and leadership of the development agenda.” This would be more appropriate wording.

<sup>61</sup> Staff recognized that sensitivity is needed in adopting such approaches. Opportunities to take such initiatives vary greatly between countries and sub-regions.

<sup>62</sup> 4458-RMI: *Increasing Ownership and Effective Demand for Improved Education*. See Appendix 6.

40. On the other hand, the review also found that more than half the rejected proposals were subsequently funded from ADB TASF resources.<sup>63</sup> One of these was approved—with TASF funding—about one month after being rejected by the GCF.<sup>64</sup> Another was funded from PRCF.<sup>65</sup> Most activities under another proposal were picked up by another agency which ADB had been working with on related issues in Laos. Furthermore, a number of smaller projects/activities had been funded from savings from other TAs.<sup>66</sup> While this suggests that alternative funding sources were possible for rejected projects, it also suggests that there was strong ADB and DMC commitment for these activities proposed for GCF funding.

41. It may be that projects endorsed for GCF funding were fundamentally different from those rejected (and which subsequently found funding from core ADB resources). That is, the GC may have been effective in screening out projects that were more suited for funding from core ADB resources.

#### **4. Lack of Focus and Clarity in GCF Goals and Objectives**

42. Most discussants recognized that GCF goals and objectives were very broad and that priorities were open to interpretation.<sup>67</sup> Some felt that this contributed to concerns about how decisions were made about projects to be funded from the GCF. There were also concerns that GCF objectives overlapped with the objectives of other funds (especially the Poverty Reduction Cooperation Fund [PRF]). Many GCF funded activities may also have met criteria that would be consistent with PRF objectives. Others argued that the broad objectives provided a degree of flexibility that allowed for the funding of innovative initiatives.

#### **5. GCF Design Not Conducive to Longer-Term Support**

43. All projects endorsed by the GCF during 2002 and 2003 were \$250,000 or less,<sup>68</sup> many were meant to be implemented over less than a year.<sup>69</sup> Projects larger than \$250,000 required additional clearance from GCF donors. Staff reported that concerns about delays in processing larger proposals, and the fact that no larger projects were endorsed by the GC in 2002 and 2003, discouraged them from submitting projects above \$250,000.

44. Some staff felt that the lack of longer-term funding mechanisms to support the major reforms needed to improve governance was a major weakness of the GCF. Others felt that this was not such a problem, because the role of the GCF was fund and to test pilot initiatives. They argued that other sources could then be identified to provide longer term support for successful pilot initiatives.

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<sup>63</sup> It was not always easy to track the details of what had happened to proposals that had been rejected by the GCF (e.g., four out of the six staff responsible for preparing proposals rejected by the GC in 2002 have since left ADB).

<sup>64</sup> TA 4126-AZE: *Development of a Competition Policy Framework* (rejected by GC on 8 May 2003 and approved [using TASF resources] by the President in June 2003).

<sup>65</sup> Support the national development planning process.

<sup>66</sup> E.g., a rejected proposal to fund a judicial symposium in Bangladesh.

<sup>67</sup> Several discussants noted that the GDCF and CFWS were had more focused objectives.

<sup>68</sup> None of the four projects proposed for GCF funding in 2002 which were above \$250,000 were endorsed by the GC, and none (out of two proposed projects above \$250,000) were endorsed in 2003.

<sup>69</sup> The exceptions were those projects which had been co-financed from other sources. This was most common when the GCF funded activity was a sub-set of a longer-term program of ADB assistance. Moreover, it could be argued that in some cases, GCF funded projects have helped lay the foundations for more substantive long-term support using other resources.

45. An internal ADB review has also raised concerns about the tendency of ADB operations to address key sectoral reforms through short-term activities, rather than taking a more strategic long-term focus.<sup>70</sup> The GCF design was seen by some as reinforcing this weakness.

## 6. Ownership of GCF-Funded Projects

46. The Board paper clearly states that “*The GCF will support government-led governance reform activities.*” On the other hand, some staff saw the fund as an opportunity to help build country-led support for governance reform (i.e., to help build demand for reform). This appears to have been achieved in some cases (e.g., in RMI), but such approaches may be seen, by some DMCs, as undue interference. There is also a potential danger that the scope to fund more “innovative” projects—which was seen a very positive GCF characteristic by many ADB staff—may lead to ADB involvement in projects for which there is limited DMC support.<sup>71</sup> This will remain a sensitive issue in some DMCs as ADB attempts to promote improved governance.

## B. Fund Administration Issues

47. Key concerns about the GCF result from the establishment of additional GCF administrative procedures—on top of normal ADB requirements. This adds to administrative costs and slows processing as discussed below.

### 1. Slow response time

48. Opportunities to support important governance initiatives can emerge quickly. ADB needs flexibility to rapidly respond to such initiatives. A frequent complaint was that the GCF was neither flexible enough to responding quickly to emerging needs, nor substantive enough to provide the longer-term support needed<sup>72</sup> for sustainable institutional reform and development. Moreover, there was only one opportunity per year to secure GCF endorsement. The GCF lacked the flexibility to fund small short-term needs that are available under, for example, the CFWS and the GDCF.<sup>73</sup>

### 2. High Administrative Costs

49. GCF-funded projects face the same transaction costs associated with similar TA projects funded from ADB TA resources, plus the additional transaction costs of securing endorsement from an annual GC meeting. Project officers also have to comply with both normal ADB reporting requirements, plus GCF reporting requirements. Most project officers did not see these additional requirements as particularly onerous, but most agreed that the rational approach would be to use ADB TA resources, rather than GCF resources, when this was possible.

<sup>70</sup> E.g., the draft review of ADB’s Governance Action Plan notes that most CSPs continue to address major sectoral reforms “*through short-term projects, rather than in a more strategic longer term context.*”

<sup>71</sup> For example, some staff questioned the degree of national ownership of 6063-REG: *Public Opinion Surveys on Judicial Independence & Accountability.*

<sup>72</sup> Donor agencies increasingly recognize that medium-term perspectives are needed in planning effective support for institutional development. The ongoing review of ADBs governance policies argues that institutional reform and development requires a long-term flexible approach, and argues for thematic development to be viewed as a process extending over 7-10 years. [Source: Draft Review of the Implementation of ADBs Governance and Anticorruption Policies, p. 18.].

<sup>73</sup> In these cases small, short-term activities can be funded at relatively short notice under already approved RETAs. Governance of these more flexible approaches depends on post-approval audits.

50. In addition to the cost of administering GCF funded projects, the fund itself involved substantial administrative costs. The GCF had to be processed, approved and monitored. The process of preparing and submitting the GCF Board Paper was similar (and likely involved similar costs) as that of processing a larger scale ADB TA of \$3-5 million). An ADB governance specialist had to monitor implementation (about 20% of her time), with support from administrative staff and later a technical assistant). Additional ADB governance expert time was required to assist prepare and review proposals for GCF endorsement. Governance experts from three additional donor agencies had to review and comment on GC endorsed proposals greater than \$250,000. Donor representatives/governance experts also traveled to Manila from Europe and North America for review meetings in 2003 and 2005.<sup>74</sup> When added together the total costs of administering the GCF—relative to the small size of the fund—are high. When establishing small thematic funds, there is a need to look closely at all costs of operating, managing and monitoring such funds, to determine the most appropriate and cost-effective administrative arrangements.<sup>75</sup> Alternative options are discussed later in this report.

51. The GC attempted to establish clear and transparent mechanism—including widespread inter-departmental representation—for endorsing projects with the aim of ensuring equitable access to limited GCF resources. However, in practice it was difficult to ensure that the various departmental representatives were nominated on a timely basis; were available to review, assess and comment on projects, and; actively participated in GC meetings.

52. Relatively high administration costs may have been justified if the relatively high cost structure resulted in (a) project outcomes that were superior to other ADB projects; and/or (b) innovative outcomes that are widely disseminated and broadly replicated at a later stage. While it is still too early for a definitive assessment, there is little initial evidence to suggest that (a) is likely. And limited attention to knowledge management suggests that (b) is unlikely.

### **3. Slow Approval Processes**

53. GCF donors have expressed concerns about the delays between project identification, formulation, approval and disbursements.<sup>76</sup> A number of factors contribute to delays in approval. Firstly, the GC met only once a year to consider a GCF funded project. Thus, potentially there is an additional delay of 1-12 months between project identification and GCF endorsement. The additional time required to process GCF projects can be further exacerbated by changes in staff and priorities during the approval process. Delays could have been reduced if the GC had met to consider applications every two months as envisaged in the GCF-BP. On the other hand, more frequent application rounds would have added to the already high costs of administering the GCF, and exacerbated problems in securing broad participation in GC review processes.

### **4. Impact of Staff Turnover and Incentives on GCF Outcomes and GC**

54. High staff turnover was a major constraint to effective TA implementation. Most GCF projects had been supervised by at least two different staff members, and several had been handled by three different members (see Appendix 5). Staff noted that there were no

<sup>74</sup> The value of such visits might have been enhanced if they were used as an opportunity to discuss and share experiences on best practices with each other. This may have happened informally, but there is little evidence of formal sharing of experiences from the minutes of meetings.

<sup>75</sup> RETAs were approved using GDCE and CFWS resources, as a mechanism to reduce the administrative costs and time involved in financing relatively small activities.

<sup>76</sup> See the minutes of the January 2005 GCF donor review meeting. Similar concerns have also been raised in the recent review of the GCF (Social Development Direct [2005], pp. 5-6, and 19).

institutional incentives to work on small-scale TA initiatives such as GCF funded projects (or to participate in the GC) because they are not perceived as core ADB activities. Most staff noted that their main incentives in pushing through GCF projects were personal interest and a commitment that they (and ADB) can learn of new approaches from such projects, and that this learning could have substantive long-term development impacts. In appropriate staff incentives have also been noted as an important concern in utilizing other funds.<sup>77</sup>

55. There were also problems in ensuring consistent participation in GC activities. Many governance specialists travel frequently and were not available for (what was often perceived as) lower priority GC activities. There were major delays in (i) securing departmental nominations for GC membership; (ii) obtaining written assessments from some members; and (iii) agreeing on timing for GC meetings because of the frequent travel by GC members.

**Box: Demand for a More Flexible and Responsive Funding Mechanism**

A frequent complaint about the GCF modality was that the response process was too slow. Several discussants emphasized that opportunities to support improved governance can often emerge unexpectedly. For example, a national “*champion of reform*” may unexpectedly get approval to develop a new policy or law, or to adopt new processes (e.g., public consultations) to formulate budgets, regulations, policies or institutional reforms. In many cases the provision of external assistance (e.g., to transfer information on regional or international experiences and/or to fund domestic studies and substantive consultations) could make an important contribution in increasing the probability of success for the “*champion*.” Funding domestic consultants can be particularly useful in developing more reform advocates. In many cases, there may be only limited ‘*windows of opportunities*’ for supporting important reforms.

56. The likelihood of success of sensitive governance can depend heavily on having national counterparts who are “champions of reform.” And sometimes it can be important for such “champions” to deliver results in order to retain their influence in the face of opposition to reforms by vested interests. Delays in implementing support can undermine their position. In several cases, there were major losses in reform momentum because of changes in counterpart staff positions during the time taken to secure approval and begin implementing GCF projects.

## 5. Project Selection Criteria and Performance Indicators

57. Some staff complained that the GCF lacked focus, with objectives only broadly defined in terms of implementing ADB governance strategy and action plan.<sup>78</sup> Some also expressed a view that a Fund designed to promote good governance should have included a more transparent and results oriented design. More tightly focused and tangible outcomes in the GCF design may have helped ensured more focused, results oriented projects.

<sup>77</sup> See Social Development Direct (2005, p 5) review of the PRF. This review (p. 30) also notes that “*There are worrying signs of managers ‘marginalization’ of PRF; on perceived disconnect between PRF and the ADB reform agenda... and its ultimate impact on managers decision taking.*”

<sup>78</sup> Such shortcomings were foreshadowed during GCF formulation. A 24 August 2001 memo with OED comments on the draft Board Paper suggested that paper should “*state more clearly the assistance modality of the GCF and suggested that a core strength of the Fund would be to support economic and sector work, research and dissemination... that may be difficult to finance through other sources.*” This memo also argued for more flexible processing to allow flexible responses to proposals. An OCO (21 August 2001, para 2.) memo, commenting on the draft GCF-BP, also raised concerns about the broad nature of selection criteria.

58. The GCF-BP specified different sets of criteria exist for eligibility and for selection.<sup>79</sup> During implementation there were differing interpretations of the criteria. The net result was a wide range in the scope and objectives of projects submitted for GC endorsement. This increased difficulties in objectively ranking projects. ADB responded to concerns about GCF administrative arrangements by organizing an internal inter-departmental review of the GCF in 2003 to look at GCF administrative arrangements as discussed later (see Section IV [C]).

## 6. Monitoring and Reporting on the Outcomes of GCF Funding

59. Another weakness of the GCF-BP design was the lack of clearly defined mechanism for monitoring, evaluating, and reporting on performance. The GCF-BP did not specify the need for a regular (annual) consolidated progress report on the GCF.<sup>80</sup> The GCF-BP lacked detailed guidelines—and funding—for GCF performance monitoring and reporting.<sup>81</sup> Donors were given summary reports on the progress of individual projects. While not specifically required under the GCF-BP, some donor concerns about the effectiveness of the GCF may have been allayed if ADB had taken the initiative to provide consolidated reports on progress towards achieving GCF goals and objectives.<sup>82</sup> ADB may wish to review the need for more general ADB guidelines on monitoring, evaluation and reporting requirements on the use of trust funds.

## 7. ADB Recognition of GCF Funding Support

60. ADB could have been more careful in ensuring explicit recognition was given to the role that GCF funded activities have played in ADB operations. For example, several consultant reports did not include reference to GCF funding support.<sup>83</sup> A publication on “Governance in the Pacific: Focus for Action 2005-2009,” used information from a GCF funded RETA, but did not recognize the GCF role in funding this RETA. Another TA Board Paper<sup>84</sup> incorrectly refers (several times) to the Canadian Governance Fund as the source of funding. Recognition of GCF support in key GCF supported documents, combined with reference to the use of these documents in an annual report on GCF outcomes, may have helped alleviate some of the more immediate concerns about an apparent lack of GCF outcomes.

## C. Recommendations of 2003 Review and Follow-up Actions

61. The 2003 GCF review included many recommendations, but lacked a prioritized action plan with clearly defined responsibilities for action. Recommendations, and actions taken to implement recommendations, are summarized in Appendix 3. The lack of a clear action plan made it difficult to assess progress in implementing recommendations. Nevertheless, most significant GCF specific recommendations were adopted. Recommendations not implemented would have required ADB wide changes in operational and personnel policies to be fully enacted.

<sup>79</sup> Para 13 and para 20 of the GCF-BP.

<sup>80</sup> The GCF-BP (para. 29) only specified that “ADB will maintain records and accounts in accordance with normal procedures to show expenditures financed by the Fund. ADB will provide the participating donors with periodic reports on the use of the Fund and activities financed thereunder. Such reports will be made available to the Board. ADB and the participating donors will periodically review the administration and operation of the Fund.”

<sup>81</sup> Most ADB TAs specify (at a minimum) the need for Inception Reports, mid-term reports, and final reports, as part of monitoring requirements.

<sup>82</sup> The GDGF, CFWS, and PRF produce consolidated annual reports on project progress and issues.

<sup>83</sup> E.g., The final consultants report for 4163-VIE: *Provincial Development Planning in the Central Highlands*.

<sup>84</sup> 4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*.

62. Changes made following the 2003 review included a narrowing of the focus of activities to be considered for GCF funding, and a more direct requirement for priority to be given to projects that have direct impacts on reducing poverty. Some staff argued this meant a narrowing in the differentiation of GCF objectives from poverty reduction fund objectives. There were also concerns that potentially important initiatives, directly linked to mainstreaming governance and/or anti-corruption, could no longer be funded if they had only indirectly impacts in reducing poverty. It was argued that some such projects could have substantial indirect poverty impacts.

63. The 2003 GCF review concluded that a lack of clarity in criteria for selecting projects has the following results: “(i) applicants ... cannot anticipate how their proposals will be assessed, which affects preparation and quality of proposals and understanding of and attitudes towards decisions; (ii) accentuates the element of subjectivity in the selection process that may be larger (due to broad criteria) than desirable for transparency purposes; and (iii) makes it even more difficult to compare proposals in different areas of governance.”

## **D. Outcomes of GCF Initiatives on Mainstreaming of Governance in ADB**

### **1. Linkages with CSP, ADB Operations, and ADB Governance Action Plan**

64. The GCF funded projects demonstrated links to ADB CSPs. Most CSPs include aspects of improved governance as an important objective. The more important question as to whether the GCF funded projects had tangible outcomes in resolving fundamental governance problems related to ADB operations is more difficult to assess. The limited size and timeframe of most projects limited potential project impacts. On the other hand, there were some examples (i) where GCF funded projects provided important (possibly catalytic) inputs to broader programs of ADB support;<sup>85</sup> and (ii) where new participatory approaches were adopted that are being reflected in ADB programs, operations and/or national planning processes.<sup>86</sup>

65. The GCF projects appeared to combine a mix of downstream (micro-finance, decentralization, etc.) and upstream activities (budgeting and accountability institutions). As noted earlier, the finance and governance divisions had the strongest, and possibly most strategic, demand for GCF funding. Few projects<sup>87</sup> were directly linked to mainstreaming governance issues into core ADB operational areas.<sup>88</sup> On the other hand, several staff working in the Pacific argued that approaches adopted in GCF funded projects had helped increase ADB staff awareness of the benefits of working with civil society to help build national demand for good governance.<sup>89</sup>

<sup>85</sup> Examples include: TA 4428-CAM: *Strengthening National Program Budgeting for the Agriculture Sector*; TA 4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*; and TA 4043-PAK: *Strengthening the National Accountability Bureau*.

<sup>86</sup> Examples include: TA 4458-RMI: *Increasing Ownership and Effective Demand for Improved Education*; TA 6065-REG: *Assessing Community Perspectives on Governance in the Pacific*; and TA 4163-VIE: *Provincial Development Planning in the Central Highlands*. This is helping to operationalize new ADB business processes that require ADB to “hear the voices” of the stakeholders in DMCs (Governance Review p. 6).

<sup>87</sup> Exceptions included: TA 4458-RMI: *Increasing Ownership and Effective Demand for Improved Education*; TA 4428-CAM: *Strengthening National Program Budgeting for the Agriculture Sector*; and TA4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*.

<sup>88</sup> Similar concerns were raised in a recent review of the PRF (Social Development Direct (2005, p. 4). This review (p. 30) also found that “Despite achievements to date, PRF has some way to go to meet its purpose of ‘ADB portfolio and work contributing more effectively to the reduction of poverty in ADF eligible countries’. To achieve this end the PRF portfolio needs to be directly and indirectly influencing the content of CSPs...”

<sup>89</sup> Such approaches may not be readily replicable in all countries outside the Pacific. See Appendix 6.

66. The sharp reduction in demand for GCF resources in 2005 raises questions about the need for additional GCF resources. Several staff reported that, while there was need for such funding instruments, increasing demands on staff time for core ADB operational activities meant that they lacked the time needed to develop, and manage, GCF funded projects.

## 2. Promoting Innovation in Governance?

67. The GCF-BP (para 14.) specifically mentions that the fund could be used for “*seed funding for pilot innovative activities, studies with demonstrable implications for the design of governance reforms and/or institutions.*” This is an area where ADB staff felt that the GCF had a potentially important role to play. While staff argued that the GCF did fund innovative projects that would not have been funded from core ADB resources, some staff also argued that opportunities to fund more innovative projects had been missed. Many saw a continuing need for a source of funding for innovative projects that might normally not be considered for financing from core ADB resources. Some suggested examples include:

- (i) Supporting opportunities for regional “mentoring” to institutions in least developed DMCs (e.g., promoting cooperation between anticorruption institutions in Singapore with less developed countries, and/or extending lessons from the OECD/ADB collaboration on anti-corruption to project or sectoral level initiatives in DMCs).
- (ii) Developing media capacity to increased demand for good governance (e.g., build skills in investigative journalism, market economics and business).
- (iii) Developing in-country resource centres to support civil-society initiatives and innovations aimed at promoting good governance.
- (iv) Develop a more substantive, and interactive, ADB Governance website to share experiences and highlight Asian and international best practices in improving governance, and to provide as a forum for debate on governance issues.
- (v) Sharing regional experiences in improving regulatory enforcement.
- (vi) Commissioning applied research to identify and document regional best practices to promote good governance, to develop networks and forums to review and discuss proposed best practices, and to develop relevant briefing and training material for broader dissemination.

## 3. Impact on Knowledge Base of ADB, DMC and Other Donors

68. ADB’s Medium-Term Strategy (2001-2005) highlighted the important role for ADB in providing “*knowledge products and services.*” An important objective of GCF projects was to learn from “*pilot innovative activities,*” but no mechanisms were established to compile and share knowledge gained from pilot GCF initiatives. Ideally, such mechanisms should have been established to feed into an ADB-wide knowledge management system. Staff argued that ADB still lacks effective mechanisms for systematically reviewing and disseminating lessons learned from ADB-wide governance initiatives. The GCF web site provides basic administrative data on GCF funded projects, and the occasional interesting consultant report. But there is nothing on the GCF web site (or the ADB governance web site)<sup>90</sup> that provides detailed case studies of approaches to resolving governance constraints.<sup>91</sup>

<sup>90</sup> [http://www.adb.org/Governance/gov\\_practices.asp](http://www.adb.org/Governance/gov_practices.asp). The ADB Governance Web site provides general information on ADB governance policies and projects, but does not always provide the sort of information that would stimulate and guide staff in approaches to better address governance concerns. While the case studies on ‘Enhancing Citizens’ Role in Service Delivery Improvement’ provide some concrete case studies (material produced under RETA 6072), there is less detail in most thematic areas. In contrast there is little detail in ‘Good Practice in

69. There were several positive examples of knowledge transfer and information sharing beyond project stakeholders, but these were generally limited to country level initiatives. For example, studies from the provincial planning project in Viet Nam<sup>92</sup> were discussed at national donor working group meetings, and study findings fed into a joint report produced by ADB and other donors. Similarly, project officers report that the work of GCF funded projects in Lao PDR, Pakistan, and RMI have been the subject of substantive discussion at country level donor working groups.

70. Several ADB staff felt that ADB need to develop a better knowledge-base management system that could be tapped to help staff develop governance initiatives. Most said that they were unaware of any detailed information on the ADB website, and most said that they had to use personal networks and/or the Internet to seek information on experiences and best practices. Some noted that even ADB's consultant database was not particularly useful in identifying the best expertise. Staff said that there were few incentives for staff to take the initiative in preparing documentation that might facilitate the transfer of knowledge on regional governance experiences.

71. The lack of mechanisms and funding to systematically summarize and synthesize the experiences gained from GCF interventions was a failure in the GCF design.<sup>93</sup> But more general improvements in knowledge management are also needed if ADB is to efficiently mainstream good governance into ADB operations. The challenge is to develop institutional systems and incentives to make this happen. For pilot activities to be effective, staff need to be encouraged to report, publish and otherwise disseminate information on both successful and unsuccessful experiences from which other development professionals can learn.<sup>94</sup> ADB needs to take steps to recruit and/or develop a group of core professionals who are recognized as regional and/or international experts in governance areas that are of strategic importance to ADB.

#### **4. Building Partnerships to Promote Good Governance**

72. There is increasing international recognition that national ownership is crucial to securing change in governance practices, and that attempts to support governance reform through coercion (e.g., coercive conditionality) can be ineffective or even counter-productive.<sup>95</sup> An alternative approach requires the development of long-term partnerships, between donors and national institutions, to support reform.

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Participation of the Civil Society in Public Decision-making' despite the interesting GCF initiatives in RMI (and other GCF/TASF initiatives in Cambodia) to increase civil society participation in public investment decision making.

<sup>91</sup> The GCF is formulating a RETA to draw together a lessons and experiences emerging from PRF projects with a view to synthesizing and disseminating knowledge to policy makers in ADB and DMCs.

<sup>92</sup> TA 4163-VIE: *Provincial Development Planning in the Central Highlands*. See Appendix 7.

<sup>93</sup> The CWS has specific budget for (a) knowledge base and capacity building and (b) coordination, monitoring and evaluation. A RETA is being prepared for PRF financing to improve knowledge management with respect to PRF financed activities.

<sup>94</sup> This is important as even a "failed" pilot project can be a good investment if lessons are learned, and information on the nature and causes of the failure is disseminated and action taken to ensure that the same mistakes are not repeated with future investments elsewhere.

<sup>95</sup> E.g., OECD, 2005, *Striking a Balance: Donor Policy Coherence and Development Cooperation in Difficult Environments*, pp.18-19, notes that "A voluminous literature has demonstrated that coercive aid conditionality does not substitute for country ownership." The World Bank, 2005, "Review of World Bank Conditionality," <http://siteresources.worldbank.org/PROJECTS/Resources/40940-1114615847489/webConditionalitysept05.pdf> also emphasizes the importance of national ownership for effective use of conditionality.

73. Both efficacy and efficiency considerations suggest a need for effective cooperation with other donors for all Overseas Development Administration (ODA) activities. Donors need to work together to help build national consensus on governance reforms, and to provide the sustained long-term support can be required to develop effective governance institutions. National institutions can learn from experiences and ideas of different national and international stakeholders to develop their own solutions to complex governance issues. There were few examples of GCF funded projects being designed with a strong focus on building effective and sustainable partnerships with key stakeholders. Indeed, the short-term nature of most projects made it unrealistic to expect to build substantive partnerships.<sup>96</sup> Nevertheless, some GCF initiatives made important contributions to existing partnerships (e.g. the contribution of the provincial planning project in Viet Nam to the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) working group (see Appendix 7). The most substantive attempts at developing partnerships and promoting regional cooperation—the cooperation with Open Society Institute (OSI) to develop education networks in central Asia—has not developed as expected partly due to political developments in the region and a deterioration in relations between OSI and some Central Asian Republics (CARs) governments. Any future support should include a specific focus on working closely with other development partners to share experiences and lessons learned, and to achieve synergies.

74. Nevertheless, GCF funding has helped facilitate some progress in developing partnerships in the Pacific to share information on civil society participation in public expenditure planning and management. The GCF also helped deepen already emerging partnerships between donors, business groups, and the Lao Government to institute reforms to improve corporate governance and to strengthen property rights in Lao PDR. Ongoing follow-up activities—funded by ADB and other donors—suggest that the partnerships in Lao PDR may be sustained.

75. There were several instances where GCF donor embassies expressed initial reservations about the adequacy of coordination/consultation with other donors in preparing GCF-funded projects.<sup>97</sup> Concerns in the first two cases appear to have been resolved.<sup>98</sup> The later recently approved project (in Bangladesh) was approved despite concern by GCF donors about how this project would complement other planned initiatives. It is now being reviewed as part of ADB's anticorruption report on Bangladesh. Any future assistance should focus more systematically on working with other donors to identify and address clearly defined gaps in TA support.<sup>99</sup>

## 5. Encouraging Innovation and Motivating ADB Staff

76. Several “champions” of efforts to address governance issues argued that having funds such as the GCF allowed them to innovate and try approaches that would not otherwise have been possible. Some staff argued that having flexible resources that would allow them to be “creative” in experimenting with solutions to development problems was important both institutionally in terms of ADB playing a leading role in Asian development, and in terms of their

<sup>96</sup> A recent draft review of implementation of ADB's Governance and Anti-corruption policies noted that “Greater selectivity and focus at the country level enhance the development effectiveness of ADB investments. In the context of CSPs, focusing ADB's efforts in a few areas enables scarce financial and professional resources to be utilized effectively. This is particularly important with reference to governance and institutional issues, which are complex and require long-term engagement and ongoing policy dialogue”.

<sup>97</sup> TA 4043-PAK: *Strengthening the National Accountability Bureau*; TA 4467-VIE: *Capacity Building Support to Government Inspectorate*, and; newly endorsed project, *Improved Transparency and Access to Laws in Bangladesh*.

<sup>98</sup> But it was not possible to verify this during such a brief review.

<sup>99</sup> A similar recommendations can be found with respect to the PRF (Social Development Direct (2005, pp. 18-9).

personal professional development and job satisfaction. However, the lack of demand for GCF funds in 2005 raises questions as to whether the GCF is meeting this need. Staff frequently complained that the small (and possibly less directly operational) projects funded by GCF are treated as low priority by their managers. The frequent turnover of GCF project officers, and problems in ensuring broad and active participation in the GC, is consistent with such complaints. This raises an important question as to whether small thematic funds such as the GCF are effectively marginalized by poor staff incentives.

## **E. Summary of Progress towards Realizing GCF Objectives**

### **1. Improve the Transparency, Accountability, Predictability and/or the Participatory Aspects of Decision-Making in the Public Sector in DMCs**

77. Examples have been given throughout this review of tentative progress in this area. The RMI project has generated tangible outcomes, with clear indications that approaches developed using GCF funds are likely to be utilized in future decision-making processes. But most projects activities related to public decision making remain as pilot activities. Projects supported in Cambodia, the Pacific, and Viet Nam (see Appendixes 6-8) have contributed to localized increased awareness of the modalities and opportunities for public participation in public expenditure planning and review processes. While the GCF has generally been a modest contributor to overall initiatives to improve transparency, accountability and participation in public decision making, GCF funded activities have included innovative elements that added to the pool of experiences in DMCs.

### **2. Promote the Mainstreaming of Focused and Technically Well-Informed Participation of NGOs and Other Community Organizations as an Integral Part of Public Decision-Making Processes**

78. Staff felt that there was an increasing recognition within ADB and some DMCs of the potential benefits of directly involving civil society in public decision making process. The most substantive results were achieved in RMI (e.g., results of the GCF financed study in RMIs education sector were widely discussed in the public debate and media. This promoted demand for similar approaches to develop ADB support for solid waste management in RMI). GCF funded projects have helped raise awareness of the potential benefits from civil society participation in planning decisions in Viet Nam and Cambodia (see Appendixes 7 and 8), but it is too early to see whether this will be transferred into sustainable changes. Newly started projects in Tajikistan and Kazakhstan are also designed to improve civil society participation.

### **3. Enhance the Capacity of DMC Governments to Design and Implement Governance Reforms**

79. Most projects lacked both the resources and a sufficiently long-term time frame to have any substantive impact in developing government capacity to design and implement governance reforms. Weaknesses in information sharing also limited opportunities to strengthen the capacity of DMCs governments to improve the design of governance reforms.

80. Possible examples of cases where GCF funded projects had more sustainable impact in developing Government capacity were in Cambodia, Lao PDR and Pakistan,<sup>100</sup> where GCF projects were directly linked with much more substantive long-term ADB funded support. Projects that are just starting up in Kazakhstan and Tajikistan may also have more substantive impact on capacity building,<sup>101</sup> but the start-up of these projects have been delayed.

**4. Encourage and Assist in Developing Focused Governance-Related Activities that Support: (a) improved welfare of the poor and other vulnerable groups (e.g., appropriate governance structure for a micro finance program); (b) programs/projects that promote the emergence and/or growth of SMEs (e.g., firm surveys on constraints to growth of SMEs); and (c) activities that strengthen the management capability of local governments (e.g., systematic linking of planning and budgeting at the local level)**

81. While all projects included a poverty reduction focus, few projects targeted activities that were directly aimed at improving the welfare of the poor and other vulnerable groups as suggested in this objective. Indeed only one recently started project (a micro-finance project in the Philippines) was consistent with what was envisaged in (a) of the above objective.<sup>102</sup>

82. The Philippine project should help facilitate the emergence of SMEs. And early indicators suggest that the combined impacts of projects funded by GCF, ADB and other donors are likely to help accelerate the emergence of SMEs in Lao PDR.

83. Most of the projects discussed in point 2. above are also likely to have some impact on raising awareness within local government planning agencies of the potential benefits of involving civil society in decision making process, but the limited time and resources provided under the GCF limit opportunities to achieve sustainable improvements in capacity. The larger projects that are just starting up in Kazakhstan and Tajikistan may have more substantive impacts on local government management capacity.<sup>103</sup>

**5. Promote Regional Initiatives Including Selected Exchanges with Other Non-ADB Regions**

84. There were no examples of exchanges with non-ADB regions, and only limited successful regional initiatives. Probably the most potentially successful regional initiative was the Pacific RETA on “Civil Society Participation in Budget Formulation.”<sup>104</sup> The sustainability of outputs under the “ADB-OSI Central Asia Education Cooperation Network”<sup>105</sup> and the RETA on “Public Opinion Surveys on Judicial Independence and Accountability”<sup>106</sup> remain very doubtful

<sup>100</sup>TA 4428-CAM: *Strengthening National Program Budgeting for the Agriculture Sector*; TA4002-LAO: *Strengthening Corporate Governance for Banking Sector Reform*; TA 4279-LAO: *Secured Transactions Reform in the Lao PDR*, and; TA 4043-PAK: *Strengthening the National Accountability Bureau*.

<sup>101</sup>TA 4190-KAZ: *Supporting Local Government Reforms*; TA 4191-KAZ: *Strengthening Government Program*, and; TA 4661-TAJ: *Local Government (Jamoat) Budget Consultation Processes*.

<sup>102</sup>TA 4544- PHI: *Enhancing Access of the Poor to Microfinance Services in the Philippines and Capacity Building of the Basic Sector in Frontier Areas*.

<sup>103</sup>TA 4190-KAZ: *Supporting Local Government Reforms*, and; TA 4661-TAJ: *Local Government (Jamoat) Budget Consultation Processes*.

<sup>104</sup>TA 6126-REG: *Civil Society Participation in Budget Formulation*. The draft TA completion report classified this project as only partly successful.

<sup>105</sup>TA 6124-REG: *ADB-OSI Central Asia Education Cooperation Network*.

<sup>106</sup> TA 6063-REG: *Public Opinion Surveys on Judicial Independence & Accountability*.

(see Appendix 4). The RETA on “Promoting Knowledge Transfer through Diaspora”<sup>107</sup> has generated findings that are of some regional and international interest, but there remains a challenge to see how study findings can be reflected in ADB operations.

## V. ISSUES AND OPTIONS FOR THE FUTURE

### A. Summary Findings

#### 1. GCF Strengths

- (i) The GCF funded some innovative stand-alone projects have had development impact (e.g., budget and investment planning processes and development of accountability mechanisms).
- (ii) Provided opportunities for motivated staff to secure funding to try creative approaches to governance issues (e.g., building demand for governance in Pacific).
- (iii) Acted as a vehicle to help push governance issues in ADB pipeline (e.g., helped create demand for governance initiatives as in the RMI and Pacific projects).
- (iv) Demonstrated how a governance focus can improve the quality of broader ADB operations.
- (v) Supported governance “champions” in ADB and DMCs to raise awareness of, and mainstream, governance issues.

#### 2. GCF Weaknesses

- (i) The administrative cost to disbursement ratio of the GCF was very high.
- (ii) Approving GCF funded projects was a time consuming long process. Proposals had to pass through both GC endorsement and normal ADB TA processing procedures. Consequently, the GCF was not able to respond quickly to emerging needs.
- (iii) The GCF funded too many small and disparate projects.
- (iv) GCF objectives were not dissimilar to the objectives of other poverty funds. GCF funding of more projects addressing governance and corruption issues directly linked to ADB operations may have been more appropriate.
- (v) The conflict between ADB’s need to ensure government ownership of ADB financed TAs, and the practical benefits of working with civil society to help build demand for governance reforms.
- (vi) Lack of clear provisions in GCF-BP with respect to expected results and mechanisms for monitoring and reporting on GCF performance.
- (vii) Inadequate mechanism for knowledge management and information sharing between GCF projects, and more broadly within ADB.

#### 3. Overall Assessment

##### a. Relevance

85. The goals of the GCF remain relevant: ADB still lacks resources needed to effectively implement its Medium Term Agenda and Action Plan for Promoting Good Governance.

<sup>107</sup> TA 6117-REG: *Promoting Knowledge Transfer through Diaspora*.

However, the relevance of the GCF design in achieving its goals is questionable. The GCF has played only a limited role in implementing ADB's governance action plan. Many rejected projects were subsequently funded from core ADB resources. The large number of small disparate projects meant that the GCF was not relevant for funding many of the fundamental governance issues that constrain the development of ADBs overall program. On the other, many staff found it useful and relevant as a source of funding for more innovative initiatives.

#### **b. Efficacy**

86. The efficacy of the GCF suffered from a lack of focus in its design. The design was very ambitious given the limited resources available. A tighter specification of selection criteria helped increase focus following the 2003 review. The fact that all funding has to be endorsed by the GC before following normal ADB TA processing procedures contributed to delays in approval and meant that the fund could not respond quickly to emerging opportunities. The small size of most individual projects was not suited to addressing longer-term institutional strengthening needs. Broader dissemination of experiences from innovative projects was limited by the lack of a knowledge management system.

#### **c. Efficiency**

87. High administrative costs spread over a large number of relatively small projects meant that the ratio of administrative costs to disbursements was very high. Participation of three individual donors in a relatively small fund added to administrative costs. Other funds attempt to reduce administrative costs (and approval times) by disbursing funds through RETAs.<sup>108</sup> Larger funds (such as the PRF) are able to spread administrative costs over larger disbursements.

#### **d. Sustainability**

88. The GCF itself is not sustainable, but project reports suggest that elements of most initiatives funded by the GCF are likely to be sustained. The review did not have sufficient resources to undertake an independent review of individual GCF funded projects.

#### **e. Institutional Development and Other Impacts**

89. Most GCF funded projects were too small short-term to have substantive impacts in terms of strengthening of core governance institutions. In some case the GCF projects helped lay the foundations for more substantive follow-up assistance. Some staff argued that the GCF's emphasis on consultative processes helped change ADB and DMC thinking on the role of civil society participation in public expenditure planning and other policy making.

### **B. Future Issues in Financing Efforts to Mainstream Governance**

90. Despite some positive results with individual GCF funded projects, ADB still lacks an adequately resourced action plan to mainstream governance in ADB operations. Human resource limitations remain a key internal constraint. Limited demand for governance initiatives amongst DMC is also a constraint. Before ADB seeks additional funding from donors to help finance efforts to mainstream governance, it is important to first identify ADB's key challenges in mainstreaming governance issues in ADB operations. This is beyond the scope of this review, but such challenges appear to include:

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<sup>108</sup> Some funding for relatively small activities are financed from the GDCF and CFWS under RETAs.

- (i) How can ADB more effectively promote good governance in its DMCs? How to ensure that ADB works with other donors and DMCs to prepared joint national governance action plans? How can ADB ensure more focused and operationally relevant governance action plans are included in CSPs?
- (ii) What are ADB's key areas of comparative advantage in supporting improved governance and how to ensure that assistance is limited to areas where ADB has core competencies and direct operational interest?
- (iii) Should, and/or how can, ADB help stimulate demand for good governance? What special instruments are needed to help stimulate demand for good governance?
- (iv) What changes in resources, personnel policies and incentives are needed to develop the human resources needed for ADB to provide substantive and productive assistance? How can ADB attract and develop personnel with regional and internationally reputations as governance experts in ADB's priority?
- (v) Are current financing instruments appropriate for (a) providing the long-term support (say 10 years) often needed to effectively strengthen governance institutions, and (b) allowing ADB respond quickly to emerging opportunities to support initiatives to support improved governance?
- (vi) Are new instruments needed to (a) strengthen the involvement of civil society organizations in governance initiatives; (b) strengthen national and regional providers of governance capacity; (c) support systematic assessments of governance capacities of ADB's major operational partners at CSP stage; and/or (d) improve knowledge management with respect to improved governance and anti-corruption?

### **C. General Recommendations**

91. The lack of clear ADB-wide policies and guidelines on establishing and managing trust funds is cause for concern given the rapid increase in the share of ADB grant funding that is sourced from trust funds. While these funds are an important source of TA funding, they also require considerable resources to administer and manage. More careful costing of the resource implications of establishing trust funds is needed to ensure ADB resources are used efficiently. ADB also need to ensure that appropriate performance monitoring mechanisms are established to allow regular assessment of the efficiency and efficacy of these funds.

92. This review recommends an independent review<sup>109</sup> of the performance of all ADB trust funds to:

- (v) Learn from operational experiences to identify best practices;
- (vi) Help develop a coherent strategy and criteria for the use of trust funds;
- (vii) Recommend guidelines for processing and negotiating trust funds; and
- (viii) Recommend actions to streamline trust funds administration and develop mechanisms to minimize their drain on limited ADB human resources.

93. Such a review should evaluate comparative performance and effectiveness of funds, and analyze the need for consolidation and/or standardization of procedures to reduce the transaction costs of utilizing funds. The review should include an assessment of whether funds are: (a) adequately aligned with ADB's policy agenda, and; (b) sufficiently integrated into

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<sup>109</sup> E.g., by the Operations Evaluation Department of ADB.

mainstream ADB processes. Any review should build on the ongoing review of TAs in ADB, and evaluate alternative options for accessing fund resources. The review should ask the basic question of whether it makes economic sense to establish a trust fund below a minimum size.

94. ADB should also consider taking steps to ensure that major ADB action plans (e.g., Promoting Good Governance: ADB's Medium Term Agenda and Action Plan) include sufficiently detailed human and financial resource plans. Programmatic approaches, with clear identification of human resource and financing gaps, could help in targeting donor support in areas where there are clearly defined needs. Where donors provide quite limited resources—as was the case with the GCF—funds could then be designed to finance more discrete components of the action plan, rather than ambitiously attempting to support implementation of the overall plan. Where well-defined action plans exist, it may also be possible to identify more cost-efficient and effective alternatives to establishing thematic funds (e.g., co-financing of key ADB programs or via donor-financed RETAs).

95. ADB may also consider reviewing the need for alternative mechanisms to TAs for utilizing Trust Fund resources. Consideration might be given to providing funds—which Country Directors and/or Director-Generals were authorized to approve—that could be used to rapidly respond to relatively small (say <\$50-100,000) requests for governance related activities that are likely to have substantive impacts on core ADB operational activities. ADB needs to be able to respond quickly as opportunities to support reform can emerge quite rapidly. ADB's effectiveness in supporting reform could be enhanced if it could respond more quickly to such opportunities.

96. Finally, there is need for ADB wide improvements in knowledge management systems to ensure that the findings and lessons learned from innovative projects are better documented and more broadly disseminated within ADB and to other development partners. More targeted efforts to ensure greater collaboration with other donors, and other development partners, on governance issues could facilitate knowledge transfer, as well as promoting greater efficiency.

#### **D. Seeking External Support to Implement Governance Action Plan**

97. ADB needs additional resources to implement its Medium Term Agenda and Action Plan for Promoting Good Governance, and in particular to support the longer-term need for strengthening governance institutions in DMCs. It also needs more flexible modalities to respond quickly to emerging opportunities to support the mainstreaming of governance in DMC and ADB activities. The challenge facing ADB and donors is to identify the most appropriate way of providing and administering such resources.

98. One obvious option is to seek additional funding to extend the life of the GCF.<sup>110</sup> While staff continue to express strong interest in having access to funding mechanisms to fund more innovative projects aimed at improving governance, there are real questions about whether it makes economic sense to operate separate administrative arrangements for relatively small funds like the GCF. In addition to high administrative costs, the GCF also absorbed an inordinate amount of ADB's limited human resources with specialist governance skills. Moreover, there have been signs in recent years, of declining demand for the GCF (possibly because of inappropriate staff incentives and time-consuming approval processes).

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<sup>110</sup> ADB may wish to consider deferring any action until an independent review is concluded of all funds.

99. ADB needs to seriously consider whether it makes sense to continue with current arrangements. Should a decision be made to extend the life of the GCF, efforts would need to identify the design weaknesses identified in this report (e.g., the need for (a) a more narrow focus on corruption and governance issues directly related to ADB operations, (b) the clear provision (and resources) for results based reporting and for improved knowledge management, and (c) mechanisms to more readily work with civil society (when appropriate) to help generate national demand for governance reforms. ADB would also need to clearly identify, and allocate funding for, the full costs of effectively administering the fund.

100. Alternative options which ADB may wish to consider in seeking donor support for ADB efforts to “*help promote, either directly or indirectly, the basic goals of the ADB’s Medium Term Agenda and Action Plan [for Promoting Good Governance]*”<sup>111</sup> include:

- (v) Retain and seek additional funding for the GCF, continuing with strong focus on poverty, but re-organize its administration to be a sub-fund of existing poverty fund. This would help streamline and reduce administration costs.
- (vi) Seek (relatively modest) external funding for a flexible mechanism to: (a) fund emerging opportunities to support short-term governance initiatives; (b) fund innovative initiatives that are aimed at promoting increased demand for good governance initiatives; (c) fund applied research/consultation activities that could help generate demand for good governance; and (d) fund short-term governance experts to participate in the formulation of CSPs, in economic and sector work, and in the preparation of relevant programs and projects. Such a fund would need streamlined procedures compared with the GCF. One option—possibly borrowing from experiences with the GDCF—would be to seek external donor support for a RETA to fund such activities. Another option would be to empower Country Directors or Director-Generals to directly authorize funding for small-scale governance activities.
- (vii) Seek more substantive fund support (e.g., like the PRF or the CFWS)<sup>112</sup> to provide DMCs the resources needed to support longer-term capacity building of governance institutions in DMC. Such a fund should focus on a limited number of priority governance sub-sectors (e.g., access to justice, budget planning and accountability processes, anti-corruption initiatives, strengthening the judiciary and regulatory enforcement, media development, etc.). Focussed priorities will help differentiate this fund from other funds and reduce overlap of effort.
- (viii) Seek external “program support” to finance ADB internal resource gaps in its action plan on governance and anticorruption (or for sub-themes of this action plan). Support could be in the form of financing for additional staff and/or long-term consultants with strong governance expertise to help implement core governance initiatives (CSPs, Governance Assistance, economic and sector work, knowledge management, information dissemination and program and project development and monitoring).<sup>113</sup> This could include developing strategic alliances with donors to provide medium-term support for governance initiatives at selected resident missions.<sup>114</sup> Potential models for such an alliance are ADB’s

<sup>111</sup> Agreements with Canada (Art. 3), Norway (Art. 3) and Denmark (Art. 2) specified that the fund would support the “*four dimensions of Good Governance Policy – accountability, participation, predictability and transparency.*”

<sup>112</sup> The CFWS had total resources of \$20 million and the PRF (regional window) had funding of \$55 million.

<sup>113</sup> E.g., the (much larger) CFWS provides one potential model for such an approach if sufficient funds were available.

<sup>114</sup> A recent review of the PRF argued for increased use of GCF resources for strengthening RMs (Social Development Direct (2005).

cooperation with Department for International Development (DFID) on governance issues in Pakistan and on “Making Markets Work for the Poor” in Viet Nam.<sup>115</sup> Such alliances could help in developing closer working relationships among partners to better share experiences and lessons learned, and to achieve synergies between programs.

101. Regardless of which option is chosen, it will be important to learn from the experiences of all other ADB administered trust funds to improve efficiency and relevance. It will be particularly important that the design addresses issues of mainstreaming with core ADB operations, staff incentives, administrative efficiency, funding for administration, knowledge management and monitoring, evaluation and reporting.

**Table 6: Summary of Options for Donor Support to Mainstream Governance in ADB Operations**

Option	Advantages	Disadvantages	Potential risks to ADB of this option
1. Re-organize GCF like facility as a sub-fund of an existing fund (e.g., the PRF).	Economies of scale by using existing administrative systems and resources. Reduce the high administrative costs associated with multiple small funds.	Some donor visibility in preferred area of focus may be lost.	May be harder to attract donors?
2. Seek external funding for a responsive, flexible mechanism, such as a RETA to meet short-term needs for governance inputs.	Flexibility to respond to emerging needs and to encourage innovation, with reduced administrative costs. Low cost, high profile input for donors.	Need for strong monitoring and post-approval supervision mechanisms to ensure funds are used well and transparently. The ratio of administrative costs to total funds may remain high.	ADB's capacity to source the appropriate skills. Risk of flexible funding mechanisms can be reduced by strong monitoring, reporting and post-approval auditing requirements.
3. Seek external support for a more substantial longer term governance fund which could support longer-term capacity building needs of governance institutions in DMCs	Fund could be used to address fundamental weaknesses in governance institutions which are essential to increasing development impact of ADB operations. Larger funds and projects would reduce the ratio of administrative costs to total fund size.	Development impacts from institution building take time. Donors need to recognize the time lag needed for tangible results from their investments.	ADB's capacity to source the appropriate skills needed to formulate and manage effective programs to support improved governance in DMCs.
4. Seek “program support” to finance resource gaps in ADB's broad (or sub-theme specific) medium term governance program. Could include options for funding for a specific thematic or country focus.	Cost effective: low transaction costs to both ADB and donor. Addresses are clear ADB need. Financial resources could be combined with seconded staff.	Donors may find it difficult to identify impact of their resources. Some additional administrative costs. ADB may not wish to lose any control over staffing.	Potential for donor “interference” in ADB operations. Need for ADB to “own” key staff working to implement ADB policies. Important to ensure that any such arrangements are clearly stated and in line with ADB Charter.

<sup>115</sup> There are also many examples of bilateral support for WB programs at the country level.

## **TERMS OF REFERENCE FOR AN INDEPENDENT REVIEW OF THE GOVERNANCE COOPERATION FUND**

### **A. Background**

1. ADB approved the establishment of the Governance Cooperation Fund (GCF) in November 2001 as a multi-donor umbrella facility. It aims to finance a program of activities that falls within the scope of ADB's Good Governance Policy (1995) and Promoting Good Governance: Medium-Term Action Plan and Agenda (2000). The Fund was originally established through an untied grant contribution by the Government of Canada of about US\$1.6 million in 2001 and was later joined by the Government of Norway with a grant contribution of about US\$ 2.0 million in 2002. In 2003, the Government of Denmark contributed about US\$1.35 million.
2. The GCF supports government-led governance reform activities that can be shown to clearly and concretely improve transparency, accountability, predictability and/or participation.
3. In 2002, five TA projects amounting to US\$720,000 were funded by the GCF. A total of nine TA projects amounting to US\$1.66 million and seven TAs amounting to US\$1.79 million were funded by the GCF in 2003 and 2004, respectively.
4. The first two rounds of GCF applications had covered a broad spectrum of governance theme but after the 2003 review of the GCF, the focus on three themes were implemented in the third round of applications. The focus is improving the demand side of good governance by supporting innovations in active public involvement in public discussions on corruption, pro-poor budgeting, and improving services for the poor. The donors recommended that the three priority themes be maintained for the 2005 round of applications.
5. Since the establishment of the GCF in 2001, the Governance and Regional Cooperation Division (RSGR), now Capacity Development and Governance Division (RSCG), acts as the administrator of the Fund and two donors' consultation meetings have taken place to date.
6. During the 2<sup>nd</sup> donors' consultation meeting on 21 January 2005, the donors have suggested to conduct a review assessment as a basis for future replenishment. ADB welcomed such suggestion and agreed to provide an assessment report on the strategic focus of the Fund by 1 October 2005.

### **B. Purpose**

7. The overall purpose of the Review is to provide a strategic report on whether the objectives of the Fund were achieved, the extent to which the objectives were realistic and recommendations on how bilateral donors can make a contribution towards ADB's corporate and operational efforts in implementing the governance and anticorruption policies. The Review should consider the following: (i) impact of the Fund in the implementation of ADB's medium-term agenda and action plan for governance; (ii) the extent to which the GCF has made concrete contribution to government-led reform activities for poverty reduction; (iii) the administrative arrangements; and (iv) the implementation of the recommendations of the 2003 GCF Review.

## C. Scope of Work

8. **Review of Current Portfolio.** The review will cover the period for which the Fund has been in operation (2001-2004). It will assess the extent to which the GCF has provided new opportunities for ADB to deepen and widen the implementation of the Governance and Anticorruption Policies. It will examine the GCF portfolio and its overall progress and outputs and how collectively the portfolio has supported the objectives in the GCF Board paper. It will assess the impact of the GCF projects on country strategy and program (CSPs) and in developing member countries (DMCs). The review will consider the innovative nature of the projects and measures taken to share lessons and make outputs sustainable. The review will test (i) the extent of awareness of the objectives of GCF activities among the relevant country desk officers/country teams; (ii) the extent to which desk officers/country teams have thought about options and avenues for mainstreaming and/or replication of successful GCF initiatives across the country program; and (iii) any evidence that DMC officials or other donors are aware of such mainstreaming or replication potential.

9. **Strategic Alliances with Bilateral Donors.** It will be important to undertake a brief review of other trust funds in operation in ADB, draw on the internal study on the management of technical assistance and consider the experiences of other multilateral lending institutions with bilateral donors in using trust funds for governance and anticorruption.

10. **Future Directions.** Based on the findings, the review should propose recommendations and possibly options on how to take forward strategic alliances with bilateral donors and more specifically with the donors who have contributed to the GCF. Should the review findings conclude the need for continued donor alliances through the provision of resources from bilateral donors, proposals on the approach to be adopted should be included. The benefits of central/country-based trust funds, utilization of funds for strengthening ADB's internal capacity including the provision of staff on secondment, hiring of staff on fixed term contracts would need to be considered.

## D. Methodologies

11. This Review will look at (i) projects endorsed prior to the 2003 Review Report which were assessed based on broad areas provided for in the 2001 Board Paper; and (ii) projects endorsed after the 2003 Review Report which were assessed based on the three priority themes. A total of 21 projects have been approved for GCF funding during the period 2002-2004

12. The consultant may also wish to employ appropriate methodologies such as:

- (i) Review concept papers and relevant outputs of the GCF projects;
- (ii) Review Project Progress Reports, Minutes of the Donors' Consultation Meetings and GCF Review Report;
- (iii) Conduct focus group discussions, interviews, use questionnaires; and
- (iv) Undertake a more in-depth case analysis and by conducting country-level consultation using video-conferencing facilities with two country offices (countries yet to be determined).

## **E. Outputs and Reporting**

13. Key outputs from the Review include:

- (i) Within 5 days from the commencement of work, a brief inception report with detailed work plan, stakeholder consultation list and review methodology will be submitted to RSCG/Office of Cofinancing Operations (OCO) for a quick feedback;
- (ii) A draft report setting out the findings and recommendations for the second phase of GCF to be submitted to the donors and RSCG/OCO by mid-October 2005. The same draft will be circulated to ADB's Operations Evaluation Department for comments; and
- (iii) After incorporating comments, submit a final report on findings and recommendations in a suitable format by mid-November 2005.

14. The consultant will report to Ms. Asha Newsum, Principal Governance Specialist and will closely coordinate with GCF secretariat at the ADB Headquarters for necessary documents.

15. Background papers and appointments will be arranged through the GCF Secretariat.

## **F. Duration**

16. The Review will be carried out in early September to mid November 2005 for 35 person days on an intermittent basis. This includes all stages from preparation to the finalization of the report based on feedback from comments received after issue of the first draft.

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### ACTIONS TAKEN TO IMPLEMENT 2003 GCF REVIEW RECOMMENDATIONS

Recommendations of 2003 GCF Review	Action Taken on Recommendations
<b>A. Focus</b>	
The GCF needs to be clearly focused on selected and specific governance objectives, which will help distinguish the GCF from other trust funds and will enhance possibilities for assessing outcomes. It is recommended that the GC discusses and agrees on up to three themes that the GCF would address and that should provide a strategic framework for applications and progress reporting to donors.	GC meeting on 16 April 2004 was held to discuss suggested priority themes. Interdepartmental comments taken into consideration and an updated version submitted to DGs on 28 April 2004. Management approval granted on 12 May 2004. Donors concurred on 28 May.
In deciding on these themes, the GC should consider ensuring that (i) governance is mainstreamed into ADB operations, addressing core governance as well as sector-related governance issues; (ii) participation of civil society and nongovernmental organizations is enabled; and (iii) feedback from donors is taken into account (RSCG should brief the GC accordingly). The GC should submit the proposal for approval to director generals of the regional departments and of RSDD.	Approved priority themes for 2004/2005: <i>(i) active public involvement in public discussion of corruption</i> <i>(ii) Pro-poor budgeting covering policy making, planning and budgeting processes and doing this in ways which allows for provision of information on the management of state finances to citizens</i> <i>(iii) Policymakers &amp; service providers improve services for the poor</i>
Once approved, the selected themes should be communicated to potential applicants (i.e., staff in RDs) to the fund (the statement can be included in the invitation memo). The themes should be reviewed after two years and revised if necessary.	Memo of 16 June 2004 to RDs announced new priority themes. The same themes were retained for 2005 (see 30 March 2005 requesting regional GCF Focal Points and Evaluators).
<b>B. Criteria</b>	
Eligibility and selection criteria should be specified separately. Eligibility criteria constitute the 'first pass' mark – proposals that do not meet these criteria do not enter the review process. The selection criteria are used in assessing and endorsing proposals.	2004 submission procedures outlined eligibility criteria as: (i) complying with any of the priority themes; (ii) how the initiative will contribute to the DMC's PRS; (iii) how it will contribute to the delivery of ADB's governance strategy in the CSP; and (iv) should be endorsed by GCF regional focal point. Assessment criteria were: (i) purpose and outputs are realistic and in line with the GCF themes; (ii) cost producing outputs is most economic; (iii) sound risk and mitigation measures; (iv) innovative feature about proposal and how lessons from those tests will be incorporated into future activities in the DMC and ADB

<b>Recommendations of 2003 GCF Review</b>	<b>Action Taken on Recommendations</b>
<p>Based on the GCF themes, the GC should determine clear eligibility criteria, which require an application to illustrate how it will contribute to the GCF themes. The eligibility criteria should be specific and help applicants determine what proposals can be submitted to the GCF. In addition to eligibility criteria linked to the GCF themes, the eligibility criteria in the GC paper should be maintained, i.e., contribution to poverty reduction and link to the CSP. A final eligibility criterion should be that governance specialists in RDs counter-sign applications.</p>	<p>Generally adopted through the steps mentioned above. Formalizing requirements that governance specialists counter-sign applications would have required changes to ADB procedures: these changes were not made.</p>
<p>Selection or assessment criteria, presently stated in the application/assessment form, should be revised. Two of the five criteria (contributions to poverty reduction and link to the CSP) are eligibility criteria ('first pass') and, therefore, do not need to be considered in the selection process. Other criteria are needed to assess the quality of applications. The Review Team recommends that the following assessment criteria be adopted: (i) expected outcomes (purpose and outputs) are realistic and in line with the GCF objective;<sup>1</sup> (ii) the proposal is cost-effective, i.e., the cost of producing expected outcomes are most economic (least cost options); (iii) the risks to attaining outcomes and requisite mitigation measures are stated in the proposal;<sup>2</sup> (iv) to ensure clarity of what the proposal aims to attain, the logical framework should contain indicators, baseline information, and measurable targets, and methods for data collection/monitoring are identified; and (v) the proposal specifies the extent to which innovative approaches will be tried and how lessons from those tests will be incorporated into future activities in the DMC(s) and in ADB.<sup>3</sup></p>	<p>The broad thrusts of the recommendations were acted upon as outlined above.</p>
<p><b>C. Quality Assurance</b></p>	

<sup>1</sup> While this is an eligibility criterion, it is important that this aspect be verified during selection to ensure application have a clear focus on the selected governance themes.

<sup>2</sup> Proposals that are innovative may have a higher risk factor, which if managed well should be a positive aspect of the proposal.

<sup>3</sup> Innovative approaches can include approaches that have been tried elsewhere, but have not been adopted in ADB and that aim to introduce new ways of working into ADB.

Recommendations of 2003 GCF Review	Action Taken on Recommendations
Each regional department should develop appropriate internal screening mechanisms to ensure the relevance and the quality of proposal to be submitted.	16 June 2004 memo requested this. The practicality of enforcing changes in ADB procedures for a relatively small fund is questionable.
<b>D. Selection Process</b>	
Instead of the current numerical ranking system, proposals should be grouped into three categories: (i) proposal that were endorsed by the GC as fully meeting the selection criteria and being outstanding; (ii) cases where the GC agrees the proposals hold merit, but are of similar quality so that ranking becomes difficult; and (iii) proposals that are rejected. Should funding be available for more proposals than those that are endorsed, the second category of proposals (undecided by the GC) should be presented to the director generals of the regional departments and of RSDD for decision-making.	This three category ranking was used during the 2004 and 2005 assessment of applications.
Endorsement of applications should continue to be based on merit.	Specified in submission procedures. Rating system aims to achieve this, subject to the recommendation regarding geographical allocation which is not entirely consistent with the principle of merit based selection.
RSCG should monitor the regional balance of the use of funds and maintain the current condition that not more than 50% of the GCF be spent in one region. Given the small size of the GCF, not more than one proposal per country should be endorsed per year. Should one country have been successful with a proposal, while another proposal for the same country is of equal quality to proposals from other countries/region, proposals from other countries may be prioritized. RSCG should inform the GC of the regional balance of endorsed proposals.	Policy has been in effect since 2004. However, the DG, RSDD agreed to waive this rule in 2005 because there were only 2 applications in 2005, and both were from the same region.  <b>Note:</b> This recommendation appears to be somewhat inconsistent with the recommendation that applications being considered on merit.

Recommendations of 2003 GCF Review	Action Taken on Recommendations
<p><b>E. Communication</b></p> <p>The timing of the process should be aligned with the CSP cycle, i.e., all proposals should be endorsed by September of each year so that they can be discussed with recipient DMCs during subsequent country confirmation missions (taking place during the last quarter of the year). This alignment will increase predictability of available funding and help secure DMC government commitment to TAs. For 2004, it will be necessary to endorse two batches of proposals, one in January/February 2004 (for funding in 2004),<sup>4</sup> and one in September (proposals to be funded in 2005). From 2005 onward, there should be only one batch processing in September of each year, with TAs to be approved the following year.</p>	<p>Endorsements for 2004 and 2005 were made in September.</p> <p>There was only one batch of proposals for 2004 caused by the delay in the approval of the GCF Review Report.</p>
<p>It is recommended that RSCG use email (ADB Today) to announce during the annual processing cycle the availability of GCF finance, application requirements and procedures to ensure all potential applicants have access to information in a timely manner. The announcement should be made early in the year to provide sufficient lead-time to staff preparing proposals. Reminders should be sent about application deadlines and deadlines for finalizing TA processing to ensure timely preparation and submission of applications and TA papers after endorsement.</p>	<p>Aside from internal memo from RSDD circulated to the RDs, 'ADB Today' has been used 8 times in 2004 and 10 times in 2005 informing staff of the availability of the fund. This included the invitation to apply, application procedures, and reminders of applications deadlines.</p> <p>Successful applicants were informed of the need for timely preparation of TA paper, with follow-up communications when necessary.</p>
<p>The GC should provide reasons for accepting/rejecting proposals and that RSCG (as the secretariat that administers the GCF) informs management and applicants not only of the results of the selection process, as has been done in the past, but also provides reasons for accepting or rejecting proposals. This communication will enhance the transparency of the results and the potential to learn from the application process.</p>	<p>Memos to both successful and unsuccessful applicants were sent out during the 2004 round, with a summary of evaluators comments on proposals that were not endorsed.</p>
<p>Completion reporting should continue in line with ADB standards to ensure harmonization of procedures. Additional reporting may be considered in the context of annual reports on the GCF to donors.</p>	<p>GCF Secretariat regulatory monitors and updates project information, and follows up on documentation needed for endorsed projects, (i.e., progress reports, TCR, and publications from TA activities). However, no consolidate annual report has been produced and only ad hoc dissemination of experiences and lessons learned from GCF funded projects.</p>

<sup>4</sup> Applications should specify the future user groups and in what areas lessons would find application.

<b>Recommendations of 2003 GCF Review</b>	<b>Action Taken on Recommendations</b>
Within regional departments, governance specialists need to become the GCF focal point in terms of communicating and advising colleagues on preparing proposals. This role needs to be recognized in their terms of reference and in their performance reports.	Memos (16/6/2004 & 30/3/2005) requested nominations for regional focal points. The general staff perception is that such roles are not recognized in staff TOR or performance reports. Mandating this would require changes in ADB personnel policies and guidelines, and in ADB culture.
<b>F. Resources</b>	
Resources should be allocated to ensure information on the GCF is available on ADB's Internet site.	GCF consultant was engaged to update information on the GCF website. Web site does not pull together key findings, experiences and lessons learned.
Provision should be made from the administrative fees for RSCG to hire a part-time consultant to assist with the administration, information management and secretariat functions associated with the GCF.	GCF consultant engaged, and actively involved in administration and tracking of GCF funded projects.

## STATUS OF GCF FUNDED PROJECT (AS OF 24 AUGUST 2005)

TA No.	Project Name	Amount Approved	TA Approval Date	DIV	Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))
		<b>720,000</b>			
1	2002 3976-THA Strengthening Accountability Mechanisms II	150,000	5-Nov-02	MKGF	<b>Completed</b> April 2005. Brief project summary only available in English. Other documents available in Thai language. Delayed implemented. Project reports indicated that GCF helped increase public awareness, but difficult to assess outcomes because of limited English language documentation, and limited time for direct interviews. Limited links with ADB operations in Thailand. Little dissemination of substantive information on project experiences. Poor English language documentation means that <u>it was not possible to make any assessment likely outcomes from this project</u> in the limited time available.
2	4002-LAO Strengthening Corporate Governance for Banking Sector Reform	150,000	28-Nov-02	MKGF	<b>Ongoing.</b> Completion date: December 2006. Closely linked to ADB operations; some USD 750,000 of additional financing provided from ADB TA funds. The key aim was to strengthen the banking system by developing a legal environment and effective judicial processes which provide a 'credible threat' to encourage defaulting borrowers to comply with loan conditions. An immediate aim was to establish a commercial court, with trained judges and enforcement officers, that is actively hearing commercial court cases. Project provide additional funds for ongoing ADB financed financial and corporate governance activities. Additional follow-up TAs are helping to build on initial results. Findings from study will feed into policy based loan to support private sector development in Laos. A key lesson from this assistance is that substantive analysis of needs and the formulation of a medium to long-term vision is important in formulating support for institutional development. Little dissemination of substantive information on experiences from project on GCF website. A brief review of reports <u>suggests planned outcomes are being achieved.</u> GCF funds have <u>helped lay the foundations for more effective commercial courts.</u> It will take some years to be sure that this is translated into better access to formal finance in Lao PDR.
3	4043-PAK Strengthening the National Accountability Bureau (NAB)	120,000 Parallel DFI financing of GBP 80,000.	18-Dec-02	PRM	<b>Ongoing.</b> Completion date: 30 June 2006. Parallel DFID financing allowed project extension. Project linked to ADB CSP focus on governance and ADB operational support for the 'Access to Justice' and 'Decentralization Support' programs. The TA aims to support the transition of NAB from an enforcement focused agency to one also concerned with preventative and awareness functions via two main components: (i) institutional restructuring and reform, aimed at better planning and prioritization, and (ii) training needs assessment, and the development and delivery of training activities. Project documents, and partial implementation of project recommendations, indicate strong national support. Unfortunately, there is little dissemination of substantive information on experiences from project on GCF website. A brief review of reports indicated that <u>Key planned outputs are likely to be substantially realized,</u> with good prospects that the initiative has made a small, but important, contribution to a much larger ADB assisted effort to reduce corruption and improve governance in Pakistan.
4	6063-REG Public Opinion Surveys on Judicial Independence & Accountability	100,000	7-Nov-02	OGC	<b>Completed</b> March 2005. Final reports submitted and posted on GCF website. The purpose of this project was to promote judicial independence and accountability through public opinion surveys and information dissemination. Was meant to be a pilot study to: (i) provide new and systematic information on opinions of the systems of justice in selected countries; (ii) test and refine a methodology that could be used elsewhere in Asia; (iii) inform donor strategies with

TA No.	Project Name	Amount Approved	TA Approval Date	DIV	Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))
5	6065-REG Assessing Community Perspectives on Governance in the Pacific	200,000	15-Nov-02	PAHQ	<p>regard to legal and judicial programming. Difficult to determine from reports policy implications and/or linkages with ADB operations. Was not able to find evidence of outside use of information (e.g. by media or academics) or in ADB programming. No evidence that activities are likely to be continued in a manner that would directly support ongoing ADB operations. A brief review of reports and discussions with ADB staff provided <u>little evidence that planned outcomes are likely to be achieved.</u></p> <p><b>Completed</b> January 2005. The aims were (i) to examine, in collaboration with Pacific NGOs, the role of citizens and leaders in a democracy, differences between traditional and modern forms of governance, and strategies to bridge the identified gaps; and (ii) raise awareness of the potential impact of governance in peoples lives and to provide input into the development of a Pacific governance strategy fro 2005-2009. TA Completion report rated project as satisfactory, noting that '<i>Inception, Mi-term, and Draft Final Reports were of high quality</i>'; but these were not posted on GCF web site. Study findings provided input 'to <i>policy dialogue on the formulation of [ADB] assistance programs</i>' in the Pacific; and fed into 'Governance in the Pacific: Focus for Action 2005-2009', published by two ADB staff. GCF website includes a link to this report, which includes reference to the TA (pp. 20 &amp; 52), but does not mention GCF funding. Lesson is that raising awareness can help build demand for good governance. Study led to follow up GCF and PRF funded TAs to build awareness of participatory budgeting processes. <u>A brief review of reports and limited interviews suggest key objectives were largely realized</u></p>
1	<b>2003</b> 4140-BAN Supporting Good Governance Initiatives	<b>1,660,000</b> 250,000 (additional funding of 700,000) ADB added 50,000 in Dec 2003, plus 100,000 in Dec 2006.	4-Jul-03	SAGF	<p><b>Ongoing.</b> Completion date: February 2006 (original target May 2004). Additional ADB TA financing approved December 2004. Project included two sub projects: (A) developing institutional basis for secured transactions and (B) institutional development to fight corruption in the public sector. Key planned outcomes of Part A were (i) new secured transactions law submitted to parliament; (ii) designing a registry for secured transactions; and (iii) key indicators for regulation of secure financing institutions. Part B included (i) developing consensus on the mandate and structure of the Independent Anti-Corruption Commission (IACC) and related legal framework; (ii) establish the National Committee on Corruption Prevention (NCCP); and governance audit indicators for line ministry corruption prevention. Both parts include training and capacity building activities. Original budget and timing unrealistically tight. With extension, this initiative appears to be beginning to make an important contribution to implementation of ADB governance objectives. The TA supported key institutional developments, including establishing the legal basis for the anti-corruption commission. Importantly it included support for the preparation of draft governance reviews of the key road and secondary education sectors. Key project documents have not been posted on the GCF Web site. This is real weakness, given potential interest in learning from an intervention of this nature. Clearly, this TA has helped ADB become involved in major institutional reforms aimed at reducing corruption in Bangladesh. A key lesson from this project is the need for long-term partnership to achieve substantive results in improving governance. ADB has demonstrated considerable flexibility in sustaining support to this initiative. Lack of access to reports (and limited time for primary data collection) means that <u>an</u></p>

TA No.	Project Name	Amount Approved	TA Approval Date	DIV	Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))
2	4163-VIE Provincial Development Planning in the Central Highlands	150,000	20-Aug-03	MKGF	<p><u>assessment of possible impact is not possible.</u> In any case, a reliable assessment of impact is only likely to be possible after several years of operations of the new institutions.</p> <p><b>Completed:</b> January 2005. Final report submitted and posted on GCF website. The aims was to assist develop pro-poor provincial and regional development planning progresses, and their application to the design of specific ADB supported interventions in the central highlands and north central coastal regions. Key expected results were: (i) more substantive understanding and knowledge of provincial and regional level development planning structures; (ii) stronger linkages between ADB and provincial authorities; and (iii) improved harmonization and coordination of sector development programs in the central region. Project helped ADB better understand – at a very practical level – the lack of awareness of provincial officials about the donor supported national Comprehensive Poverty Reduction and Growth Strategy (CPRGS). This information was conveyed to other donors through TA presentations to the donor working group in CPRGS implementation. While limited progress was made in institutional building to address identified weaknesses, the information base for planning future interventions was improved. Study findings fed into a multi-donor report 'Comprehensive Poverty Reduction and Growth Strategy Integration into Socio-economic Development Planning - Lessons from the Central Highlands'.</p> <p><u>A brief review of reports and limited interviews suggest key objectives have been substantially realized,</u> but it is still too early to assess outcomes in terms of application of TA results to 'specific ADB supported interventions'</p>
3	4169-CAM Capacity Building of Electricity Authority	240,000	2-Sep-03	MKID	<p><b>Completed:</b> March 2005. Final report submitted and posted on GCF website. The key planned outcomes of this TA were policies and guidelines on tariff setting principles; formats for tariff applications and financial monitoring documents, and; public-private consultations on tariff regulation issues.</p> <p><u>A brief review of reports and interview with Project Officer suggest planned outcomes have largely been achieved.</u> Project activities do not appear that dissimilar to traditional ADB TAs.</p>
4	4190-KAZ Supporting Local Government Reforms	100,000	6-Oct-03	ECGF	<p><b>Ongoing.</b> Completion date: February 2006. Major delays in start-up, due to national approval issues. Target completion date extended from original target of 30/6/04. Planned outcomes include: (i) diagnostic study on current expenditure and revenue of selected local governments, and review of the functional analysis of different levels of different levels of governments, and in-depth functional analysis of service delivery of selected local governments; (ii) diagnostic study on taxation, revenue sharing arrangements and financial transfers between different levels of government, elaboration of procedures for on-lending fund to local governments, policy agenda to establish accountability of local government; and (iii) identifying options for greater local autonomy.</p> <p><u>Still too early to assess likely outcome.</u></p>
5	4191-KAZ Strengthening Government Program	150,000	6-Oct-03	ECGF	<p><b>Ongoing.</b> Completion date: June 2006. Completion date was extended (from 31-Oct-04 to 30-Jun-06) due to the delay in the signing of the LOA. An inception report was submitted on July 2005. The aim is to strengthen the policy making, strategic planning, and policy coordination function of core government. Expected deliverables include (i) a comprehensive assessment of the current system; (ii) recommendations for improving policy development and strategic planning mechanisms; (iv) capacity-building training for key staff; and (v) training.</p> <p><u>Still too early to evaluate likely outcome.</u></p>

TA No.	Project Name	Amount Approved	TA Approval Date	DIV	Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))
6	6117-REG Promoting Knowledge Transfer Through Diaspora	150,000	13-Aug-03	RSGR	<p><b>Ongoing.</b> Completion date: December 2005. Final report for PRC was submitted and posted on GCF website. Awaiting final report for PHI and AFG. The aim is to review knowledge transfer experiences in three DMS, to promote more extensive applications in these and other DMCs, and to test on a pilot basis the use of these networks of knowledge transfer that would otherwise be carried out by consultants under contract. Direct links to GCF objective less clear in this project.</p> <p>Substantive outputs have, or are, being produced. Outputs have generated discussion and debate within ADB, in pilot countries, and in internal for a (e.g. international workshop in Sydney). However, it is <u>still too early to evaluate likely outcome</u> in terms of impact in promoting increased use of Diaspora networks.</p>
7	6124-REG ADB-OSI Central Asia Education Cooperation Network	200,000	6-Oct-03	ECSS	<p><b>Ongoing:</b> Completion date: March 2006. The TA aims to result in enhanced cooperation between countries and in strengthened local capacities to analyze and monitor education development efforts, and improve the education reform knowledge of education policy makers and civil society. Planned deliverables were: (i) a web site; (ii) virtual libraries and databases; (iii) network of education stakeholders; (iv) a subregional action plan for education cooperation.</p> <p>While some progress was made to achieving deliverables, there are doubts about whether impacts will be sustained. Constraints include the lack of domestic ownership of the initiative, and the deterioration in relations between some participating countries and ADB's project partner, the Open Society Institute. Information on the web site remains patchy, with very limited data from some countries. The level of regional demand for sustained cooperation remains uncertain. While still too early for a firm assessment, <u>there are doubts as to whether limited progress towards realizing project objectives can be sustained.</u></p>
8	6126-REG Civil Society Participation in Budget Formulation	250,000	16-Oct-03	PAOD	<p><b>Completed:</b> Completion date: September 2005. The goal was to improve resource allocation decisions and achieve better targeted service and service delivery to the community. This was to be achieved by (i) developing training materials to explain the budget process and how to develop pro poor policy options and costing, and addressing advocacy issues; and (ii) deliver training in regional workshops.</p> <p>Planned outputs have been delivered, but it <u>still too early to evaluate likely outcome in terms of improving resource allocation decisions and better targeted services.</u> Much will depend on whether follow-up assistance builds on the initial TA outputs.</p>
9	4279-LAO Secured Transactions Reform in the Lao PDR	170,000	18-Dec-03	MKGF	<p><b>Ongoing.</b> Completion date: November 2005. Small part of a comprehensive ADB program to build corporate governance in the Lao financial sector. Aims to review needs and increase awareness of a modern secured transactions regime, and to help develop the institutional framework for secured transactions.</p> <p>Progress towards realizing key outputs, but it will take some years before the impact of these initiatives on the development of Lao financial services. Initial results are positive, but <u>still too early to evaluate likely outcome.</u></p>
	<b>2004</b>	<b>1,790,000</b>			
1	4428-CAM Strengthening National Program Budgeting for the Agriculture Sector	250,000	8-Nov-04	MKAE	<p><b>Ongoing.</b> Completion date: July 2006. The TA aims to increase institutional capacity in planning and (multi-year) program budgeting at central, provincial and district levels to improve public service delivery in the agriculture sector. This complements both ongoing sector initiatives (ADB's Agriculture Development Program) and broader efforts to strengthen public financial management (TA 3634-CAM: which included focused support for budgeting in health and education). The TA built on earlier ADB support to improved management of</p>

TA No.	Project Name	Amount Approved	TA Approval Date	DIV	Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))
					public finances in the agriculture sector. <u>Still too early to evaluate likely outcome.</u>
2	4458-RMI Increasing Ownership and Effective Demand for Improved Education	150,000	2-Dec-04	PAOD	<b>Ongoing.</b> Completion date: December 2005. The key aim was to clarify and strengthen current and potential ownership and demand for reforms to improve public service delivery of education. It was also intended to (i) identify models for improving public service delivery in a small island state, (ii) identify lessons for improving public service productivity, (iii) strengthen participatory approaches in efforts to improve public service delivery; (iv) scale up public service delivery planning, and (v) guide future program design process. Project has generated results that have generated considerable domestic debate (e.g., in the press, and in internal policy debates.). Findings have fed into policy dialogue between ADB and Government, and follow-up support being formulated to support identified reforms. Innovative approaches developed to better understand community concerns and to build demand for improved sectoral governance now being adopted in follow-up TAs in RMI (a PRF funded solid waste management PPTA). <i>Demand for reform is crucial to success.</i> <u>Brief review of reports and interview with Project Officer suggest planned outcomes have been achieved</u> (probably beyond initial expectations)
3	4467-VIE Capacity Building Support to Government Inspectorate	150,000	7-Dec-04	VRM	<b>Ongoing.</b> Completion date: June 2006. Project just started and may be delayed because of delay in securing approval of anti-corruption legislation. Aims to (i) develop and launch an anti-corruption advocacy plan; (ii) design and implement a pilot information system and database to facilitate monitoring and inspection activities; (iii) design an outline MIS strategy for further development and (iv) develop and implement a training program for GI officials. <u>Still too early to evaluate likely outcome.</u>
4	4538-PAK Improving Governance in the Non-Profit Sector of Pakistan (NPOs)	240,000	23-Dec-04	PRM	<b>Ongoing.</b> Completion date: January 2006. Key aim is to improve enabling environment for NPOS by helping establish, and being implementing, a certification system that is independent of Government funding and/or political and bureaucratic interference. Other aims are: (i) encouraging adoption of best practices; (ii) enhancing NPO management capacity; (iii) diversifying NPO opportunities to raise funding; and (v) build capacity for officials to process NPO applications for tax exemption. <u>Still too early to evaluate likely outcome.</u>
5	4544-PHI Enhancing Access of the Poor to Microfinance Services in the Philippines and Capacity Building of the Basic Sector in Frontier Areas	250,000	23-Dec-04	SEGF	<b>Ongoing.</b> Completion date: July 2006. Initial survey work just completed. Aim is to learn from and build on experiences from various ad hoc initiatives to develop capacity and strategies to expand the outreach of microfinance services to the poor in the Philippines. Key aim is to collect, assemble and develop a data base to make information, training and extension material more broadly accessible. Guidelines and manuals will be published and disseminated. Apparently strong support from national anti-poverty commission for initiative. <u>Still too early to evaluate likely outcome.</u>
6	6234-REG Regional Environmental Compliance and Enforcement Network	250,000	9-Mar-05	RSES	<b>Ongoing.</b> Completion date: December 2006. Project activities only recently commenced. The regional workshop/launch of Asian Environmental Compliance and Enforcement Network (AECEN) was held last 2-3 August at ADB Headquarter. Officials from 13 DMCs attended the workshop, and agreed on the objectives and activities of AECEN. TA activities complement the efforts of AECN and RETA 6144 Better Air Quality Management in Asia and Clean Air Initiatives in Asia. Expected TA outputs (country analysis and case studies) may provide

<i>TA No.</i>	<i>Project Name</i>	<i>Amount Approved</i>	<i>TA Approval Date</i>	<i>DIV</i>	<b>Brief Preliminary Assessment Status and Expected Outcomes and Other Remarks (based on very brief review of project documents (2-3 hours/project))</b>
					inputs to update ADB's Environment Policy. <u>Still too early to evaluate likely outcome.</u>
7	4661-TAJ Local Government (Jamoat) Budget Consultation Processes	500,000	3-Oct-05	ECGF	<b>Ongoing.</b> Completion date: October 2007. Project implementation only recently approved. Now in start-up phase. Time consuming consultations needed to build support for initiatives. Planned outcomes are: (i) documented models of actual budget consultation processes, and lists of competent facilitators; (ii) adoption of consultative budgeting approaches in new areas; (iii) information on experiences that can be used by other donors and in future ADB operations (such as ADB's Rural Development Project). Key expected innovations are efforts to build demand for administrative reform, and recognizing that timing is important and incremental reforms may be the only politically feasible approach to implementing reforms to promote good governance. <u>Still too early to evaluate likely outcome.</u>
		1,050,000			
1	AFG Promoting Transparency and Accountability in Public Services	600,000		AFRM	Newly endorsed project (20 September 2005). TA approval should be obtained within 6 months from endorsement date.
2	BAN Improved Transparency and Access to Laws in Bangladesh	450,000		OGC	Newly endorsed project (20 September 2005). TA approval should be obtained within 6 months from endorsement date.  It is now being reviewed as part of ADB's anticorruption report on Bangladesh.

**LIST OF SUCCESSFUL AND UNSECESSFUL APPLICATIONS FOR GCF FUNDING  
2002-2004**

	Project Title	Project officer	DMC	DEPT.	AMOUNT (\$'000)	Status of unsuccessful applications
	<b>2002</b>					
	<b>APPROVED</b>					
1	Strengthening Accountability Mechanisms II	Tech Asst. Marissa Ventura [Former POs: Clay Wescott - proposal stage; Sandra Nicoll - implementation stage]	THA	MKRD	150	
2	Strengthening Corporate Governance for Banking Sector Reform	Present PO: Vicky Tan [Former POs: Eric manes - proposal stage; Sam Tukauafu - some implementation stage]	LAO	MKRD	150	
3	Strengthening the National Accountability Bureau	Present PO: Douglas Porter – from proposal up to present stage	PAK	PRM	120	
4	Public Opinion Surveys on Judicial Independence and Accountability	Present PO: Kamal Ahmad [Former POs: Motoo Noguchi - proposal stage; Hamid Sharif - some implementation stage]	REG	OGC	100	
5	Assessing Community Perspectives on Governance in the Pacific	Tech Asst. Ophie Iriberry x6375 [Former PO: Thuy Mellor– from proposal to completion. not w/ADB anymore]	REG	PARD	200	
	<b>REJECTED</b>					
6	Strengthening Public Sector Administration and Financial Management	Ramesh Subramaniam	MON	ECRD	750	Funded by TASF TA 3920
7	Governance Assessment for AZE [New Title: TA for Promoting Good Governance in East and Central Asia]	Marilyn Collette (not with ADB anymore)	AZE	ECRD	150	Funded by TASF and became a RETA 6043
8	Support to Governance and Public Administration Reform in Viet Nam [New title: TA to VIE for Preparing a Proposal to Support Implementation of the Public Administration Reform Program]	John Samy (nowDDG)	VIE	MKRD	1,000	Funded by TASF and Cofinance by the Governments of France and New Zealand TA 3886
9	Strengthening Capacity Building of Policy Analysis Skills in PDMCs	Thuy Mellor (not with ADB anymore)	FIJ	PARD	270	Dropped
10	Support for Anticorruption (Attorney General's Office)	ChinChoon Fong (now w/OGC)	INO	IRM	500	Dropped
11	Corporate Governance Reform II	Klaus-Peter Kriegsman (not with ADB anymore)	INO	SERD	-	Dropped
	<b>2003</b>					
	<b>APPROVED</b>					
1	Supporting Good Governance Initiatives	Present PO: Arjun Goswami – from proposal to present stage	BAN	SARD	250	
2	Provincial Development Planning in the Central Highlands	Tech. Asst. Ras Salak x6471 [Former PO:	VIE	MKRD	150	

	Project Title	Project officer	DMC	DEPT.	AMOUNT (\$'000)	Status of unsuccessful applications
		Sandra Nicoll – from proposal up to implementation stage]				
3	Capacity Building of Electricity Authority	[Former POs: Don Purka - proposal up to implementation; Yohana Kho - some implementation; Pinky Phanachet - prepared closing book and TACR]	CAM	MKRD	240	
4	Supporting Local Government Reforms	Present PO: Sona Shrestha [Former PO: Jurgen Conrad - proposal stage]	KAZ	ECRD	100	
5	Strengthening Government Program	Present PO: Sona Shrestha – from proposal up to present stage	KAZ	ECRD	150	
6	Promoting Knowledge Transfer through Diaspora Networks	Present PO: Clay Wescott – from proposal up to present stage	REG	RSDD	150	
7	Central Asia Education Cooperation Network	Present PO: Lan Wu - [Former PO: Marc Cohen - proposal up to some administration]	REG	ECRD	200	
8	Civil Society Participation in Budget Formulation	Present PO: Li Cai  [Former POs: Michaela Prokop & Thuy Mellor - proposal stage; Stephen Pollard - some implementation]	REG	PARD	250	
9	Secured Transactions Reform	Present PO: Madeleine Varkay – from proposal up to present stage	LAO	MKRD	170	
	<b>REJECTED</b>					
10	Development of a Competition Policy Framework	L. Papi (not with ADB anymore)	AZE	ECRD	150	Funded by TASF TA 4126
11	Governance Reforms at the Local Level in Mongolia	Ramesh Subramaniam	MON	ECRD	250	Dropped
12	Reform of PRC's National Development Planning Process [New title: TA to the PRC for Capacity Strengthening of PRC's National Development Planning Process]	Director ECGF (Siackhachanh, Avonechith)	PRC	ECRD	170	Funded by PRCF TA 4298
13	Strengthening Core-Government Capacity for Policy Development and Implementation in KAZ	Jurgen Conrad	KAZ	ECRD	100	Dropped
14	Support for Performance Auditing in the Mongolian Public Sector	Ramesh Subramaniam	MON	ECRD	450	Dropped
15	Strengthening Public Service Delivery Mechanisms for the Poor	Ramesh Adhikari	VIE	MKRD	150	
16	Improving Corporate Governance in the Lao Agriculture Promotion Bank [New title: Rural Finance Development]	Brett Coleman	LAO	MKRD	150	Funded by JSF TA 4135

	<b>Project Title</b>	<b>Project officer</b>	<b>DMC</b>	<b>DEPT.</b>	<b>AMOUNT (\$'000)</b>	<b>Status of unsuccessful applications</b>
17	Implementing the Action Plan of the Viet Nam Bank for Agriculture and Rural Development [New title: Improving Risk Management in the Viet Nam Bank for Agriculture and Rural Development]	Brett Coleman	VIE	MKRD	150	Funded by TASF TA 4395
18	Capacity Building for Beneficiary-Based Monitoring and Impact Assessment (Sub-regional: Central Highlands – Gia Lai Province)	Javed Hussain Mir	VIE	MKRD	150	
19	Strategic Review and Planning for Development of Legal and Judicial System [New Title: TA to the PRC for Support to the Review and Planning for Development of the Legal and Judicial System]	Xiaohua Peng	PRC	OGC	150	Funded by TASF TA 4237
20	Improving Governance in the Pacific through ICT	Luigi Bodda	REG	PARD	250	Dropped
21	Establishing Processes for Improving Performance in Key Ministries [New title: Strengthening Performance Based-Management]	Surya Shrestha	NEP	NRM SARD	250	Funded by TASF TA 4249
22	Support to the Development of Effective Public Sector Accounting/Auditing Education and Training	Farzana Ahmed	INO	SERD	260	Dropped
23	Implementing Fiscal Decentralization	Thatha Hla	INO	SERD	600	Dropped
	<b>2004</b>					
	<b>APPROVED</b>					
1	Increasing Ownership and Effective Demand for Improved Education	Present PO: Stephen Pollard – from proposal up to present stage	RMI	PARD	150	
2	Strengthening National Program Budgeting for the Agriculture Sector	Present PO: Masahiro Otsuka – from proposal up to present stage	CAM	MKRD	250	
3	Capacity Building Support to Vietnam State Inspectorate	Present PO: Dao Viet Dung [Former PO: Ramesh Adhikari - proposal up to some implementation stage]	VIE	VRM	150	
4	Regional Environmental Compliance and Enforcement Network	Present PO: Ma Xiaoying [Former PO: Mark Kasman - proposal up to some implementation]	REG	RSDD	250	
5	Local Government (Jamoat) Budget Consultation Processes	Present PO: Cheong-Hwan Oh [Former PO: Betty Wilkinson – from proposal up to TA processing for management approval]	TAJ	ECRD	500	
6	Enhancing Access of the Poor to Microfinance Services in the Philippines and Capacity Building of the Basic Sector in Frontier Areas	Present PO: Julie Rogers – from proposal up to present stage	PHI	SERD	250	
7	Improving Governance in the Non-Profit Sector of Pakistan (NPOs)	Present PO: Imtiaz Alvi	PAK	PRM	240	

	<b>Project Title</b>	<b>Project officer</b>	<b>DMC</b>	<b>DEPT.</b>	<b>AMOUNT (\$'000)</b>	<b>Status of unsuccessful applications</b>
		[Former PO: Raza Ahmad - proposal up to some implementation]				
	<b>REJECTED</b>					
8	Administration of Justice	Arjun Goswami	IND	SARD	250	Funded by the UK Government TA 4437
9	Assisting the Cambodian Government Meet the Needs of Poor Under the Chong Kneas Environmental Improvement Project	Ian Fox	CAM	MKRD	60	Dropped
10	Symposium on Judicial Reform and Human Security in Bangladesh	Kamal Ahmad	BAN	OGC	51	Funded by TASF RETA 6221

**CASE STUDY**  
**TA 4458-RMI: INCREASING OWNERSHIP AND EFFECTIVE DEMAND**  
**FOR IMPROVED EDUCATION**

**A. Project Goals and Objectives**

1. The stated objectives of this TA was to raise ownership and effective demand for improved public services through strengthened, informed, and empowered participation, and to provide positive directions for further assistance to public service development. Because of limited success in previous attempts at civil service reform, it was decided to undertake a pilot project first to assess stakeholder support for reform of public education services before committing to a full-scale project.

2. The planned deliverables were: educational videos, other media, extensive presentations and consultations, strengthening domestic capacities in participatory processes, independent monitoring and reporting and presentation of overall results to the leadership of the country.

**B. Major Outcomes and Results**

3. An international and a domestic consultant were recruited to work with Ministry of Education (MOE) staff to review education status and trends and to identify education issues and options. The consultants prepared a detailed review of education in the RMI using participatory approaches. During the first round of consultations (March/April 2005) stakeholders were briefed on the state of education and asked what options should be considered. Based on these consultations, the consultants drafted a briefing paper 'Issues and Options for Improving Education in the RMI' which summarized education status and issues, and key findings from initial consultations.

4. The consultants then discussed these issues with some 50 groups of interested parties, with the aim of developing a national consensus on options to address the weakness in the education sector. Overall findings were presented to Cabinet. The process helped raise stakeholder awareness and demand for education sector reforms to improve administration, personnel management and school accreditation. The process was independently monitored by an NGO representative.

5. This consultation process confirmed broad stakeholder support for civil service reform identified during the CSP update, but also revealed some reluctance and even strong resistance, among some key government officials, including Public Service Commission officers and MOE staff. Indeed, the consultants found it difficult to attract effective participation of MOE staff in the processes. The study was highly critical of education sector and not well received by the Ministry of Education and other key government officials. On the other hand, other leaders and officials welcomed the report. Some elected and executive Government officials subsequently declared education a "disaster" and have stated a commitment to reform education. The report and political reaction to the report have generated considerable public interest and pressures for improvements in the education sector. Reforms now approved by government include an audit of public sector personnel. Subsequently, the Government announced plans to conduct personnel and performance audits of MOE and other ministries to begin addressing the civil service personnel issues. ADB is currently preparing a TA to support civil service reform to build on TA findings.

### **C. Issues/Lessons learned from TA RMI**

6. An interesting aspect of the RMI project was the role it played in helping generate demand for governance reform in the education sector in the face of resistance from the key government counterpart agency (MOE). Resistance to reform from agencies in need of reform is a common problem. ADB is sometimes restricted in pushing for governance reforms because of its emphasis on ensuring national ownership which, in ADB operation terms, is often translated as ownership by the concerned government agency. The GCF-BP specified that the GCF could only support 'government-led' governance initiatives. In this case ADB was able to obtain clearance from its key Government counterpart to work with civil society to build demand for reform of a part of government resistant to reform.

7. It is important to note that some of the conditions leading to success in RMI were country and sector specific. Other elements were probably region specific. Some staff noted that not all countries/cultures would as equally well disposed to such ADB funded interventions. On the other hand, a key lesson applicable to all ADB operations is that quality applied research -- widely discussed amongst key stakeholders -- can make an important contribution to addressing key bottlenecks to sustainable development. It is important that the design of TAs addressing sensitive governance reforms include (i) adequate provision of resources and time for such consultations; (ii) flexibility in timing and work plans to respond to changing circumstances and opportunities; (iii) clear requirements for consultations and for production of reader (or media) friendly summaries of issues and recommendations; and (iv) expertise in facilitating participatory approaches. Because of their understanding of local languages, cultures and context, domestic consultants are often essential for effective use of participatory approaches. Domestic consultants can also be continuing proponents of reform after project completion.

8. The RMI project also stressed the need to include other donors as part of participatory processes. Failure to ensure the support of major donors can undermine efforts to reform institutions resistant to change.

## CASE STUDY

### TA 4163-VIE: PROVINCIAL DEVELOPMENT PLANNING IN THE CENTRAL HIGHLANDS

#### A. Project Goals and Objectives

1. The stated objectives of this TA were (i) to achieve greater equity by assisting development planning processes in selected provinces in the Central Highlands and (ii) help to operationalize CPRGS at provincial level. The planned deliverables were:

- (i) more substantive understanding and knowledge of provincial and regional level development planning processes and institutions, and recommendations for strengthening the processes and institutions to support sustainable development consistent with national and provincial level policies and strategies, and especially the national CPRGS;
- (ii) the preparation of medium term and annual (2005) provincial plans and budgets
- (iii) stronger linkages between ADB and provincial authorities in the north central coast and central highlands provinces; and
- (iv) improved harmonization and coordination of sector development programs in the Central Region.

2. During the first review mission (at the Inception Stage), agreement was reached that the TA activities would focus on Gia Lai, Dak Lak, and (the newly created) Dak Nong provinces. Representatives of Kon Tum province also attended many of the TA training sessions. Initial meetings revealed that awareness of the CPRGS at the provincial level was very limited. The project responded by focusing initial efforts on explaining the CPRGS and its implications to provincial, district and commune leaders.

#### B. Major Outcomes and Results

##### 1. Better understanding and knowledge of provincial level development planning processes and institutions, and recommendations to strengthen the processes and institutions to support implementation of CPRGS.

3. The GCF funded project (TA VIE-4163), together with another ADB SSTA,<sup>1</sup> have been widely referred to in the poverty task force (PTF),<sup>2</sup> and in joint-donor publications on the issues (see for example box below). This is a strong indicator that the project has made an important contribution to developing more substantive understanding and knowledge of provincial and regional level development planning processes and institutions.

4. Information assembled by the TA provided both ADB and the PTF members with something of a reality check in terms of the frequent lack awareness of the CPRGS at the provincial level, (except where local activities were being jointly supported by central agencies and international donors).<sup>3</sup> Provincial authorities were more aware of traditional planning

<sup>1</sup> TA 4252: Support to Poverty Reduction Activities in Viet Nam (financed by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies).

<sup>2</sup> The PTF (currently co-chaired by the Ministry of Planning and Investment and the WB) is one of about 20 Government-donor working groups established to provide inputs to the Consultative Group process and donor coordination in Viet Nam.

<sup>3</sup> CPRGS Steering Committee, ADB, GTZ, UNICEF and central highlands DPs, 2005, CPRGS Integration into Socio-economic Development Planning: Lessons from the Central Highlands, Viet Nam, p. 27). This report drew

documents such as the five-year and annual plans. The TA helped raise donor awareness of key gaps in provincial and local ownership of the donor-supported CPRGS. This should help donor develop programs for supporting CPRGS implementation that are more in line with provincial level realities.

### **CPRGS rollout: strengthening planning processes in the provinces**

A key objective of TA VIE-4163 was to help operationalize the CPRGS. In June 2005, the WB noted that: *'Over the past 6 months, the rolling-out of CPRGS at sub-national levels of government has moved to the next stage with further activities arranged in a number of provinces. Inspired partly by the successful work supported by the ADB and GTZ in several Central Highlands provinces, MPI, with support from various donors, organized technical training course in a series of provinces for provincial leaders and planners'*.

Source: The Poverty Working Group/Poverty Task Force (Partnership Note update, June 2005), <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/VIETNAMEXTN/0..contentMDK:20243096~pagePK:141137~piPK:141127~theSitePK:387565,00.html>

5. While this project has helped in improving the knowledgebase in developing provincial level capacity, but there are no indications that such knowledge has been transferred to ADB Headquarters staff or officials in other DMC. Study results and experiences were presented to donor working groups, and did feature in a joint-donor review of lessons learned in supporting provincial level development initiatives in the central highlands. Thus, some experiences from Viet Nam may indirectly filter into development activities elsewhere. But, as with other GCF funded projects, there is no easy way to easily search for readily accessible information on DMC and ADB experiences (and lessons learned) in strengthening governance.

## **2. The preparation of medium term and annual (2005) provincial plans and budgets**

6. Only limited progress was achieved in terms of actual preparation of provincial plans. This was hardly surprising, given the limited resources and time frame. The proposed outputs of TA VIE-4163 were clearly ambitious. The consultant team leader reported solid progress towards developing capacity for plan formulation noting that: *'Gia Lai was more or less on the case, and knew exactly what support they wanted from the TA (i.e. objectives setting)...., Dak Lak was not much interested (acute governance issues) and Dak Nong was surprisingly responsive'*.<sup>4</sup>

7. TA 4163 participants were provided with some practical tools for result-based planning, public participation in the planning process and monitoring and evaluation of plan implementation. They were encouraged to use these tools to develop district and/or provincial plans during training. TA outputs are being incorporated into a planning manual being drafted by MPI, and MPI is reported to have adapted training material developed under the TA for their

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heavily on reports and materials generated from the GCF funded TA. ADB contributions to the joint-donor review were partially funded under ADB SSTA 4252: Support to Poverty Reduction Activities in Viet Nam.

<sup>4</sup> Ian Green, Director, Culpin, personal communications.

own use. Best practices identified from project activities were highlighted in a recent joint donor report that reviewed progress in mainstreaming CPRGS into provincial level planning activities.<sup>5</sup>

### 3. Stronger linkages between ADB and provincial authorities

8. The project took place in the central region which has been the geographic focus areas for ADB operations, and addressed a core constraint to the more effective delivery of ADB assistance at sub-national levels in Viet Nam. Thus the project was closely linked to ADB CSP. However, it could be argued that the project was not directly linked to operations, because the TA 4163 did not contribute directly to the formulation of new lending activity. There is also an important question as to how well did the design of TA 4163 build on ADB's earlier provincial level work in the central highlands. Quite possibly a more substantive review or previous ADB experience in supporting the central provinces may have led to a more realistic targets in the TA design.<sup>6</sup>

### 4. Improved harmonization and coordination of sector development programs in the Central Region

9. The results of the TA fed into the CPRGS donor working group meetings, with presentations by the national project director and consultant team leader. Study findings also fed into a multi donor review of experiences in integrating the CPRGS into the provincial level socio-economic development planning.<sup>7</sup>

10. ADB (together with GTZ) played a key role in piloting approaches to implementing the CPRGS at the provincial level as indicated in the box below.<sup>8</sup> Information, experiences and lessons learned appear to have improved prospects for more harmonized approaches in donor support to strengthen provincial level administrations in Viet Nam.

11. Given ADB's high profile in the PTF,<sup>9</sup> it is surprising to note that no mention was made of ADB involvement in PTF's forward looking work plan.<sup>10</sup> This raises questions as to whether (i) ADB saw VIE-4163 as a 'one-off' intervention, (ii) ADB lacks the resources (staff and financial) to commit to building on the recent progress in leading support to provincial level planning and governance processes, or (iii) ADB is not as tightly engaged in the PTF as other donors. The recent CSP indicates that ADB does plan to continue support to build-on the progress under TA VIE-4163. The challenge is to see that these projects are also used to build and disseminate knowledge that can contribute to the broader development goals in Viet Nam and the region.

<sup>5</sup> See pp 27-34 of CPRGS Steering Committee, ADB, GTZ, UNICEF and central highlands DPIs, 2005, CPRGS Integration into Socio-economic Development Planning: Lessons from the Central Highlands, Viet Nam.

<sup>6</sup> A comprehensive review of the impacts of ADB's strategic geographical focus on the central provinces might be a potentially interesting and useful topic for an OED special evaluation study.

<sup>7</sup> CPRGS Steering Committee, ADB, GTZ, UNICEF and central highlands DPIs, 2005, CPRGS Integration into Socio-economic Development Planning: Lessons from the Central Highlands, Viet Nam.

<sup>8</sup> The GCF funded project was not the only source of ADB contributions, but it was one of the key interventions that helped ADB draw lessons on planning process in the provinces. Another important related intervention was TA 4252: Support to Poverty Reduction Activities in Viet Nam (financed by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies). The small scale technical assistance provides for capacity building support to Viet Nam through a Resident Mission poverty consultant. The TA will specifically focus on monitoring the implementation of the Poverty Partnership Agreement and accelerate various sector/thematic work to identify future poverty projects, as well as to strengthen coordination and consultation with key stakeholders.

<sup>9</sup> Largely due to the information generated by the GCF funded project, and TA 4252: Support to Poverty Reduction Activities in Viet Nam.

<sup>10</sup> <http://siteresources.worldbank.org/INTVIETNAM/Resources/PWG-workplan.pdf>.

Given the CSP priorities and geographic focus, a strong case could be for sustained efforts to build on initial results.

### **C. Lessons Learned from TA VIE-4163**

- (i) A strong NPD (and strong national ownership) played a pivotal role in facilitating implementation in a short period of time in provinces with limited capacity and limited exposure to working with international organizations.
- (ii) The strong NPD, with close links to the national CPRGS process, also assisted in disseminating project information, experiences and lessons back to other donors. This helped increase returns on project investments, and helped raise the profile of ADB in the PTF.
- (iii) ADB and other donors can gain considerable useful information and understanding by employing qualified personnel to work with sub-national officials on a regular basis and asking them to study and document work and development implementation practices and issues. It takes time to gain understanding and to build trust. A good understanding of sub-national systems, priorities and constraints is unlikely to be gained from one or two, 2-3 week missions.
- (iv) Good domestic consultants can play a critical role in developing understanding of development issues and constraints.
- (v) Where pilot projects are likely to create demand for follow-up assistance, it is important that ADB anticipates such demand, and is prepared to respond to demand for such assistance (either from its own resources or through other strategies).
- (vi) Flexibility is needed to respond to changing circumstances and priorities that become apparent during implementation.
- (vii) Regular field visits by the Project officer and strong field office support helped in providing flexibility in project implementation.
- (viii) There is need for more systematic mechanisms to share experiences in implementing governance initiatives within ADB and its DMCs. Staff and/or consultants should be given incentives to prepare policy briefs, case studies and/or applied publications, and ADB needs to improve mechanisms for managing and disseminating this material.

**A GOVERNANCE INITIATIVE WITH STRONG LINKAGES TO ADB OPERATIONS:  
STRENGTHENING NATIONAL PROGRAM BUDGETING FOR CAMBODIAN AGRICULTURE  
SECTOR**

1. **Purpose:** Strengthen the Ministry of Agriculture Forestry and Fisheries' (MAFF) capacity in program budgeting in the agriculture sector at both central and local levels to improve the delivery of pro-poor public services'
2. **Planned Interventions:** Help MAFF (i) formulate necessary implementation guidelines, manuals, and ministerial circulars relating to programming and budgeting exercises; (ii) provide awareness building and training programs on program budgeting and the new medium term expenditure framework (MTEF) process in collaboration with Ministry of Economy and Finance (MEF) for central, provincial and district staff involved in agriculture and rural development activities; and (iii) establish an appropriate information and monitoring system on public fund flows, annual expenditures, and physical assets in consultation with key stakeholders.
3. **Linkages with National Development Strategy:** The Government identified 'Good Governance' as 'the core' of the national development strategy (its 'Rectangular Strategy'). A key priority was 'improving the effectiveness of spending, by linking expenditures more tightly to priority outcomes'. A key element in promoting growth was to promote 'agriculture productivity, diversification, and competitiveness'.
4. **Linkages with CSP:** One of the 'three strategic pillars' of the CSP is 'good governance, through improvements in public financial management to enhance the development effectiveness of public expenditure...'
5. **Vertical and Horizontal Linkages:** The project evolved from sustained dialogue with the Government in preparation for the agriculture sector development program, but also builds on ADB's experience in an earlier TA to Strengthen Public Financial Management (TA 3643-CAM for \$1.2 million, February 2001). TA results will feed into another recently approved TA to Capacity Building for National Economic Policy Analysis and Development Management (TA 34386-CAM, June 2005). It is also important in ADB efforts to 'selectively apply' program based approaches in Cambodia. At the same time, improved sub-national budget planning and management will link with efforts to support provincial level and community based development in infrastructure and improved public service delivery.

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