

# Session 5

## Program Design: Key Considerations

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Policy-Based Lending Operations  
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# Overarching Considerations

## Government

- Willingness
- Capacity
- Commitment

## Stakeholder

Alignment with IMF and World Bank

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# Policy Reforms

Ideal: Reform agenda that meets the overarching conditions

Developing: Reform agenda that is shaping up with broad consensus

Emerging: Reform agenda that needs to be developed (by the MDBs)

Post-conflict: Designing reforms that lays the foundations for the sector/s

# Policy Reforms

Sector experience to assess core elements

Varied context require varied responses

Trajectory of reforms to determine width and depth of reforms

Spill over to the other sectors – linkages and consistency

# Policy Reforms: Phasing

Big bang approach or gradual reforms

Consolidating gains to sustain  
consensus

Increasing implementation capacity

# Policy Reforms: Sequencing

Lesson learned

Performance incentives

Flexibility to deal with non-performers

# Choice of Modality

Policy Lending

- multi-tranche
- single tranche

Cluster

Sector Development Program

# Policy Reform: Costs

Attribution of precise cost to policy actions often difficult

Costs could vary in contexts where reforms are evolving

Indicative costs could be assessed with assumptions



# Policy Reforms: Tranching

Front Loading to start reforms or  
back ended to sustain reforms

Meeting reform costs or rewarding  
reforms undertaken

# Policy Reforms: Format

## POLICY MATRIX

Objectives	First Tranche	Second Tranche	Third Tranche	Fourth Tranche
(i) Establishing a Policy Reform and Implementation Framework				
(ii) Building a Facilitating Legal, Regulatory, and Governance Framework				
(iii) Institutional Reforms for Sustainability				

# Policy Reforms: Format

## COSTS (\$ million)

### Inputs

Total Cost (\$1,428 million)  
 ADB loan (\$1,000 million)  
 KfW loan (\$175 million equiv.)  
 DFID Technical Assistance (\$2 million)  
 Government/PSs (\$251 million)

### Gujarat

Special Audit: 0.8  
 Systems & Procedures: 9.4  
 HRD: 1.8  
 Implementation Costs: 6.5  
 Total Inst. Reform Costs: 18.5  
 Cleaning of Accumulated Losses: 191.5

### Madhya Pradesh

Special Audit: 0.7  
 Systems & Procedures: 8.4  
 HRD: 1.6  
 Implementation Costs: 5.7  
 Total Inst. Reform Costs: 16.4  
 Cleaning of Accumulated Losses: 280.6

### Maharashtra

Special Audit: 1.18  
 Systems & Procedures: 13.3  
 HRD: 2.6  
 Implementation Costs: 9.1  
 Total Inst. Reform Costs: 26.1  
 Cleaning of Accumulated Losses: 428.9

### Andhra Pradesh

Special Audit: 0.7  
 Systems & Procedures: 6.6  
 HRD: 1.8  
 Implementation Costs: 4.4  
 Total Inst. Reform Costs: 13.5  
 Cleaning of Accumulated Losses: 186.5

### Total for the five PSs

Special Audit: 3.9  
 Systems & Procedures: 44.7  
 HRD: 9.2  
 Implementation Costs: 30.5  
 Total Inst. Reform Costs: 88.2  
 Cleaning of Accumulated Losses: 1,251.8

### Rajasthan

Special Audit: 0.5  
 Systems & Procedures: 7.0  
 HRD: 1.4  
 Implementation Costs: 4.8  
 Total Inst. Reform Costs: 13.7  
 Cleaning of Accumulated Losses: 164.3

# Policy Reforms: Format

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

### A. Linkages to the Country Poverty Analysis

- Contribution of the sector or subsector to reduce poverty in India

### B. Poverty Analysis

### C. Participation Process

### D. Gender Development

### E. Social Safeguards and other Social Risks

# Policy Reforms: Donor Coordination

Structured reform agenda

Minimize Duplications

Ensure consistent progress across  
sectors

# Policy Reforms: Government Capacity

Base case scenario: very weak capacity

Best case scenario: weak capacity

Capacity development is needed in all instances

# Policy Reforms: Monitoring

Sustained policy dialogue – inbuilt as reform agenda

Independent agency for objective assessment

Stakeholder discussions on the assessment

# Policy Reforms: Critical Aspects

Prior and intensive sector engagement  
over a period of time

ADB's capacity in the sector well  
regarded by the DMC

Development partners accord leading  
role for ADB



# Reference Documents

## India: Rural Cooperative Credit Restructuring and Development Program (RCCRDP)

Appendix 1: Policy Matrix

Appendix 2: Costs

Appendix 3: Summary Poverty Reduction and Social Strategy

## Bhutan: Financial Sector Development Program (FSDP)

Appendix 4: Policy Matrix

Appendix 5: Costs

Appendix 6: Summary Poverty Reduction and Social Strategy

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