



Asian Development Bank

Memorandum

Strategy and Policy Department

15 December 2006

To: David Taylor, Executive Director

From: Kazu Sakai, Director General, SPD

Subject: **Annual MOPAN Survey 2006: Synthesis Report
- Feedback**

1. Thank you for extending to ADB the opportunity to provide feedback on the Synthesis Report ("the Report") covering the Annual MOPAN Survey for 2006.
2. ADB appreciates the overall balanced approach taken in the Report in relation to the impressions about ADB's partnership behavior in the four of our developing member countries ("DMCs") covered by this year's MOPAN Survey, namely, Indonesia, Sri Lanka, Pakistan, and Nepal. In due courses, and to permit further lesson-learning and dialogue between MOPAN members and ADB, we would welcome the opportunity to share MOPAN's individual country reports with our resident missions ("RMs")
3. At the country level, we were pleased to note that the Report is generally positive. For example, in dealing with the perceptions in **Sri Lanka**, the Report comments on ADB's role in donor coordination as well as on the effectiveness of policy dialogue, ensuring high government ownership of programs, quality of technical advice, and involving civil society, especially the private sector in policy dialogue and program/project formulation. In **Nepal**, the Report cautions ADB's support to civil society, alignment with national policies and procedures, and positive information sharing with other development agencies.
4. We also take note of a number of areas where ADB's efforts are perceived as not sufficient. Such feedback is most useful.
5. At the same time, this type of rapid reports which rely largely on impressions, may lead to confusion as to our precise role and mandate. For example, this is a risk attending the impressions as to decentralization of activities, accountability, and financial authority of RMs. There is also a lag between the conduct of the survey and the presentation of the Report. Some of the perceptions reported may not reflect improvements ADB has achieved during the intervening period. Moreover, the small and select nature of the survey pool would need to be noted.
6. Despite the limitations mentioned above, the Report is very useful. It provides valuable inputs to us in reflecting on ways to further improve our partnership performance and development effectiveness. We would like to thank the MOPAN participating countries for their efforts for the survey. Our feedback on specific points are given in the attachment.

cc: Vice Presidents
Managing Director General
Secretary
Directors General, CWRD; EARD; PARD; RSDD; SARD; SERD
Head, SPRU
Chief Advisor to the President

Feedback on Specific Points

A. Sri Lanka

(i) Apparent Lack of Support for NGOs

1. ADB, through its RM and HQ Staff, actually maintains a lively interaction with implementing NGOs, but perhaps less so with advocacy NGOs, due to ADB's different mandate. Projects, especially those in the north and east, rely heavily on NGOs. RM staffing changes in 2006, and anticipated in 2007, in combination with support from a regional technical assistance, will strengthen this important aspect of ADB's work.

(ii) Limited Involvement in the Government's Poverty Reduction Strategy

2. In fact, ADB was actively involved as a key donor in coordinating, and providing staff and consulting inputs to the Government's 10-year development strategy. In the circumstances, it is not clear how the Report is able to assess ADB's role as passive. Donor involvement in the May PRS working paper was deliberately minimal, as the Government regarded it as important to demonstrate ownership, and independence from the donor community.

(iii) Relatively Weak Impact of ADB's Capacity Building Programs

3. We agree that capacity building can be strengthened, and discussions are ongoing to use Sri Lanka as a pilot country to implement a new capacity building long-term strategy.

(iv) Selective Approach to Information Sharing

4. This assessment should be explained. The Sri Lanka RM promptly responds to requests for information, subject to compliance with ADB's disclosure policy. Incoming missions regularly consult with key bilateral donors and civil society. ADB has also played a key role in setting up strengthening donor coordination mechanisms that include formal and informal channels of information sharing.

B. Nepal

(i) Limited Harmonization of ADB's Operational Procedures and Practices

5. The comment that ADB has suffered in Nepal from "rigid administrative requirements imposed by HQ Manila" (*para. 4.18*) may reflect some misunderstanding of the situation. The conflict in Nepal, and the weak governance situation in the country during the period covered by the Report, clearly demanded particular caution on ADB's part in implementing ADB projects – and perhaps calling for more frequent consultation with HQ. This may have led to a perception of "rigidity" on ADB's part. We believe that such referrals to HQ were justified given the country context at the time. The comments on ADB's "limited abilities" to harmonization (*para. 4.27*), seem to ignore specific examples of joint action: ADB has demonstrated its efforts to harmonize operational procedures and practices through Joint Country Portfolio Performance Reviews with the World Bank and jointly-produced procurement regulations, which were tabled in Parliament.

6. This observation in the Report also ignores the substantial donor harmonization initiatives that ADB has taken in recent years in Nepal, including joint work in relation to MfDR, harmonization of procurement procedures, and specific operational action plans with key donors. In fact, ADB's harmonization efforts in Nepal should be considered more advanced than the efforts on the part of most donors.

(ii) Poor Delegation of Decision-Making Authority

7. As to MOPAN's concern as to poorly delegated decision-making authority (*para. 4.29*), we must point out that the Nepal RM enjoys fully delegated authority on programming and project administration; however, once again, the RM pursued a cautious approach during the conflict period, particularly as many decisions were politically sensitive. We had understood that many bilateral development partners in Nepal appreciated the cautious approach taken by our RM.

C. Indonesia

(i) Alignment of Business Practices with National Procedures

8. The Report states that little progress has been made in this area (*para. 4.18*). However, efforts are underway towards using the Government's own practices. For example, the Rural Infrastructure Support Project, approved in December 2005, attempts to use the framework of a large Government program to help rural development. The project channels ADB funds using the Government's own mechanism rather than a typical project modality, and helps enhance capacities for program monitoring and evaluation. Moreover, there is an ADB technical assistance to harmonize bidding documentation across various sector ministries. The next step in this process will be to improve the alignment between ADB and Government procedures.

(ii) Information Sharing is Identified as a Weakness

9. The Report complains that ADB needs to do more work in this area (*para. 4.21*). We agree with this assessment; but, we would add the following comments. As usual, success in sharing information often depends on individual behavior and efforts at the project-level. In fact, efforts are being made in our Indonesia operations to systematically share information on more projects and programs with the other stakeholders. For example, the Development Policy Support Program and the Infrastructure Reform Sector Development Program, respectively, demonstrate close collaboration among ADB, AusAID, Japan and World Bank.

(iii) ADB Declined to Integrate its Aceh Programme in the World Bank Multi-Donor Fund ("MDF")

10. In response to the Report (*para. 4.24*), it should be noted that ADB's Earthquake and Tsunami Emergency Support Project (ETESP) was among the first large scale facilities to be processed and approved just weeks after the tsunami. It was approved well before the Aceh-Nias Reconstruction Agency (BRR) or the Multi-Donor Fund (MDF) was established. Pending the establishment of the MDF, ADB approved a \$10 million contribution as part of the ETESP to the MDF. ADB's coordination with the MDF has subsequently emerged through information sharing in steering committee meetings of the MDF.

D. Capacity Development

11. On capacity development, the perception that ADB appears to pay little attention to supporting capacity building in local NGOs is generally accurate. While we have provided capacity building support to local NGOs in the past, in most countries it is the bilateral agencies and international NGOs that have a comparative advantage in this regard, not ADB.

12. The issue of capacity development in Indonesia deserves additional comment. The Asian financial crisis and decentralization have posed major challenges for capacity development in Indonesia. There was systematic erosion in capacity due to the crisis, and a dissipation of remaining capacity due to decentralization. ADB has designed several projects to support capacity development, including Capacity Building for Financial Governance, Sustainable Capacity Building for Decentralization, Local Government Finance, and State Audit Reform Program. At the same time, the relatively small size of individual TA and limited coordination have meant limited effectiveness. The new Indonesia Country Strategy and Program approved in October 2006 by ADB aims to address this issue by processing cluster TAs that ensure continuity of essential support.

E. Civil Society

13. The Report states that there is a generally positive perception of ADB initiatives to involve civil society in public policy development ("supports participatory processes", "promotes the participation of civil society in policy dialogue"). Here it is important to keep in mind the advances that ADB has recently taken to improve the volume and timeliness of information to its stakeholders, including local advocacy NGOs, most notably through its Public Communications Policy.

14. It could also be noted that partnership with NGOs has been a focus of ADB's operations in, say, Nepal in recent years. It may be a common perception among some bilaterals that ADB does not engage NGOs directly. In fact, ADB's operating guidelines do not permit direct engagement of NGOs in ADB-assisted projects: such engagement is often accomplished, therefore, through the government.

15. In summary, the Report's perceptions of ADB's interactions with NGOs are largely accurate and positive, while we agree that more could be done to better involve NGOs at the field level. In this regard, a number of initiatives are being undertaken, including work at the Sri Lanka RM to establish a 'model' stakeholder consultation and participation program for resident missions.

F. ADB: Background Information

16. There is a reference to the Bank's long-term strategic vision in the Box on ADB's background information (page 29) but no mention of ADB's Poverty Reduction Strategy ("PRS"). This is an omission from the Report. The Box should also refer to the PRS which has, in addition to the three pillars, five thematic priorities - in addition to the three listed in the box, the PRS (enhanced by the 2004 review) also emphasizes **gender equality** and **capacity development**.

17. I hope this feedback is useful and embellishes the impressions set out in the Synthesis Report for the Annual MOPAN for 2006. We assume that our feedback will be published with the Report.