

**SUMMARIES OF 25 CASE STUDIES OF ONGOING ADF VIII
OPERATIONS IN FIVE COUNTRIES**

Supplementary Appendix F

to the

**SPECIAL EVALUATION STUDY ON THE
ASIAN DEVELOPMENT FUND VIII AND IX OPERATIONS**

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SUMMARIES OF 25 CASE STUDIES OF ONGOING ADF VIII OPERATIONS IN FIVE COUNTRIES

A. Bangladesh

1. **Loan 1881-BAN: Post-Literacy and Continuing Education Project** Executing Agency: Bureau of Non Formal Education

1. This Project, known as PLCE-2, was to help Bangladesh to adopt a new framework for non formal education (NFE), to improve the curricula, and subsequently educate 1.6 million post primary school drop outs between 15 and 45 years old with marginal literacy. The Project had the additional condition that 50% of the beneficiaries should be female. The Project was approved in 2002 but, due to the unexpected dissolution of the Directorate of Non Formal Education, assigned to be the executing agency (EA), and the lack of subsequent policy actions, Asian Development Bank (ADB) suspended the loan from May 2004 to June 2006. When the government finally met with two key conditions of the Asian Development Bank (ADB),¹ the suspension was lifted, and the Project was re-started with the newly created Bureau of Non Formal Education (BNFE). This agency is working well, but some further delays were incurred due to the reformulation of the Project in light of the experience with the World Bank's parallel PLCEHD-1 as well as prior ADB experience under PLCE1. Project reformulation resulted in the following: (i) better identification of the project target group, (ii) engagement of one larger and well established nongovernment organization (NGO) per district which means the involvement of 29 NGOs instead of 210 NGOs if one NGO had been taken per sub-district, (iii) one monitoring partner agency per division which means six overall instead of 29 (one per district) for external monitoring, and the involvement of research oriented rather than service oriented NGOs, (iv) the combination of the two originally planned nine-month courses for literacy and livelihood training, and (v) the establishment of a national professional body with a Non Formal Education Resource Center as the Secretariat to implement the newly approved NFE Policy Framework. Unfortunately, no courses could be provided as yet, due to the lengthy procurement processes involved, and the need to put in place the project team and due procedures. At the time of the interview (July 2007), the Project was at the stage of selecting NGOs for the administration of the courses in 29 districts in three batches (first for 6 districts, second for 12, third for 11). The first batch would hopefully start by October 2007 and the second batch by December 2007. Many NGOs had responded, but only a few were deemed capable of doing the job, so the selection has had to be thorough and consequently took considerable time. Once the NGOs are mobilized, a large number of combined literacy and livelihood courses can finally be given over a period of three years and the Project can be completed. Agreement has been reached to extend the project completion date from June 2008 to December 2011. The reasons for the abandonment of the Directorate by the Government shortly after loan effectivity did not become fully clear to the study team. The parallel project funded at the same time and administered by the World Bank (PLCEHD-1) for another 32 districts in Bangladesh was not suspended in spite of the same set back. However, it was commented that this Project has gone through many difficulties as a result and, with the benefit of hindsight, should have been suspended as well. Nevertheless, the conditions set for lifting the suspension resulted in (i) the development and approval of the Non Formal Education Policy Framework through a highly participatory process involving the government, civil society and development partners; (ii) the establishment of the BNFE with more flexibility for institutional

¹ The two conditions included: (i) preparation of a comprehensive strategy for the sector and implementation arrangements for activities and projects through a participatory process involving key stakeholders, and (ii) joint redesigning of the loan project as necessary within the framework of the above strategy.

reforms; and (iii) the reformulation of the Project to strengthen the delivery and monitoring mechanisms. The Project also benefits to some extent from PLCEHD-1 in the use of various curricula already developed. The United Kingdom's Department for International Development (DFID), a cofinancier of the Project for a committed amount of \$12 million, decided to reduce its contribution to \$2 million citing that it had to divert its resources to other priority programs and limited staffing resources available given the long delay in reviving the Project. However, Swiss Agency for Development Cooperation (SDC) recently joined to cofinance the Project with \$2.5 million up to 2008 and expressed interest to provide an additional \$2.5 million subject to satisfactory progress by December 2008. In conclusion, this study regards this Project as likely to be at least partly successful—it may achieve its outcomes but inefficiently, as it will do so only after very long delays which will lower the economic rate of return of the funds set aside for the Project, and after considerable ADB effort to turn its course. The Project has suffered from a variety of problems that might have been avoided with better preparation and more awareness of the dynamics of government agencies in Bangladesh. The Project suffered from ambitious and unrealistic assumptions regarding the availability of grassroots based NGOs, and the Project had to be rationalized at a later stage. The component of livelihood training seems a poverty add on, and has had to be combined with other training courses due to insufficient NGO expertise. Hopefully, the quality of training will turn out to be good. In terms of reforming governance in this field, the Project has done well, however.

2. Loan 1941-BAN: Jamuna-Meghna River Erosion Mitigation Project Executing Agency: Bangladesh Water Development Board

2. This Project has some delays but these are not significant in comparison with other projects; as of 30 June 2007, with 70% of time lapsed, the progress stood at 55%. The Project reinforces the river banks mainly in two prime agricultural areas, one next to the Jamuna (Pabna) River, the other to the Meghna River, in the center of the country. ADB regards the Project already as successful; the project authorities regard it as highly successful, mainly due to the fact that a main objective, namely finding a cheaper, sustainable and replicable way of river erosion mitigation, which is currently affecting 100,000 families every year in the country, seems to have been achieved. The adoption of a system of river bank erosion mitigation using cheap locally manufactured 'geo-bags' that can be relatively easily dumped in scours cuts the actual cost of river erosion mitigation to 60% of the cost of the older concrete block based solutions. From the Bangladesh Water Development Board's point of view, this method can be replicated easily. Due to the reduction in cost, 13 kilometer (km) of river bank could be protected in addition to the original scope of 11.4 km. Wider application of this method will greatly improve the safety of large areas and reduce the risk of displacement of many families as a result of loss of land due to the changing course of the rivers. Other innovative approaches tested were also ready for adoption and used elsewhere such as use of satellite imagery and other techniques for the forecast of riverbank erosion (up to 2 years). All in all, the approach not only reduced erosion and flooding, but also improved safety, drainage conditions, and navigation conditions. The latter was viewed as extremely important given that even in the rainy season, only 3,000 of the 24,000 km of rivers is navigable at present. Several thousand kilometers of rivers could be made navigable with more extensive application of this approach. While the river bank erosion mitigation component comprised around 85% of the total project cost, the other 15% was for institutional strengthening and water management user groups. In these areas, the progress was much more protracted but the authorities, including expert panel members, were hopeful that this component would also become successful. This had, among other things, required a reversal of an earlier ADB supported approach to the creation of many small groups, to the amalgamation of a smaller number of much larger groups. A special feature of the Project was that it includes a component funded on grant basis by the Japan Fund for Poverty Reduction

(JFPR)—rather than an additional Asian Development Fund (ADF) loan component. This standalone Project is currently in the process of helping out with the relocation of the extreme poor, some 4,000 out of 10,000 affected in the two areas addressed. They will get livelihood support. Around 300 families will be resettled in two resettlement villages; others will hopefully be helped by the Water Development Board. The study assesses the Project provisionally as highly successful due to the experience gained with the use of geo-bags and satellite imagery. These methods seem replicable within Bangladesh, and major solutions to some of its most intractable problems. Although the previous ADB supported projects offered models for water management user groups that, with the benefit of hindsight, proved unsustainable, the experience with their reorganization through this Project will improve these groups' chances to survive and thrive. As such this targeted component, although needing much experimentation and thereby slowing down the Project, will likely be successful as well. The components targeting poor resettlers were handled appropriately through a separate project.

3. Loan 1884-BAN: West Zone Power System Development Project

Executing Agencies: Ministry of Power, Energy and Mineral Resources, Rural Electrification Board

3. The Project was supported by both ordinary capital resources and ADF loans, the latter to help finance the electricity distribution infrastructure for five towns through the newly corporatized West Zone Power Distribution Company Ltd. (WZPDCL), and for rural areas through eight Palli Bidyut Samity (PBS) (rural cooperatives) of the Rural Electrification Board (REB) (Bangladesh has 70 PBS). The ADB Project Officers and representatives of WZPDCL and REB regard the Project as successful, as it has delivered the infrastructure and needed only a one year extension of the Project (initial procurement was slow). According to REB, power system losses in the eight PBSs have been reduced from 26% at the start of the Project to 18% currently, and tariff is collected from 98% of the consumers. The Project's design favored extension of the distribution network in spite of nation wide power generation shortage (or perhaps on the assumption that power generation would increase in parallel—erroneous in hindsight), and power delivery hence comes with large outages. REB claims to have taken over many inefficient transmission lines and distribution stations from Bangladesh Power Development Board (BPDB) and to have improved these over the years. REB has performance target agreements with PBSs for cheap delivery of power that award bonuses upon compliance (this started already in the 1980s). This is working well. The power delivered by the BPDB is insufficient but Government still fixes the tariffs at a low level, and the lack of power means that 60% of the fixed costs of the REB in financial year 2006–2007 has had to be met through a government subsidy. REB nevertheless views it as necessary to expand the network further in future, as the Government has set a target of 100% rural coverage by 2020. In spite of 7.2 million rural connections by 2007, 200,000 km of lines, and 400 substations, the network connects only 40% of the rural population so far. REB points out the tremendous positive impacts of the availability of electricity on rural households, farms, businesses and industry as confirmed in 2002 by a USAID survey. But donors of concessional loans or grants for the period beyond 2008 have not yet stepped forward. REB favors soft loans to hard loans as the cost of installing a network in rural areas is far higher than installing it in an urban environment, and the rural population is poorer. It has sent a \$40 million nation wide Area Coverage Rural Electrification Phase Five-Project proposal to the Government, to be offered to donors for external funding. The Project has no specific poverty components beyond the component for REB, which is a main constituent of the Project. The study assesses this Project as likely successful, as it complies with government objectives. Positive outcomes will however depend largely on favorable developments in Bangladesh's power generation capacity. The Project has

some favorable governance related outcomes as well, notably progress with corporatization and performance target agreements with PBSs.

4. Loan 1947-BAN: Urban Governance and Infrastructure Improvement (Sector) Project

Executing Agency: Local Government Engineering Department

4. A \$60 million loan was approved 28 November 2002 for this sector project, set to support a range of investments in 30 (22 initially) of the 110 class A and B pourashavas (there are 300 pourashavas including class C) located all over Bangladesh. The Project had a slow start like most other projects but was otherwise running well and is considered already successful. The Project learnt good lessons from previous projects in Bangladesh, and successfully integrated some of the more novel features of ADF VIII. From previous projects,² it had learned that it cannot sustain improved physical infrastructure unless the underlying governance problems are addressed. The Project adopted a new performance-based approach in which participating municipalities are made accountable for their performance in implementing action plans for better urban governance. The usually more complicated water supply investments were taken out of the package offered, and implemented through another, more focused, ADF supported project, executed by the Department of Public Health Engineering. The Project was executed under the Local Government Engineering Department (LGED), which is reputed to have good implementation capacity. It was not focused on particular urban subsectors but allowed funding of any types of small investments in town areas as long as they were proposed and justified by town governments. The participating pourashavas were the implementing agencies (IAs) of most of the project activities including civil works and implementation of an Urban Governance Improvement Action Plan (UGIAP). This plan integrated a number of specific poverty targeting components, such as slum development and special activities in education and health in the slums. Being typical of the time, the Project also added on a component giving special attention to the extreme poor, by dedicating 51 NGOs to the development of batches of 300 poor families through provision of microfinance seed funds and skills training (eventually, almost 25,000 families will be targeted in this way). Furthermore, the Project had adopted a result based and demand driven approach whereby inclusion of the pourashava in the Project and the level of funding was made conditional upon the meeting of annually set performance targets in governance. In order for a pourashava to become eligible for funding of investments through the Project, it had to agree to achieve some 35 performance targets set in the UGIAP. These could range from raising taxes to paying the town's electricity and phone bills. This incentive has led to high compliance with the UGIAPs, to such an extent that the Project could afford to drop three pourashavas from the Project after they missed out on only one agreed activity.³ When the project funding facility was made known to all 110 category A and B pourashava's for phase 2 (there are 3 phases), 54 responded positively, and these were asked to implement eight activities. The best will be asked to implement another UGIAP, before receiving project funding. Different from the water supply and sanitation investments that are handled by another project, no limitations were imposed on the nature of the investments that pourashavas could favor, and most of the investments went into road and drain improvements, and furthermore markets, bus terminals, etc. Although questions could be raised about the consultant-intensive approach, as well as the ultimate sustainability of the microfinance scheme for the extreme poor, the capacity of the pourashavas is bound to be developed. The EA and ADB are currently considering another project utilizing this approach. In order to become fully sustainable, it will have to cover all

² Secondary Towns Infrastructure Development I and II (L1059 and L1376).

³ One failed to collect municipal taxes, another to employ NGOs, and another to pay the telephone bills.

pourashavas simultaneously, and the government will have to take the step to approve the filling of all current vacancies in the pourashavas for town planners, community mobilizers and medical officers. Currently, these posts are only filled in the project pourashavas. If this does not happen, the project approach may remain donor dependent and ultimately not be sustainable; it remains a question mark whether the political context will allow the performance-based allocation of investment funds to pourashavas to continue when this is not tied to donor funded projects. In short, the Project is successful, both generally and in terms of the good governance it promotes, and its special components for the poor. The ultimate sustainability of the approach remains a question mark.

5. Loan 1920-BAN: Road Network Improvement and Maintenance Project Executing Agency: Roads and Highways Department

5. The Project had a delay of over a year between approval of the loan agreement on 10 October 2002 and its effectiveness on 27 October 2003, and another 23 months of delays due to difficulties connected with the selection of management consultants. The first delay of a year was compounded by queries by the Minister of Planning who initially did not fully endorse the focus on feeder roads in remote areas on which the traffic might be low; attention for national roads was deemed more urgent. ADB staff preparing the Project had consulted insufficiently with the ministry policy makers regarding the nature of the Project. The second delay was due to the fact that HQ administrators had not utilized the option to select consultants in advance of loan effectivity, using the provision of 'advance action' in the loan document. Similarly, the EA was not proactive. Selection and mobilization of consultants in Bangladesh usually takes between 12 and 18 months. Consultant selection was finally undertaken when, after a year or so, project administration was transferred to BRM. Even then it did not go smoothly. ADB felt that the EA's bid evaluation was not transparent, and this led the Government to reassign this task to ADB. BRM undertook the bid evaluation in coordination with COSO. Nevertheless, some bidders queried the rankings and made representations, which then led BRM to involve ADB's then Anticorruption Unit. The unit cleared the bid evaluation but this, again, took additional time. After this process, consultants could be mobilized, and further delays have been modest. Detailed design of the roads has been completed, and major contracts have been awarded. A resettlement plan has been approved by ADB and Government, and budget now needs to be assigned in order to pay compensation to the affected people. Although the Report and Recommendation to the President (RRP) had indicated a potential need for compensation to over 10,000 affected persons, the actual number after detailed design came down to around 1,300. All compensation will be awarded before the start of works, but the EA is currently planning to propose to ADB that road works will start after the rainy season on portions that do not affect land or cause resettlement. The Project was the second in a series of three approved over a period of 4 years, and all are still ongoing. The first, approved 2000, was directed at road maintenance and improvement of national highways (notably sections of the Dhaka-Chittagong highway). The second and third, approved 2002 and 2003, can be viewed as influenced by ADB's poverty reduction drive as their focus had changed to feeder roads in poor areas, in the more isolated north and northwest. A comment was made that had the Project been prepared at the present time, the RRP would probably have emphasized regional integration, as a new feeder road included (Ranisankail-Haripur) leads directly to the border with India and the north-south corridor in West Bengal. In addition to its geographic poverty targeting, a special feature of the Project is that it is geared to addressing operation and maintenance of roads. Two contracts are intended in this area that will seek new solutions to the problem of low budgets for, and poor maintenance by, the EA: (i) periodic road maintenance (400 km), and (ii) a pilot performance-based routine road maintenance (50 km). Both contracts will promote involvement of the private sector in road maintenance, and

the adoption of results-based management—in the second case through awarding lump sums upon the satisfactory (performance-based) condition of the roads at the end of a year, over a period of 5 years. This is one of the first experiments in this field; DFID and the Japan Debt Cancellation Fund have earlier supplemented the recurrent (operation and maintenance [O&M]) budgets for road maintenance with a road fund. The Project also supported a feasibility study for privatizing RHD's maintenance equipment and workshops—although the draft produced by the consultants by April 2007 had not been satisfactory. This SES assesses this Project as likely successful, in spite of the delays which translate into lower economic rate of return. The Project had the targeting of the poor as its main aim, and there were no special poverty add ons. Good governance was served as a result of the special efforts made through experiments with performance-based routine road maintenance; the result of the two other governance components was as yet unclear.

B. Lao People's Democratic Republic

1. Loan 1834-LAO: Vientiane Urban Infrastructure and Services Project. Executing Agency: Vientiane Urban Development Administration Authority

6. On 23 August 2001, ADB approved an ADF loan of \$25 million for this \$37 million project, in order to provide for significant road and drainage improvements in the Vientiane prefecture area, and to simultaneously start up a process to reform the administration of Vientiane prefecture and local governance in Lao Peoples Democratic Republic (Lao PDR). AFD provided parallel co-financing for capacity development and traffic management components, to a value of \$4.4 million (€4.7 million at the time). The Project was implemented by the Vientiane Urban Development Administration Authority (VUDAA). This had been created in a very short time as a condition for the approval of the Project, to develop four of the nine districts of the prefecture, which were supposed to be transformed in a Vientiane Municipality early on in the Project. The Project, however, had the frequently encountered start up problems connected with ADB supported projects, and required a change of project director and consultant team leader before it took off in earnest. There were various reasons for the delays at the start. Resettlement issues were among these; another reason was the limited capacity of VUDAA staff. The Vientiane Prefecture was initially not prepared to conduct the work necessary under ADB's resettlement policy, and ADB only gradually developed the approach needed to overcome the hurdle, by providing extensive training in resettlement planning, and later by accepting that voluntary donations could be made by villagers, provided that these were carefully documented, to verify that such donations were not made in fact under pressure. The Project was to close by end August 2007 and would by then be a half year behind schedule. Due to depreciation of the Lao currency, the quantity of road works could increase by 38% (11 km). The Project was poverty targeted as it had the objective to improve the quality of life for urban residents, especially the poor, through their increased access to basic services. Indicators used to determine success, amongst other things, included reduction in incidence of flooding, reduction in travel costs, reduced number of traffic accident fatalities, a cleaner environment, as well as demand led village area service delivery, in place by 2002. Over a quarter of all roads in Vientiane were significantly improved, and the severe flooding problems experienced in several parts of the project area were all but eliminated. The town is cleaner due to better organized solid waste collection. Only businesses affected by the works asked for compensation and got this; the almost 1000 affected people did not ask for compensation and their individual decisions were fully documented. A special \$2.4 million poverty reduction component addressing Village Area Improvements (VAI) in poorer villages immediately surrounding the urban agglomeration proved highly successful once, after a slow start, the approach was fine tuned. Due to community involvement in the contract selection and

administration process, significant project management capacity was created in the 50 poor villages. Since Lao PDR hardly has local NGOs in the usual sense of the word, the Lao Women's Union was engaged to provide capacity development support to the village committees, and ten individual consultants. Due to the standing of the Women's Union in Lao PDR and the quality of the local consultants, this worked very well. The enthusiasm for improving community infrastructure and solid waste management was such that village committees happily offered the required 10% voluntary contribution to the Project, and this contribution was often over 25% in practice. Before the Project, only 15,000 families paid to get their solid waste removed; after the Project this had increased to almost 70,000. Many village committees are now interested in the VAI even with significantly more stringent conditions and have been requesting VUDAA for assistance. A complementary grant for community-based solid waste management, provided through JFPR funding, brought additional synergies to the Project. The Project was not successful in all areas. The AFD capacity development component, undertaken relatively early on in the Project, led to a few manuals but the design of the component was ill-conceived in retrospect; the activities preceded the needed reform of Vientiane Prefecture. The optimism implicit in the project design, that Vientiane municipality could easily be created out of four of the nine districts of the Prefecture, was unrealistic. The complexities involved were not sufficiently recognized during appraisal of the Project. The EA regarded it as difficult for an average investment project to influence national government decision making processes. A resident urban reform adviser in the team might have been able to speed up processes, but was not foreseen in the capacity development program. The Prefecture and national agencies active in the area do not easily hand over their responsibilities to a new municipality entity, while district agencies will not agree to being abolished without top level support for this. Without a full fledged municipality, however, many issues connected with municipal taxes and revenue collection cannot be resolved. The creation of the Vientiane municipality is only presently, at the very end of the Project, being seriously discussed within Government. The announcement of the creation of municipalities Vientiane and Luang Prabang is expected in October 2007. Parallel co-financier AFD has argued from its side that ADB had much staff turnover and organized review mission without coordination with AFD and that this had affected their usually very good coordination and synergy in this particular case. VUDAA is very keen for ADB to continue the collaboration through a second phase ADF funded project (of around \$17 million), in order to continue capacity development, and complete the agenda in the Vientiane Prefecture (a 100 or so villages have not yet been helped, and these are demanding equal treatment) but ADB may not be able to do so. Due to constraints resulting from a reduced performance-based allocation of ADF to Lao PDR, some sectors have had to be deemphasized. The conclusion of the assessment is that this Project is likely to be highly successful in its poverty reduction targets, and only partly successful in building capacity and improving governance in the Vientiane Municipality. All in all, the study assesses the Project as likely to be successful to highly successful in terms of its direct outcomes.

2. Loan 1933: Nam Ngum River Basin Development Sector Project
 Executing Agency: Ministry of Agriculture and Forestry,
 Ministry of Energy and Mines

7. On 11 November 2002, ADB approved an ADF loan of \$15 million for this Project, in order to promote an optimal use of water resources in the Nam Ngum River Basin. AFD provided another \$3.8 million for consulting services for various components. ADB also implemented a project funded by the JFPR. The Project had four components: (i) strengthening of the Water Resources Coordination Committee at the central level and the Nam Ngum River Basin Committee at the provincial level; (ii) assistance to the Ministry of Industry and Handicraft (now Ministry of Energy and Mines) to devise a more effective management regime for the

reservoirs of the river, to optimize power generation, mitigate floods, and improve water use efficiency, (iii) strengthen the relevant unit in the Ministry of Agriculture and Forestry, increase crop productivity and irrigation efficiency, improve livestock and fisheries management, and preserve and restore forest resources; and (iv) project management support. Intended outcomes were (i) institutionalized integrated water resources management in the river basin, and (ii) sustainable livelihood opportunities provided to upland poor and ethnic groups. The second objective, as influenced by ADB's poverty reduction agenda of the time, led to the inclusion of agriculture extension activities and a revolving village development fund. The Project is to provide a model in Lao PDR for other similar river basins, by fully incorporating watershed management in the upstream areas. The findings of this study are as follows.

8. The start of the Project was very slow, and the period to effectivity of the loan was already 15 months, by 11 February 2004. Loan closing was set for 31 March 2009, but an extension of a year was foreseen as a result of the time lost at the start. While 73% of the time has elapsed, physical progress was reckoned to be 54% up to June 2007, with 30% of the funds spent. Discussions were held with representatives of the Ministry of Agriculture and Forestry, and with AFD, which supported the first and second components, and the management of the Project. One of its complexities is that the Project required implementation of the various components by 3 different ministries, over which the project coordination unit has little power. The complexity increased when it became clear that the inception phase consultants were weak, and unable to give sufficient guidance to lay out a good course for this sector project. The RRP anticipated 6 sub-watersheds, but the Project ultimately identified as many as 17. Coordination was not only difficult among the various national agencies, but also among ADB and AFD; the project coordination unit assessed that it would have been better if there had been only one project financier. Nevertheless, AFD and ADB are highly satisfied with the progress made lately. The more technical and governance related components of the Project are proceeding well, and many watershed management plans have been produced. The delays are mostly related to the soft components of the Project. The extension services are relying on the involvement of extension officers of the Ministry who, like most such public servants, are paid very lowly (in the order of \$20/month) and cannot live off the salary. Means of transport are a problem. Although ADB approved the procurement of vehicles, the Ministry of Finance was holding up its approval at the time of the visit by the study team. There were problems with the approach—the Watershed Development Plans were supposed to be the basis for the extension activities, but their preparation went on in parallel with the implementation of the extension activities. The original extension activities, which were intended to promote improved watershed management, proved unsuitable; the Project is now supporting the implementation of the Lao Extension Approach, through a reorganization and reorientation of the National Agricultural and Forestry Extension Service, and the promotion of agricultural support through village cluster extension centers. The Project also supports conservation agriculture techniques tested under the AFD supported Lao National Agro-Ecology Program; these techniques are intended to promote low-till agriculture and soil fertility improvement at considerable cost savings over traditional farming techniques. The operational arrangements for the Village Development Fund were neither described in the RRP nor the Project Administration Memorandum, and the Fund was thus delayed in implementation, and has only recently started being utilized in June 2007. ADB withheld disbursements under the Village Development Fund for 9 months in order for the EA to prepare approved guidelines. The guidelines have now been produced and training in their use has been conducted. A household livelihood survey of 10,000 farmers was held, to determine needs. Saving groups were formed in many villages, on the understanding that for each dollar equivalent saved by the group, the fund will lend four more. There is also a grant fund with two sub-activities: (i) village development for capacity building and infrastructure funds, and (ii) the village development revolving funds. All in all, the project coordination unit

regards the rationale of the Project to have been sound, but views the project document and the inception phase documents as not sufficiently well developed for a project of this complex nature. The overall conclusion at this stage is that this Project is on the right track after delays, and will be for the most part successful, both in a technical and governance sense. Whether the Village Development Fund will work out is an open question at this stage. Such components require a much more elaborate preparation process, which ADB has not been able to ensure from the beginning.

3. Loan 1970-LAO: GMS Mekong Tourism Development Project Executing Agency: National Tourism Authority

9. On 12 December 2002, ADB approved an ADF loan of \$10.9 million for the Lao PDR component of this Project straddling three countries. This regional cooperation project was based on the assumption that in a highly competitive world tourism market, tourism in the GMS can survive and grow best if it promotes 'one holiday, several destinations'. The loan became effective about 9 months after approval, and is scheduled to be closed by July 2008. The objective of the Project was to promote sustainable tourism through infrastructure improvements, community and private sector participation, and sub regional cooperation. The National Tourism Authority is the EA. The main investments in Lao PDR comprised (i) Louang Namtha airport improvement in the northwest of the country (\$4.24 million); (ii) improvement of access roads to tourist sites the Konglor cave in Khammouane Province (\$3.31 million) and the Kwangsi water fall in Luangprabang Province (\$1.36 million); (iii) pro poor, community-based ecotourism development, sub regional cooperation for sustainable tourism; and (iv) implementation assistance and institutional strengthening. ADB and EA are very happy with the progress and regard the 'flagship' regional project already as very successful. The Project is comprehensively monitored. The works on the roads are progressing reasonably well, but some special attention needs to be paid to the effects of unforeseen flooding and riverbank erosion. The airport improvement work is in progress as well (50% complete); compensation has been paid to 109 families and this was well appreciated. Some 50 minor infrastructure structures have been built in various places, such as river piers, tourist information centers, viewpoints, markets, wells, water supply, trails and signage, community lodges, access roads and immigration checkpoints. A variety of capacity building activities have also been undertaken. Pro poor community-based ecotourism is already a growing business, and Lao PDR is fast becoming a premier ecotourism destination in Asia. The Project has developed trails that lead through forest and traditional ethnic minority villages. Villages have been selected after a survey that asked for interest in providing ecotourism services. Villages which responded positively have been trained, and have been asked to preserve traditional customs, protect flora and fauna in the vicinity, and are allowed to provide limited services to eco tourists along the trails, such as providing traditional foods and traditional music. Such villages receive a small amount for each tourist from the tourist agencies (\$30 per tourist), which is pooled in village development funds that serve to fund small works, or loans without interest to poor families. In 2006, over 5000 ecotourists organized in tours visited the Luang Namtha area to engage in trekking, river trips, cave tours, camping, elephant riding and village home-stay. Monitoring surveys estimated that around 60%–70% of ecotourist spending goes directly to local town and village-based service providers such as guides, drivers and cooks, about 20% to the public sector in taxes and fees, while tour operators typically realize profit margins of 10–20% from selling tours developed by the Project. The Project also implemented a gender action plan which involved women and ethnic minorities in the implementation of the Project and as beneficiaries of the tour product and destination development. For each project activity, specific gender ethnic minority participation targets have been set that reflect the gender and ethnic minority composition of the target areas. Lao PDR

tourism overall has increased in 2006 to 1.2 million visitors, a growth of 13% from 2005—nation-wide revenues in 2006 have doubled to \$173 million from \$86 million in 2003. Interregional cooperation on tourism, lastly, is also progressing very well. Lao PDR has simplified its visa requirements and border controls. A Lao Tourism Development Strategy 2020 was developed with help from ADB consultants and approved in March 2007. This works out seven programs, each of which has a number of projects, one of which, for instance, is on the development of Luang Prabang as a tourist center. The conclusion after this assessment is that this Project is likely to prove highly successful both in economic growth, targeting of the poor, and governance senses, the latter mainly because of the capacity building of tourism organizations and institution of a proper national planning process.

4. Loan 1989-LAO: Northern Economic Corridor Project

Executing Agency: Ministry of Communications, Transport, Post and Construction

10. On 20 December 2002, ADB approved an ADF loan of \$30 million for this regional project, in order to help construct the 76 km long mid portion of the 225 km two lane toll way between Yunnan Province of the People's Republic of China, and Cheng Rai Thailand, that has to run through Lao PDR's sparsely populated northern province, and in part through the buffer zone of a protected forest area called the Nam Ha National Protected Area.⁴ Portions of similar length were funded by the People's Republic of China north of the ADB section, and by Thailand south of it. Objectives were to accelerate regional development, reduce transport costs, reduce travel time from 5 to 3 days, and produce requisite transit and cross-border agreements by 2005. The Ministry of Communications, Transport, Post and Construction (MCTPC) was the EA. The Project was extended by 2 years, and is foreseen to be completed by end June 2009—taking into account a road contract liability period of a year. The Project was designed with much attention for poverty reduction in the area surrounding the road, and included an area development component which included such subcomponents as rehabilitation of approximately 75 km of existing community access roads connecting to the project road (\$1.6 m), community water supply and sanitation (\$1.13 m), and education and other awareness campaigns (\$0.9 m). The Project had a social action plan which included an ethnic minority development plan to enhance project benefits to the ethnic minority communities along the road. This also included for instance the plan to construct health clinics in certain places. Apart from the project management consultants for project coordination and construction supervision, social action planning and environmental management planning, there were five additional consulting services packages for (i) extensive resettlement planning and capacity building, (ii) independent environmental monitoring capacity building and third party monitoring, (iii) nonformal education and land titling,⁵ (iv) HIV/AIDS/STDs/Drug Trafficking and Preventive Education Program, and (v) independent resettlement monitoring and evaluation. All of this was seen as essential by ADB but the Project Management Unit (PMU) of the MCTPC stated that it had burdened the Project excessively. They felt it was not their usual task and the unit had to consequently hire consultants, which was seen as an expensive solution. It had caused the need for special permissions from the government and therefore led to much coordination effort and delays. PMU viewed that there had been too many procurement packages in the Project, and stated that some of the works could have been organized outside the direct context of the Project, others could have been combined better under one and the same package. The third

⁴ The area is in fact a multipurpose use area for agriculture, fishing, hydropower, commercial non timber forest harvests, and sometimes timber harvests. It is however important as a watershed area and has much protected wildlife with 37 mammals such as elephants, tigers and bears, and 288 bird species.

⁵ This contract was however later subsumed in the contract for the project management consultants.

party monitoring contract with the World Conservation Union (IUCN) was seen as redundant; the cost was viewed as high (almost \$300,000) although it included some capacity building activities for the Economic Research Institute, and there were very few and short site visits. The PMU also felt that other consultants already dealt with a very comprehensive and strict Environmental Management Plan. Indeed, the independent monitoring was organized in a peculiar way, mixing capacity development and independent oversight goals. IUCN had involved the Government's Environmental Research Institute in the monitoring process, and tried to ensure that the monitoring was independent mainly by hiring short term foreign consultants once a year. However, a permanent presence on the ground by local more independent consultants might have led to more effective third party monitoring. The PMU also criticized the low quality of the toll system study done by consultants, the conclusions of which were not accepted by the Government. The HIV/AIDS program was seen as largely superfluous, as there was also a national program active in this area.⁶ Lastly, the solution to involve ADB environmental consultants in the monitoring of the Thai and Chinese road sections was seen as only partly effective, as the consultants had little say over the contractors. In spite of these perceived drawbacks, the civil works for the ADB funded portion of the road was stated to have been implemented relatively well, and ADB staff confirms that the road is of good quality and the environmental management plan implemented reasonably well with mitigation measures taken against projected impacts especially during construction period. This is contrary to some of the portions not funded by ADB, and illustrates ADB's added value. In spite of the delays in awarding the contracts for the area development component, the Project was expected to be completed in time. The resettlement program was ultimately also implemented well in 76 affected villages, and the equivalent of some \$300,000 was awarded as compensation. ADB's role in this was seen as positive and sufficiently flexible. Parts of the social action plan⁷ are still under implementation. It has dropped the idea to build health clinics due to the Government's lack of attention for the operation of already existing clinics in the area. The program focused on training of village health workers and traditional birth attendants. The community water supply projects were halved in number and their implementation started late; they are also still under implementation. All activities are dependent upon follow up by the authorities after project completion, and this is a worry. For instance, child vaccination rates decreased, due to lack of government budget. The non-formal education program similarly had some success with its basic literacy courses and development of teaching/learning materials, but whether the training extended by the Project to teachers and Village Education Committees will continue after the Project is an open question. These findings demonstrate that a program approach is needed rather than a project-based approach. The land zoning and titling project is completed and seems to have had success: 7,230 land use rights certificates (94% of the land lots) were issued in the 76 villages, although only 7% in women's names. The Project did not include specific governance oriented activities, unless the Project's covenant to conclude cross border transport agreements with the bordering GMS countries is counted as one. Some progress was made in this area, if late. By 2007, all GMS countries had signed all 20 annexes and protocols of the GMS cross-border transport agreement. The agreements are, however, yet to be ratified. In the case of Lao PDR, the annexes and protocols are to be ratified by 31 March 2008.

⁶ The HIV/AIDS program was designed to complement other HIV/AIDS activities ongoing in the project area. ADB staff believe this program was generally good but not as effective as it could have been, mainly because the HIV team was without a team leader in the first year. The Government HIV/AIDS program was underfunded, and did not seem to get through to ethnic minorities. The component also had to deal with construction workers in the area.

⁷ The SAP was ultimately understood to comprise eight project components, namely: (1) income restoration, (2) rural access roads, (3) improvement of water and sanitation, (4) non-formal education, (5) primary health care, (6) land zoning/titling, (7) community infrastructure construction, and (8) a road safety campaign.

11. As with other corridor projects in Lao PDR, the Northern Economic Corridor Project is the subject of criticism from international NGOs which, in spite of the arrangements made, see insufficient safeguards upheld against the poaching of wildlife for consumption in PRC and against the illegal ferrying out of the area of tropical hardwoods, wild orchids and medicinal plants, as facilitated by the presence of the highway. One of the contentious points is that the Provincial Government now wishes ADB to waive the covenant requiring the set up of three checkpoints, two at the international borders and one nearer to the protected area, on the argument that the two set up on the borders should be sufficient. The Government sees the protection of wildlife in part as an international issue, to be supported by the international community and handled by international NGOs. Such NGOs on the other hand see it as a national issue and do not wish to be indefinitely involved. They also argue that the poor, uneducated indigenous population around the road will not benefit, in spite of the expectation that the road will facilitate agricultural marketing in the area, provide for some off-farm employment, facilitate significant ecotourism, and deliver water supply and some other public services. Although the Lao PDR economy may grow, the NGOs expect that inequality is increasing and indigenous peoples are not benefiting except as cheap migrant laborers. The World Conservation Society, which worked in the Nam Ha Protected Area for 7 years, has left on account of insufficient support from the Government. Another criticism vented is that ADB has not set up the third party monitoring well (see above). ERI was not considered independent enough, and was viewed as not getting sufficient funds from the Government to do a good job. Lastly, NGOs criticized ADB for not making the full Environmental Impact Assessment publicly available, only a summary of this (at the time, issuance of the full Assessment was not yet mandatory, however ADB staff have said that as soon as it became mandatory, they made the full version available on request). The conclusion from this short assessment is that this Project will surely have good results in terms of trade facilitation but the results may be more mixed in terms of its agenda of poverty reduction through area development, and highly uncertain in terms of the wider environmental concerns. Environmental and wildlife issues connected with the road require careful and long term environmental management by the Government. ADB environmental specialists have commented that such careful management is an issue that goes far beyond the context of the road, and can hardly be expected to be fully created by a one-off investment project with an EA whose main concern is not the environment. Extensive capacity building activities, funding, and pilot demonstrations are needed.

5. Loan 2005-LAO: Northern Area Rural Power Distribution Project
 Executing Agency: Electricité du Laos

12. On 18 September 2003, ADB approved a \$30 million ADF loan for this Project, and Nordic Development Finance granted an additional \$10 million. Unlike other sectors, the Government on-lends rather than on-grants the proceeds of the loan at 6% annually to Electricité du Laos (EdL), the EA. It took 6 months to declare the loan effective; loan closing, intended for September 2008 has been revised to January 2009. The intended impact of the Project was the extension of the transmission and distribution system in northern areas to provide electricity to rural low income communities and improve their living standards and local economic conditions; and to promote the implementation of the power sector restructuring and strengthening of EDL's project management capacity and operational efficiency. The electrification ratio in northern areas was planned to improve from 18% to 30% over the period of the Project. Approximately 33,800 households in 342 villages were to be extended grid-based electricity, through 274 km transmission lines, three new substations and extension of four others, erection of 915 km of medium voltage distribution lines and approximately 440 km low voltage lines, and 417 distribution transformers. The Project was also to clear

unexploded ordinance in the path of the lines, provide consulting services for supervision, capacity building, study the separation of existing shareholdings and future independent power producer investments from EDL, and conduct consumer awareness campaigns. The EA indicated that the Project was in line with the national policy to have 90% of rural areas electrified by 2020, and did not include further poverty targeted components, although perhaps the extensive socioeconomic surveys planned for 2008 that would measure progress toward poverty reduction could be labeled as such. Unlike Bangladesh (another case study country), Lao PDR is not hampered by lagging electricity generation capacity.

13. A total of 13 contracts were awarded. One was terminated and had to be rebid. Most of the contracts are now either completed or proceeding more or less on schedule. However, the critical contract is for the construction of the 115kV Transmission Line, which was awarded 4 months late, and is now about a further 6 months delayed. After detailed design, it is estimated that 27,000 households will be connected. The main bone of contention with ADB is a small set of governance covenants, for instance requiring that accounts receivable for EdL should not be more than 60 days worth of average electricity sales—currently the accounts receivable are closer to 6 months of sales, mainly due to many government agencies and other public services not paying their electricity bills and accumulating equivalent to over two years of consumption. Both ADB and the World Bank are working actively with the Government to resolve this, and EdL is hopeful that these efforts assist in convincing the Government to pay its bills. EdL and the Ministry of Finance have agreed on an arrears settlement so that the EdL can recover arrears for electricity used by the government up to the end of 2005 by the year 2009. Plans to settle arrears accrued in subsequent years are still under discussion. The conclusions of the IPP study report, funded under the same ADB loan and submitted May 2006, are to be discussed through a workshop later this year. The issue is the separation of the government's existing shareholdings and future independent power producer investments.

14. Resettlement and compensation to people affected by the Project faced some difficulties during the early stages of the Project. However, resettlement plans (RPs) for the substations are now satisfactorily completed. For the transmission line, seven RPs are being prepared for various sections, three of which are approved and under implementation, while work on the remaining four is progressing satisfactorily. This required much more work to be done than in previous times, but the work has been completed. EdL saw advantages in ADB pressing for rules on compensation rates as these were now approved by the Government and standardized and can be used in other areas and projects as well.⁸ Two World Bank funded projects in the south were working with the same resettlement procedures.

15. EdL is satisfied with ADB's performance overall, and ADB also considers EdL a capable EA with good consultants. The conclusion derived from this brief assessment is that this Project is likely to be successful in achieving its main objectives which include poverty reduction and economic growth. The Project may be less successful in improving broader governance indicators of importance to the sustainability of electricity distribution in Lao PDR; mixing infrastructure and governance objectives in a regular investment project context proved less effective.

⁸ Losses due to transmission lines would be fully compensated, losses of trees and crops resulting from distribution lines would be considered a voluntary contribution from the affected people in exchange for the benefits derived—following strict ADB guidelines on clear documentation of such decisions by affected people.

C. Nepal

1. **Loan 1861-NEP: Governance Reform Program** Executing Agency: Ministry of General Administration

16. The Governance Reform Program, a \$30 million loan, aimed to establish a more results—and people oriented and gender responsive civil service that would contribute towards higher economic growth and reducing poverty. The Program had five specific objectives: (i) develop internal capacity within the Government to lead and undertake the governance reform agenda, (ii) improve the efficiency of the civil service, (iii) improve governance and reduce corruption in the government, (iv) enhance the competence and motivation of civil servants, and (v) establish processes for improving performance in three pilot ministries.⁹ The Program was approved in November 2001 and the loan became effective a month after and the loan closing was extended (twice) from 31 December 2005 to 15 June 2007. The first tranche (\$12 million) was disbursed on 31 December 2001 and the second tranche (\$10.58 million) on 20 December 2006, after 3.5 years delay on the original schedule. Implementation delays and non-fulfillment of several loan conditions set for the third tranche led to the cancellation of the \$9 million allocated for the third tranche.

17. The implementation of civil service reform measures has been challenging. Major political events since the commencement of the Program in Nepal have included dissolution of Parliament in June 2002, dismissal of elected government in October 2002, serious escalation of the Maoist conflict, direct rule by the King from 1 February 2005, overthrow of the royal government by popular people's movement in April 2006, and subsequent formation of an interim government and interim parliament with the participation of the Communist Party of Nepal—Maoists. Since the inception of the Program, eight ministers have held charge of Ministry of General Administration, the EA of the Program. Under these conditions, the Administrative Reform Committee, Governance Reform Coordination Unit, Efficiency Unit and Change Units have taken the lead in implementing reform measures. The Government has promulgated important anti-corruption legislation and established the National Vigilance Center. However, implementation of several legal provisions has faced difficulties. For example, the Cabinet has not been able to table the anti-money laundering legislation and the whistleblower protection legislation in the Parliament. The Bill on Amendment to Civil Service Act was tabled in Parliament in September 2006 and included new provisions on performance assessment, recruitment, promotion, and several other provisions, including gender mainstreaming. The Bill was finally promulgated by Parliament at the end of July 2007, with a major compromise on meritocracy in promotion system which does not necessarily go along with the requirements for efficiency in civil service. Also, the piloting of a performance management model has just started in the three ministries, but is going to require substantial technical support and guidance and commitment from higher authorities. The Government was not been able to secure funds for a technical assistance (TA) package to support the implementation of the five reform components from bilateral donors as proposed in the Program with the exception of \$500,000 TA from the Swiss Development Corporation. As a result, the Government was only able to allocate some of its own funds in undertaking limited reform activities.

18. The Program loan/funds being managed by the Ministry of Finance is perceived as one of the major constraints in implementing reform agenda because it does not allocate funds as per the needs of the participating ministries. The EA has the responsibility for implementing

⁹ Agriculture and Cooperatives, Education and Sports, and Health and Population.

reforms but very little resources to fund the reform programs and processes are made available. It is argued that to implement reform measures, either the EAs need to receive dedicated budgets, or the program should be implemented by the Office of the Prime Minister and Council of Minister instead of the Ministry of General Administration. The latter is because reform measures cut across more than one ministry. The Ministry of General Administration is perceived as one of the weak ministries. It is also noted that many public sector managers have a status quo mindset and are not used to change. The reform requirements of the Program went beyond the ministry's mandate. Other agencies were less serious about reform.

19. As per the Program design, program monitoring and reporting tasks was to be assigned to an NGO. This was to promote greater transparency and independent review and reporting. The NGO Pro-Public was awarded this task, funded by the Swiss Development Cooperation. This has reportedly been quite effective.

20. The Program was too ambitious in the context of prevailing extremely challenging political conditions in Nepal. More practically, the implementation arrangements for the Program with the Ministry of General Administration as an EA was not the best choice because the civil service reforms required by the Program were under the mandate of the Ministry of General Administration. It would have been more effective to assign the executing responsibility to the Prime Minister's Office. The Program did not have a direct poverty reduction target.

2. Loan 1840-NEP: Teacher Education Project

Executing Agency: Ministry of Education and Sports

21. The Project aims to assist the government in improving the quality and efficiency of basic education through better qualified teachers. This is expected to be achieved by (i) building the capacity of policy making, planning, and managing teacher training programs; (ii) enhancing the professional skills of teachers by training trainers and teachers, and developing curriculum and materials; and (iii) encouraging increased recruitment of female teachers and those from other disadvantaged groups by sensitizing teachers and providing fellowships for pre-service training for women and candidates from other disadvantaged groups. ADB approved the \$19.6 million loan on 24 September 2001 and the Project became effective on 9 May 2002. In March 2006, a loan saving of \$4 million was cancelled. While the loan closing date is 30 June 2008, the EA has submitted a request for a one year loan extension for clearing the backlog of teacher training through the utilization of loan savings.

22. The Project is on track to achieve its physical targets and the progress is reported to be satisfactory—75% in-service training, 76% pre-service training, and 98% management training as of 30 June 2007. The professionals at the IA, the National Center for Education Development, can now plan and design programs, implement and manage them, carry out research, design and implement monitoring and evaluation, training management information system, and provide various kinds of training. At present there are 34 government-run teacher training institutions in the country and private institutions have also started coming up. Before the Project, the Government could train only 4,700 teachers per year but now the capacity has grown to 13,500 teachers. The merger of primary and secondary education policies in 2005 led to restructuring of the National Center for Education Development. However, reportedly the policy merger did not create much obstacle to the Project as such and the adjustment was relatively smooth. As the loan funds cannot be used for teachers training outside Nepal, Danish International Development Agency is assisting the Ministry of Education and Sports for collaboration with the Asian Institute of Technology in Bangkok. In order to speed up the teachers training, the Project is also utilizing alternate providers from private sector but the

Ministry of Education views alternate providers as having less experience than their government counterparts. The National Center for Educational Development is in the process of addressing this issue by providing additional physical support and capacity building support to alternate training providers along with close monitoring. The Project has offered scholarships to 2,500 candidates from disadvantaged groups including females of which 21% are trained graduates already in teaching workforce. The scholarships are awarded for a 10-months pre-service teacher training program.¹⁰

23. The Project faces several challenges such as low level of transfer of teaching skills into classroom practices, a weak distance training mechanism, controversial training quality at affiliated training institutions, and shortage and low retention of trained professionals. A recent ADB review mission identified two major issues—little progress in accrediting pre-service and in-service training programs and ongoing conflict situation in the Terai region. A proposal to bring trainees from affected areas in the Terai to non-affected training areas' training institutions is being developed. Accelerating quality, quality assurance and sustaining teacher education system remain key challenges for the Project.

24. In the private sector, there is considerable apprehension about the approach of the Ministry of Education and Sports to solving the problems of pre-service teachers training. The Ministry is viewed as a typical bureaucracy lacking in the innovative approach needed for the 21st century. Often it is argued that private school teachers' programs are innovative and the Ministry needs to let the market forces lead quality improvement in education system rather than stifling growing private training providers. In addition, private teacher training is offered in a more cost effective manner because the training is much shorter while yet being comprehensive. This view is however rejected by the National Center for Education Development.

25. The Project is on track in achieving the stated Project objectives. The overall design was appropriate at the time of project formulation and it addressed key constraints such as organized teachers training, curriculum development and teacher recruitment based on gender and disadvantaged areas. However, it underestimated the roles and capabilities of the private sector in bridging the shortage of teachers and gaps in quality of teacher education. The National Center for Education Development is considering retaining the policy part of the pre-service teacher training and delegating the management of the training to Universities, the Higher Secondary Education Board and the National Center for Education Development. If successful there is potential for a reduced role of the Government in pre-service teacher training program in future, and an opportunity for applying innovative approach.

3. Loan 1876-NEP: Road Network Development Project

Executing Agency: Ministry of Physical Planning and Works with the Department of Roads responsible for overall coordination

26. ADB approved a \$46 million loan on 13 December 2001, which became effective on 11 March 2003. DFID was to co-fund an additional £7.06 million. At the request of the Government, the loan closing date was extended by one year to 31 December 2008. The shift in project focus to rural connectivity and competitive bidding resulted in a \$2 million loan cancellation. The Project objective is to help the Government improve transport efficiency and thereby enable the country to stimulate economic growth and job creation, leading to poverty reduction. This is to be achieved by: (i) maintaining about 140 km of the East-West Highway,

¹⁰ Under the government regulation only the trained teachers are allowed to appear in teaching licensing examination.

(ii) improving approximately 165 km of roads to all-weather paved surface, (iii) constructing a district headquarters access road of about 96 km using environmentally friendly labor-based construction methods, (iv) developing and implementing performance-based maintenance on about 200-300 km of the network, and (v) improving about 10 km of a cross-border access road. The updated figures for the project outputs are: (i) pavement of 140 km of the East West Highway, (ii) an upgraded 171 km of feeder and district roads to all-weather paved surface, (iii) a feeder road of 81 km to connect a district headquarters (*out of DFID financed 94 km district access road 13 km has been put under ADB financed road upgrading since DFID did not wish to finance this section*), and (iv) maintained 284 km roads through PBM contracts.¹¹

27. The political unrest in the Terai and associated strikes has adversely affected progress of the East-West Highway maintenance. Security threats to project personnel have been a major challenge. The cumulative progress on this component is 41% against a target of 84%. The progress on the improvement of all-weather paved roads and roads connecting the district headquarters has been relatively better. The junior partners of contracted joint ventures have been working on the site without the presence of their lead contractors. The lack of adequate presence on the site and support from the lead contractors has been raised as a major issue by ADB and the Nepal Resident Mission (NRM), and the Government has given assurances to resolve the problem. The progress of performance-based maintenance by the contractors has been less than satisfactory. Delays in contracting and lack of adequate monitoring of contractors' work have been major factors associated with poor performance. The performance-based maintenance contracts have incorporated axle load control as a part of the road maintenance. The weighing equipment has been supplied and installation and calibration is underway. The Cabinet has already approved a Heavy Vehicle Management Policy. The Ministry of Physical Planning and Works has planned to amend the Vehicle and Transport Management Act in coordination with the Ministry of Labor and was expected to prepare an appropriate penalty structure for potential violators by 30 September 2007. However, this deadline was not achieved due to the country's focus on constituent assembly elections on 22 November 2007; at present the elections are deferred to another date. The engagement of NGOs to assist disadvantaged groups, including women, has been slow but the NGOs have played an important role in providing training in income generating activities. However, the cost of providing training has been assessed as less sustainable. The NGOs can provide such training only if external resources are available.¹² Most land compensation for new roads was completed in November 2007 but there are still some issues outstanding such as those related to absentee landowners and land parcels involving legal/ownership disputes. The NGOs in Nepal have adequate liquidity to support microfinance for income generating activities. The successful ones are now negotiating for better terms with financial institutions. A relatively high interest rate spread has encouraged the NGOs to provide door-to-door credit delivery and repayment collection service.

28. The EA regards the Project's performance to have been hampered by too many packages and too many contractors, although ADB considers that the progress with the 16 packages has been good. DFID has reduced its commitment from £7.06 million to £4.5 million due to slow project progress and changes in their policy. DFID manages the fund itself. The technical audit for most of the sections under the road improvement component has been completed. There appears to be some tension between the project management and TA

¹¹ The TA 6139-REG concluded that no significant works were required at Kakarbhitta so the loan savings from this component has been cancelled in 2006.

¹² In case of five NGOs associated with Rural Micro-finance Development Center who were engaged for poverty reduction activities have continued their micro-finance activities out of their own resources even after completion of their contracts. No funds have been allocated from the Project for this purpose.

consultant teams, which limits the learning opportunities for Government counterpart staff. The project management also contends that the output produced by the TA consultants does not permit adequate time for review and feedback. However, the capacity of the EA to undertake such a review is very weak and a third party assessment of TA outputs is in fact needed. While most environmental requirements were complied with, the contactors have lagged behind in meeting health and safety requirements and in reinstating quarry sites. The project management is less engaged with the NGOs and there are claims that the project components implemented by the Government are less transparent.

29. The Project has contributed to improving road connectivity in different parts of the country. The NGOs have played a key role in providing skills development training to poor household members and developed their capacity to undertake micro-enterprises. Under the prevailing political conditions, implementation of the Project has been reasonably good and it is likely to be successful. Project design had a heavy focus on road improvement and improving road connectivity to district headquarters. Development of market infrastructure and a market information network under the Project would have helped the poor households further. The Project was weak in enforcing relationships between lead and sub contractors for the construction/rehabilitation work and in providing effective linkages between construction and social development work.

4. Loan 1755-NEP: Small Towns Water Supply and Sanitation Sector Project Executing Agency: Ministry of Physical Planning and Works

30. The Project is expected to improve water supply and sanitation conditions in 40–50 new small towns with average populations of about 12,000. The project objectives are to: (i) improve health and the quality of life of the people living in the project towns by constructing water supply, drainage and sanitation facilities and providing health and hygiene education; (ii) support community participation by developing the institutional capacity of community-based users and sanitation committees, and by requiring the beneficiaries to make contributions in cash or kind to cover partial project costs; and (iii) promote community-based water quality monitoring. ADB approved a \$35 million loan on 12 September 2000 which became effective on 16 March 2001.¹³ The Project closing date has been extended once by 21 months at the request of the Government and the Project is now expected to close on 30 September 2008.

31. The Project has taken a number of steps to ensure inclusion of the poor in the Project and key steps include: (i) guidelines for the inclusion of the poor prepared with due consultation with all concerned stakeholder and distributed to them, (ii) poor households get 1% rebate in annual interest rate (7% instead of 8%), (iii) 20% subsidy on tariffs, (iv) up to 50% subsidy for the construction of latrines in premises, (v) engagement of local NGOs to ensure inclusion of the poor, (vi) awareness program focusing on the poor; and (vii) use of local laborers to the maximum extent possible. The NGOs have completed a public awareness campaign in 32 town projects and 1,858 households have received health and hygiene education training. Of the 33 revised targets of small town projects, five town projects are in operation, five have been substantially completed with few remaining activities, eight are expected to have completed more than 80% by 31 December 2007 and 11 are at different stages of implementation with physical progress ranging from 6% to 80%. Four town projects were dropped due to disputes among members of water users and sanitation committees, disagreement on tariff structure and project costs, and involvement of other donors. Similarly, 52% of the poor households and

¹³ A loan amount of \$4.0 million equivalent was cancelled on 2 March 2006 and additional \$2.5 million on 5 October 2006.

21% of non-poor households had completed latrine construction as of 30 September 2007. The relatively higher participation of the poor households in latrine construction is correlated with the provision of subsidy. Furthermore, the Project has (i) constructed 6,230 meters of surface drainage; (ii) prepared a detailed training schedule for capacity building and provided training in accounting, meter reading, and pump operation; (iii) established five regional technical support centers for post construction support to water users and sanitation committees for monitoring water quality; and (iv) constructed 47 public toilets.

32. The Project is likely to reach 85% of the population but will fall significantly short of achieving installation of community taps. Water Users and Sanitation Committees are in the process of agreeing with the community tap owners to provide private connections with due consideration of relaxing connection charges and other provisions. Also, UN Habitat is currently supporting capacity building of Water and Sanitation User's Committees for pro-poor service delivery in four small towns through the Water for Asian Cities Program. Local NGOs have stated that awareness campaigns alone cannot expand latrine construction coverage by non-poor households.

33. The delays in the completion of the Project are due to a number of factors. The Project is highly process oriented and the work is dependent on the participation of the beneficiaries. More time was needed for social preparation than anticipated. It took time to develop a pro-poor strategy. This was not conceived in the project design. Local contractors are used to complete construction work without participation by the beneficiaries, and hence they tend to have low public interaction capabilities. A regional technical support unit has been established but has not started operation yet as technical work is being done for meter calibration and water quality standard.¹⁴

34. The engagement of NGOs for awareness raising and improving their participation in the Project has been a positive development but the water users and sanitation committees are not satisfied with the NGOs involved. As a result, the outcomes of NGO involvement with respect to health and hygiene education are deemed not satisfactory. However, the child to child and child to parent interaction have been very effective in raising awareness. The general perception is that the involvement of NGOs in the project preparation was appropriate but their involvement in implementation too short. In particular, the engagement of NGOs only for 6 months in the Project has been considered too little too late. The relationships between the project management and the NGOs and between NGOs and construction companies have lacked the required collaboration and cooperation in the past but are slowly improving. NGOs work with Engineering Design and Supervision Consultant for initial inputs only and implement their program independently. Their activities are not linked with construction companies.

35. While several NGOs are based in Kathmandu, the Project's expectations of what NGOs can do tend to be unrealistic. Many do not have adequate local expertise and have to rely on local NGOs for service delivery. The overhead costs of Kathmandu based NGOs tend to be much higher than those of local NGOs. This makes the cost of NGOs engagement high. It would be preferable to engage Kathmandu based NGOs in strengthening capacity of local NGOs rather than in service delivery itself. Depending upon their capacities, selected NGOs can be assigned complete project implementation at the town level. However, ADB experience shows this is beyond their capacity for a project of this scale as revealed in the community based water supply and sanitation project. Improvements are also sought in feedback on NGO performance from the project management. There is also a consensus among the EA and

¹⁴ Government has a National Water Quality Standard, but it is not effectively monitored and enforced.

the NGOs that ADB and NRM should promote a better relationship between NGOs and the EA/IA.

36. Despite the difficult political environment in the project sites, the Project is on track to achieve stated outcomes and thus likely to be successful. While inclusion of the poor in the Project was envisaged through the construction of community taps and the subsidy to ultra-poor for in premises latrines construction, the project design lacked a clear pro-poor strategy. Community taps are less likely to be successful as there is significant interest and drive to access private connection by poor households, partly through other external assistance.

5. Loan 1609-NEP: Community Groundwater Irrigation Sector Project
Executing Agency: Department of Irrigation, Ministry of Water Resources

37. The Project aimed to contribute to the Government's goal to reduce poverty and enhance the living standards of the rural population. Specific objectives of the Project are to (i) increase agricultural productivity on a sustainable basis, and to improve incomes of small farmers through participatory, demand driven, and integrated group shallow tubewells development; and (ii) capacity development of water users groups. ADB approved a \$30 million loan on 26 February 1998, and the loan closing date was extended by two years until 31 July 2007. The Canadian International Development Agency provided a \$3.4 million grant to finance the costs of NGOs and consulting services. Owing to low utilization of loan funds and at the request of the Government, ADB cancelled \$20.83 million.

38. The Project achievements include the installation of 10,670 shallow tubewells providing year-round irrigation to 53,350 ha land and the formation of 222 water users groups and nine district water users' associations for providing training on saving and credit management, book-keeping, minutes recording, and accessing other services. Three of the nine district level water users' associations and 12 partner NGOs had been engaged for social mobilization, awareness raising, farmer training, local cooperative formation, program monitoring, and follow-up with water user groups for timely credit repayment to participating financial institutions.¹⁵ Ten of 12 participating financial institutions have provided credit for installing shallow tubewells and agricultural production credit worth of nearly \$3.1 million under credit arrangements through Nepal Rastra Bank. Of the 222 water users' associations, 186 had been trained on operation and maintenance of pumpset-based and motorized shallow tubewells. At the end of May 2007, the Project had completed the improvement of 182.4 km farm to market and village roads. Canadian International Development Agency is considering a request to provide institutional capacity enhancement support services to water users' associations and cooperatives established under the Project. The Government also has planned to provide agricultural extension and rural road support for three years after the project completion.

39. The Project impacts have been impressive. Cropping intensity has increased by 90% compared to 50% target and average crop yields have increased by 50% against 35% target. Average household income reportedly has increased by up to three folds. There are also indications that the current project structure will be maintained even after completion of the Project and the Government has allocated nearly \$1.5 million per year for next three years to finance new requests to improve 42.8 km farm to market and village roads. The Project also was able to reach disadvantaged groups and women. The Government has also given assurances to ADB/NRM to completing 93.4 km farm to market and village roads, which was delayed due to the Terai unrest. The Government has also assured to meet expected quality

¹⁵ Participating financial institutions include commercial banks, development banks, cooperatives and NGOs.

standards and that there will not be any involuntary resettlement of people and loss of private property from project related work in the future. There is, however, general consensus among the Government and NGOs that the Project has reached disadvantaged and poor groups and it has been effective in improving rural livelihoods. One of the significant project achievements is that the capital cost subsidy for shallow tubewells was completely abolished about 8 years ago after ADB's several rounds of policy dialogue. Farmers have stopped clamoring for subsidy for installing shallow tubewells. Having gained experience with operating tubewells with both pumpsets and electricity, farmers have identified 50% cost savings using electricity, thus creating additional demand for rural electrification.¹⁶

40. The low utilization of ADB loan was associated with (i) slow implementation during the first 2 years due to subsidy issue, (ii) slow credit delivery during the first two years of the Project, (iii) depreciation of local currency against the dollar, (iv) low bidding price for civil works and vehicles, (v) unrealistic high cost estimates for credit delivery at the project design, and (vi) conflict environment from 2002 onwards in the Terai. One of the major issues was low repayment of credit disbursed by Eastern and Central Grameen Bikas Banks, for which the Government has provided assurances to speed up the loan repayment process. The Project has raised expectation of the rural poor in terms of farm roads to be built by a government agency, which could not happen in some places due to difficulty in contractor selection and mobilization which were largely associated with political unrest and deteriorating security conditions. It is perceived that the Project was designed with centralized authority and it required long processing time for processing a small amount of loan for farmer groups. In many cases, it took up to 6 months for approval, particularly during the initial project implementation period. Project implementation delays are also argued to be associated with inefficiency in public sector, leading to lack of transparency and accountability. The Project had too many stakeholders and the linkage between Nepal Rastra Bank and participating financial institutions requires improvement with built in flexibility.

41. The Project has been very effective in reaching disadvantaged and poor groups and improving their livelihood options and incomes. It is likely to be successful. Successful policy advocacy has led to removal of all subsidies provided to shallow tubewells and NGOs have been instrumental in social mobilization of the poor and providing credit facilities. Farm to market and village access roads also have had positive impact on incomes for the poor households. At the design stage, the Project cost was based on inflated unit costs for tubewells (unrealistic assumptions) and did not factor in the role of the private sector in improving access and lower costs. A lack of flexibility in the project design reflected by a centralized project authority required a long processing time for small loan applications and hence slowed down project implementation.

D. Pakistan

1. Loan 2103/2104-PAK: North-West Frontier Province (NWFP) Road Development Sector and Sub-Regional Connectivity Project

Executing Agency: North-West Frontier Province Works and Services Department for provincial policy reform and institutional strengthening, and provincial road improvement component; National Highway Authority for the subregional connectivity improvement component; and the Ministry of Communication for the road safety component.

¹⁶ At present, reportedly 90% of shallow tubewells are operated by diesel pump-sets.

42. ADB approved a \$296.2 million ordinary capital resources (OCR) loan (Loan 2103-PAK) and a \$5 million ADF loan to the Government of Pakistan in November 2004 and the Project became effective after 11 months. The loans were expected to deliver 10 outcomes: (i) strengthened road institutions at provincial and district levels, and strengthened capacity of staff; (ii) improved condition of the road network; (iii) sustainable maintenance of the network through short and long-term measures including a road assets management system; (iv) an established road maintenance fund for sustainable financing; (v) road safety initiatives to reduce accidents due to over speeding on the improved network; (vi) implemented axle load control; (vii) involvement of road users and communities in road maintenance and development; (viii) introduction of environmental and social aspects in road planning and development; (ix) establishment of policies to enable private sector participation; and (x) improved social indicators and reduction of poverty. At the end of August 2007, contracts awards and disbursements amounted to \$41 million and \$8.873 million, respectively. Actual road construction only commenced on 7 June 2006 and most of the progress relates to rural roads component of the Project. According to the ADB project performance report of 31 August 2007, the Project has developed a full program for road safety component and the Ministry of Communication has requested the National Highway Authority to select consultants. The study team has noted very little progress towards most of the above stated outcomes.

43. The ADF Loan was meant to develop provincial policy reforms and strengthen institutions. The contract for the institutional strengthening and capacity building financed by the ADF loan was awarded to the lead consulting firm Sheldia Associates. The contract was signed on 3 October 2006. An inception report was delivered on 31 January 2007, following a seminar. The inception report outlines six focal areas: (i) establishment of a Road Maintenance Fund; (ii) institutional strengthening for Road Assets Management, Road Safety and Road Network Management through provision of training, equipment and software; (iii) assistance to training centre with the help of a training coordinator; (iv) assistance and implementation support to Project Management; and (v) assistance in environmental and social matters by updating resettlement plans, enhancing rural access road improvement benefits to poor communities, and inspection of work sites for compliance with Loan Covenants on labor law and suppression of trafficking. As of 31 August 2007, the ADB project performance report notes that the North-West Frontier Province's commitment to the devolution program appears weak and so far the provincial government has not earmarked a subsidy for road maintenance to district governments. In addition, WSD is doubtful in district's capacity for road maintenance.

44. Project implementation delays and cost overruns have led to a 44% reduction in the scope of the Project and a scope change which was approved by ADB on 25 July 2007. The works for the national highways component would reduce by 53%, for provincial roads by 46% and for rural roads by 39%. Despite this, the financing plan remains unchanged. At the time of approval of revised scope, the reported physical project progress was 23% for the rural access roads, 2% for the national highways, and 0% for the provincial roads. ADB expects that the remaining road works will be completed under other ADB and or government projects.

45. The Rural Road Maintenance Fund, set up by the Project, is not working because of a design problem. The road taxes/tolls collected by the Provinces are deposited with the federal government and the provinces do not have any say in how the funds are utilized. The Project faces implementation difficulties because there are three different project directors, one for federal, one for provincial, and one for rural roads. The provincial road project director is also responsible for capacity development and institutional development while the project director for rural access roads looks after a \$1 million JFPR grant. The rural access road project director has been the same person from the beginning but the other two directors have been changed.

The tenure of the project director is directly correlated with the progress on construction of roads. Management of the rural roads seems to be better than the management of the provincial and federal roads. No visible improvements in the institutional capacity of the management of federal and provincial roads have been observed. The Project as such does not have an effective coordination mechanism and has exerted undue demand on the time of ADB's project officer.

46. In retrospect, there were problems with the Project's design. A network-based approach or integrated road network is in principle a good idea but there was no mechanism for integration and coordination and no framework for selecting link roads. As a result, the Project was implemented as three stand alone projects. Since the national highway plan was prepared prior to the design of the Project, two of the five federal roads are yet to commence any work. The delay is largely due to land acquisition and resettlement issues. A practical difficulty is that land prices for compensation are set by the Board of Revenue. The project does not have any role and control over how and when land prices are determined. Compensation is a long drawn process subject to price manipulation depending on relative bargaining strength of the land owners (or their agents). Poor households with weak voice tend to be at a disadvantage.

47. The Project also faces some difficulties due to the fact that it is being managed by headquarter and not the Pakistan Resident Mission (PRM). The PRM is consequently very much detached from the day-to-day project management issues. There are five generic problems with road projects in Pakistan. First, start-up delays may result in up to 40% time loss in implementation and are largely associated with time taken to recruit supervision consultants and with procurement of civil works contracts. Consultant recruitment and procurement of civil works are very cumbersome and are viewed as centrally focused and commanded. Second, the implementation capacity of the EAs and IAs is very weak, both in terms of staff strength and technical expertise. Moreover, it is often mistakenly assumed that TA is able to improve the capacity of agencies significantly. Furthermore, these agencies only tend to be familiar with the Government procedures and guidelines and not ADB procedures and requirements. As a result, there is a tendency for the EAs to put an extra burden on ADB project officers. However, the ADB staff are not geared or trained to implement projects for the EAs. Third, land acquisition and resettlement policies require full compensation before civil contracts are initiated. This is unlikely to happen in Pakistan, due to frequent disputes. Often the loan signatories are not fully familiar with implementation difficulties. With respect to environmental safeguards, wildlife sanctuary is an issue because the sanctuaries are not well delineated. Fourth, the assignment of projects within the PRM does not always seem very well aligned with the available sector expertise. Finally, there are systemic problems with the way projects are designed within ADB. Designs are often guided by internal deadlines which force project officers to overlook or ignore key factors. This leads to paying heavy price at implementation. Implementation arrangements are the most critical part of the project design but are sometimes very poorly written.

48. The study team considers that the Project is likely to be only partly successful, even with its revised scope. The ADF loan is likely to have substantially reduced its potential impact due to substantial delays in fielding of consultants, the unviable provincial road maintenance fund framework in Pakistan's context, the high turnover of project staff (particularly at the provincial and federal levels) and below par performance of consultants. Nevertheless, the loan is likely to contribute towards some institutional strengthening through training programs. Of the three road components, only that of the rural roads is likely to be successful and that is the one with the greater poverty impact. The provincial and federal roads are most likely to encounter further delays and cost overruns. The governance components are regarded as partly successful; the road maintenance fund did not take off.

2. Loan 1900-PAK: Reproductive Health Project

Executing Agencies: Ministry of Population Welfare, Ministry of Health and the four provincial health departments of Punjab, Sindh, North-West Frontier Province and Balochistan.

49. The \$36 million ADF loan was approved by ADB on 20 December 2001 but was signed only on 20 March 2003. The loan became effective only on 24 February 2004 the processing of a Planning Commission form-1 (PC1) took eight months. The loan is expected to close on 30 June 2008. The Project envisaged to: (i) increase the use of reproductive health services in 34 poor and underserved districts spread over four provinces in Pakistan; and (ii) strengthen the sector's capacity for reproductive health services in the context of public sector restructuring. The Project aimed to assist the Government of Pakistan in achieving improved outcomes on reproductive health indicators for the Millennium Development Goals.

50. The Project has undertaken only a few of the intended activities and these have largely been concentrated at the Federal level. Few capacity building activities have been undertaken at the federal and selected province level. The recruitment of lady health workers has been satisfactory, but the progress with civil works and access of the poor to reproductive health care has not. No progress has been reported on any activity in Balochistan Province. Midwifery classes in project districts have been started only by the Punjab Department of Health. This was also the only department that has so far procured ambulances. Few efforts are reported in enhancing awareness of the poor (whether male or female) in reproductive health services, and in the provision of surgical contraception.

51. The Project has suffered significant delays and ADB's August 2007 Project Performance Report identified it as at risk. The cumulative disbursement is only 14% to date with 80% of the loan period elapsed. The complex project design required commitments from all EAs (two at the federal level and four at the provincial level) for loan signing. Challenges that the Project faced included: (i) four provincial level implementation agencies, in addition to six EAs; (ii) a de-federalized population and welfare program handed over to the provinces after project approval, requiring the conversion of the IAs into EAs; and (iii) processing of ten PC1s by executing and IAs and their approval by Central Development Working Party, and the Executive Committee of the National Economic Council.¹⁷ Other factors that contributed to implementation delays after loan effectiveness included (i) frequent turnovers of ADB project officers, (ii) administration of the Project by headquarter although there was a need for heavy presence on the ground, and (iii) lack of engagement and communication between ADB and the Project EAs for long periods of time.¹⁸ There have been several discussions to cancel the project loan on the basis of slow progress and more recently the Government of Pakistan and ADB undertook a spring cleaning exercise of the ADB portfolio. The Project was identified as one of several candidates. It is, however, not certain that the Project will be cancelled as the Government was under pressure from the EAs not to proceed with loan cancellation at the time of the visit by the study team.

52. The study team provisionally rates the Project as likely to be unsuccessful. The stated end date of the Project is June 2008. The rating is based on: (i) poor project design and implementation arrangements, involving a relatively new Ministry with little on the ground capacity to implement the project activities; (ii) social reluctance to promote reproductive health services, including provision of contraceptive measures, especially in the conservative and less

¹⁷ Nine of 10 PC1s have deviations from original RRP, necessitating changes in the Project scope.

¹⁸ The last back-to-office report available on file is dated 24 February 2005.

developed project districts; (iii) low priority for reproductive health services in provincial health programs; (iv) lack of willingness for trained staff to relocate to project districts, with relatively difficult living conditions; and (v) lack of capacity in the PRM to take on project implementation delegation responsibilities. Lack of synergies among the implementing and EAs meant that even though lady health workers were deputed,¹⁹ the health facilities lacked basic requirements, which was partly associated with very low disbursement of the project funds. The Project has not been able to strengthen public health institutions and it has also not had any impact on public restructuring as envisaged in the project design. The Project has not been able to reach the poor and vulnerable population in the districts. However, since Pakistan does not perform well on reproductive health indicators, there is a strong case for province level reproductive health projects with a simple project design, including fewer focal areas, and workable implementation arrangements. Moreover, the provinces would have to play a more active role in such a project design.

3. Loan 1854-PAK: NWFP Urban Development Sector Project

Executing Agency: NWFP Government through Local Government, Elections and Rural Development

53. On 8 November 2001, ADB approved a \$20.8 million loan from ADF resources to fund the NWFP Urban Development Sector Project. The loan became effective nearly a year after the approval date and is expected to be closed on 30 June 2008. The Project objectives were to: (i) demonstrate effective interventions in urban service management that can be replicated, (ii) stimulate a progressive shift of responsibilities to urban local governments for financing and management of urban services, and (iii) improve management and resource mobilization capacities of urban local governments. The Project scope included 24 urban town centers. Urban infrastructure under the Project covered subprojects in water supply, sewerage and sanitation, drainage, solid waste management, and roads and local access. At the end of August 2007, the cumulative contract award was 36% and disbursement only 9%, reflecting very slow uptake of the project activities given that 72% of the loan period has lapsed. As of 30 September 2007, 18 of the 46 listed subprojects had been contracted, 11 were tendered or re-tendered, four had been sent to ADB for approval and the remaining 13 were at an early stage.

54. Four key reasons are associated with the long project implementation delays: (i) the Project was heavily front-loaded (i.e. requiring intensive major preparatory efforts as pre-requisites for contract awards and physical implementation), (ii) discrepancies between the RRP and Planning Commission Form 1 (PC-1) which led to 14 months delay in the latter's approval, (iii) long time required for hiring a second ranked consulting firm because the first ranked one was blacklisted by ADB during contract negotiation, and (iv) high turnover of ADB project officers (five to date). Slow progress was also due to the rigorous eligibility criteria for subprojects which included the need to demonstrate their financial sustainability. As a result of slow progress and constraints on ADB staff, the mid-term review of the Project was postponed and is now planned for October 2007.

55. Overall, the Project design was conceptually sound and had strong safeguard features: (i) each subproject had to adhere to ADB's safeguard policies and the provincial environmental protection agency's requirements, and (ii) each town council needed to demonstrate good implementation capacity and financial sustainability. However, the design overestimated the capacity of EAs and IAs. It was assumed that the bulk of the preparatory works would be

¹⁹ Many of them inherited from ADB assisted Women's Health Project.

completed and contracting work could be done in 2006 and 2007. At the time of project preparation, it was thought that the Phase I towns would be ready for the Project but this turned out to be not the case. The Town Committees were not clear about their role in procurement and wanted further explanation of the arrangements for bid evaluation under the Project. The Project Coordination Unit has remained ineffective due to the Project's front-loaded design and due to limited staff, frequent staff transfers and weak consultants. The first project director took a lot of interest in the Project but was replaced by another who relied more heavily on his staff and consultants, some of whom do not have the required capacity. There are also problems with the procurement of goods and services due to unfamiliarity of project staff with procurement guidelines. Although NGOs were recruited in September 2005, the community participation component of the Project has made very little progress. There seems to be strong resistance to engaging NGOs for project activities.

56. As of 31 August 2007, contracts have been approved for water supply in five towns (Phase I) and for sewerage, sanitation and solid waste management in three towns (Phase I). A proposal for developing a public private partnership for solid waste management in Charsadda was considered initially but was dropped after having been found to be infeasible. Contracts were awarded for Swabi roads (two packages) in 2006 and for roads improvement for Tangi and Utmanzai towns in May 2007. The progress on community development and participation was reported to be satisfactory, although concerns have been raised about social mobilization staff not being available to carry forward the community development agenda in the townships. In particular, a lack of female staff to address gender concerns in municipal activities has been highlighted. The Project has established a Project Coordination Unit in Local Government, Election and Rural Development department and project steering committee which has been meeting regularly. Project implementation teams have been established in six Phase I towns. A management information system for the towns is nearing completion. However, the project implementation teams have not been able to adequately perform their role in updating or developing outline structural plans, financial management plans, base-maps and data provision.

57. The Project's mid-term review was scheduled for November 2007. Given the present loan closing date of 30 June 2008, the review will re-structure the Project on the basis of the assumption that there will be no extension of the Project. The Government has indicated that it will formally request ADB for a postponement of loan closing. In case this is not agreed to, the Project is likely to be only partly successful in terms of its achieving the design outcome and impact. The Project may to be completed in the Phase I municipal towns but only preparatory works will be completed for the Phase II towns. A significant part of the loan may have to be cancelled. The completed subprojects are likely to have a good financial discipline and improved revenue streams from their operations. While there were no direct measures targeting the poor, the subprojects under the Project are likely to benefit the poor households in terms of improved access to roads, drinking water and sanitation facilities in urban communities.

4. Loan 1877/1879-PAK: Agricultural Sector Program Loan II Executing Agencies: Ministry of Finance and Ministry of Agriculture

58. ADB approved the Agriculture Sector Program Loan II on 13 December 2001, which in fact included three loans: (i) a \$123 million program loan from ADF resources, (ii) a \$225 million program loan from OCR, and (iii) a \$2 million TA loan from the ADF. The loan agreement was signed on 1 April 2002 and became effective on 24 September 2002. The Program was to assist the Government in removing policy distortions and supporting institutional restructuring aimed at (i) promoting efficient markets for major agricultural commodities, including

wheat, cotton, rice, and sugarcane, to encourage market-based incentives for small farmers; (ii) liberalizing markets for agricultural inputs, particularly fertilizers and seeds; and (iii) strengthening support for small-farmer extension, research services, as well as regulatory functions to improve input quality control. The latter can be seen as special poverty interventions. The Program was expected to address both policy and resource constraints. The loan closed on 30 August 2007.

59. As a result of the Agricultural Sector Program Loan II and other structural adjustment programs initiated by the federal Government, Pakistan's agriculture sector is more liberalized with reduced government interference. The rice market has been liberalized fully and there is no longer any intervention from the public sector. The cotton market also is working well since government involvement has reduced—the occasional price support to growers at times of bumper crop has been done through open-market operations. Steps have been taken to free the sugar subsector from distortions but import duties on sugar still exist. Most importantly, the Program Loan facilitated the adoption of a market-friendly wheat policy in 2005. The fertilizer market has been almost totally liberalized; occasionally the public sector augments supply by providing a facility for imports. Measures have been taken to liberalize the seed market and to limit public sector's role in addressing market failures. The policy reforms have enabled greater involvement of the private sector in agriculture and the evolution of a more competitive market.

60. The provincial governments initially perceived the program design to be too complex with too many policy requirements. They viewed it as federally driven.²⁰ However, this perception changed as a result of extensive consultations with the provinces. There has been remarkable progress in the acceptance of and commitment to the reform program in the later years. Overall, the support in general and sustained compliance with the tranche conditions in particular, demonstrate continued commitment by the provinces to reforms. Unfortunately, there was a delay of more than 2 years in the release of the second tranche, largely associated with time taken by the provincial governments to support the Program. However, during that period the Government went ahead with several reform programs that made it possible for ADB to consider releasing the third tranche less than a year after the second tranche. At the request of the Government, ADB granted a waiver for two sub-conditions associated with the third tranche. The Senior Policy Advisor recruited under the TA loan was effective in promoting a consultation process amongst the provincial and federal governments. Nevertheless, the reliance on an external adviser and short-term experts was not a sustainable approach to addressing policy bottlenecks and ensuring policy reforms and advocacy work. Skills in policy analysis had to be developed in both the federal and provincial governments. For this purpose, the Agriculture Price Commission has been transformed into the Agricultural Policy Institute. The likelihood of its effectiveness now depends on the recruitment of a committed Director and experienced policy analysts. Similar initiatives would be required at the province level. The quality of the work of the domestic consultants was considered below average.

61. The Program supported 107 projects (31 of the federal government, 20 in NWFP, 17 each in Balochistan and Punjab, 11 in Sindh, 5 in Azad Jammu and Kashmir, 4 in the Federally Administered Northern Areas and 2 in the Federally Administered Tribal Areas). Livestock and horticultural development and strengthened research and extension services

²⁰ Punjab Government raised strong opposition to the Program reform package at the start while other provinces gave lukewarm support at best. Provincial officials had no shared understanding of the content and the rationale of the Program Loan. Many were only partially informed about the Program, and often the information they had was distorted and the context was hardly known or understood.

figured prominently in the list of projects. Many of these projects are considered innovative, and providing technology based infrastructure (e.g., improvement of laboratories for quality control, and development of high yielding varieties). The Ministry of Food, Agriculture and Livestock however failed to collect baseline data at the start of the Program and to continuously monitor and assess the Program's impact on poverty reduction and national economy. This makes it impossible to assess the impacts of the Program on poverty and growth.

62. The Program is likely successful, even though attaining policy and institutional reforms within the given Program duration was highly ambitious, and the design did not take into account the importance of local governments in policy formulation and implementation. The reform measures adopted, for wheat in particular, have been quite substantial but their sustainability will largely depend on continued commitments from the provincial and federal governments. There are indications that some of the reforms may be reversed by one or more provincial governments. For example, Punjab violated the unrestricted movement of wheat by re-imposing restrictions within and between provinces.²¹ The biggest challenge is to sustain the reform measures. Building a consensus among all provinces remains a difficult task. The capacity of IAs is still weak and requires continued support to sustain reform measures. Progress with the following issues remains important for the sustainability of a liberalized agriculture sector in Pakistan: (i) the full implementation of the restructuring plan for the Pakistan Agriculture Storage and Supplies Corporation and the four provincial food departments; (ii) the closure of the food directorate of the provincial food departments of Balochistan, NWFP, and Sindh; and (iii) the closure of the Sindh Seed Corporation for which ADB granted a waiver before releasing the third tranche of the program loan. The Program has created momentum for the reorganization of agricultural research councils but this is yet to be fully implemented. Restructuring of agricultural extension has not yet been initiated. Sustained policy reforms are required in two other key commodities—cotton and sugarcane. The agricultural extension in its current form is less accessible to the poor households.

5. Loan 1988/1989-PAK: Access to Justice Program

Executing Agency: Ministry of Law

63. The Access to Justice Program (AJP) relies on three ADB loans: (i) an OCR loan of \$243.2 million, an ADF loan of \$86.8 million, and an ADF TA loan of \$20 million. ADB approved the loans on 20 December 2001 and they became effective three days later. In addition, ADB also funded six advisory TAs from 1997 to 2004, worth \$6.9 million. The Program was aimed at (i) providing security and ensuring equal protection under the law to citizens, particularly the poor; (ii) securing and sustaining entitlements²² and thereby reducing vulnerability of the poor; (iii) strengthening the legitimacy of state institutions; and (iv) creating conditions conducive to pro-poor growth, especially by fostering confidence of investors. The program therefore had significant poverty reduction and governance ambitions. The program was set to close on 30 June 2005 but was extended three times and the first two loans were closed on 30 September 2007. The TA loan is expected to close in June 2008. Program loan utilization was about 73% while that of the TA loan stood at only 9%²³ at the time of the visit by the study team in September 2007.

²¹ This infringement was later corrected through federal and inter-provincial discussions resulting in a comprehensive and phased reform of the wheat policy based on consensus.

²² Entitlements refer to citizen's rights and obligations.

²³ As of 31 August 2007 based on response from the Project Director, AJP.

64. The Program has created a favorable environment for providing access to justice for the poor and vulnerable population and had the potential to contribute towards attaining non-income poverty. Many of the reforms introduced through AJP are reported to have benefited the poor and the vulnerable. The introduction of an alternative dispute resolution (ADR) mechanism, devolving from High Courts the powers of Habeas Corpus to the Districts and Sessions Judges, Consumer Protection Laws, and the Family Laws, has helped the women and the poor to obtain quicker and less expensive settlement of their cases. These reforms would have not have been approved, or would have been approved much later without AJP support and pressure. The Program introduced citizen engagement in oversight, public grievance redress and liaison, to strengthen the accountability for service delivery and enhance liaison between citizens and service providers. This was a major policy shift in the justice sector. District bar-bench liaison committees and citizen-court liaison committees have been established by the Peshawar and Balochistan high courts.²⁴ The Program also identified many subjects of interest to assisting weak and vulnerable groups in Pakistan. The reform actions have created additional employment opportunities for start-up vendors and petition writers in the vicinity of courts.

65. The program loan has helped to address chronic under-funding of the justice sector and has made contributions in three areas—(i) policy actions, (ii) infrastructure investment, and (iii) capacity building. Overall, there were 64 policy actions. The institution of a prosecution service separate from the police has been a big political undertaking involving law, judiciary, police and executive agencies. Many policy actions have been formulated for the police service, although some have not been carried out in their true spirit. For example, the Police Service has adopted a human rights policy but it is yet to be implemented. Punjab has taken an initiative in social audit of the Police Department. Construction of gender-sensitive sheds and public toilets, cooling arrangements, provisions of cold drinking water in public sheds during hot weather, included in the infrastructure schemes, is largely aimed at facilitating poor litigants and would have been difficult to fund without AJP support. Similarly, the Program had improved the provision of gender sensitive buildings and residences for judiciary staff and prisoners. The terms and conditions of judiciary appointments have improved significantly, thereby helping the judiciary to retain good candidates. The Program has helped create additional positions in the judiciary and funded new positions of prosecutors. The proportion of female judges has increased substantially including in the Ministry of Law and high courts. Family laws have been effective in facilitating female litigants by avoiding a multiplicity of cases. The provincial Governments have provided excellent support with respect to policy action compliance. While the Program was controversial in the beginning it generated mass awareness and public interest in judicial reform process. The average duration of court cases as well as pendency²⁵ has reduced significantly in all four provinces.

66. There is a strong demand for a 2nd generation Access to Justice Program, fully implemented by individual provinces. This is likely to consolidate the reforms. There is no interest in engaging the federal administration again. In the present program there have been too many control points, which led to inefficiencies. Furthermore, too many actors and stakeholders have complicated program management. Overall, the Program has planted good seeds in terms of reform measures but sustainable benefits are yet to be fully realized.

²⁴ The Sindh high court has also established bar-bench liaison committees and plans to look into establishing citizen—court liaison committees. The Lahore high court has agreed to examine the experiences of the other provinces and also to pilot bar-bench liaison and citizen-court liaison committees. These are new initiatives being tried out and their effectiveness is yet to be determined.

²⁵ No of cases instituted in relation to no of cases disposed.

67. The Program design was originally perceived as being externally imposed and lacked required consultations with the IAs and civil societies. Establishment of the Program Office took more than six months and another six months was lost in familiarizing with the new features of the Program loan and ADB procedures. In addition, the Program design assumed that the IAs would have adequate capacity to conceive and prepare technical investment proposals. This proved to be not the case because only seven proposals were approved by the Technical Evaluation Committee at the end of 2006. At the end of September 2007, the number of proposals prepared has increased to 71, primarily due to central PMU's own initiative, with very little contribution from the IAs. Furthermore, the Program design did not take into account relatively short supply of consultants in the area of governance and particularly in the judicial sector in Pakistan. The lack of qualified and skilled consultants in the critical areas has hampered the timely provision of TA. The Program design also offered very little incentive for the Government officials and thus prevented the Program from attracting and retaining qualified staff. Other factors with adverse impact on Program delivery included (i) a high turnover of Project Directors, restricting timely execution of reform measures; (ii) excessive control over TA loan funds by the central level PMU, thereby denying institutional strengthening of provincial IAs to meet demand for consumer protection; (iii) lengthy time-consuming procurement procedures; and (iv) low capacity of IAs to institute and implement reform measures.

68. The study team considers the Program to be likely partly successful. The Program was supply driven and took a significant amount of time to bring provinces on board. The implementation arrangement was complex. The EA, the Ministry of Law, did not have experience and required capacity to execute an external assistance project. In addition, there were five IAs at the federal level—Law and Justice Commission of Pakistan, Federal Ombudsman, The Federal Judiciary Academy, Ministry of Interior, and Higher Education Commission; and 24 at the provincial level—the Departments of Planning and Development, Law, Finance and Home, and High Courts Home. Coordination across all these agencies was very challenging. While policy reforms were implemented, some were skeptical that some of the measures might be reversed. For example, the Police Order was passed in 2002 with due recognition to the separation of normal policing duties from investigation. This resulted in the creation of a Police Complaints Authority and Public Safety Commission. However, a subsequent amendment of the Order in 2004 merged the two agencies and reduced the level of civilian representation. Similarly, while the Program established a \$24 million endowment for the Access to Justice Program Development Fund to be administered by the Law and Justice Commission, there are problems with its implementation. The Commission does not have an oversight role to monitor provincial high courts. Also, the program design is complicated because there are at least seven windows to provide grants to NGOs and academic institutions after soliciting proposals. While most of the Program loan covenants were fulfilled, most of the reforms introduced challenge the status quo and behavior patterns acquired over long periods. These reforms would require constant and persistent follow-up with the IEs to ensure their sustainability. They would have to implement a number of complementary actions over the next few years to sustain the reforms. The Project Director and ADB project officer reported that the Program has identified many subjects of interest to assist weak and vulnerable groups in Pakistan, but it is not clear to this study how these are currently handled.

E. Viet Nam

1. Loan 1855-VIE: Second Red River Basin Sector Project.

Executing agency: the Ministry of Agriculture and Rural Development

69. The loan of \$70 million was approved in 2001 and was also supported by an Agence Française du Développement (AFD) loan, a Dutch grant, and a Japan Special Fund (JSF) TA. The Project currently implements 29 subprojects in irrigation, flood protection and drainage, and 28 of these include a Rural Development Support (RDS) component for additional targeted poverty reduction. Officers of the EA, the Ministry of Agriculture and Rural Development (MARD), were interviewed. The Project was to target the poor and particularly upland communities, apart from communities in the lowlands. Most of the subprojects under the sector project would be designed after loan approval. Apart from three core subprojects designed before approval of the loan (at \$6.5 million), which include two subprojects in the uplands, ADB approved only one other upland irrigation subproject designed after approval. The Project's feasibility study proved to be weak. Very few subprojects could be designed in the uplands with an economic rate of return above 12%. The set of 22 approval criteria for the subprojects was too large; after several years of slow progress, a simplified set of 14 criteria was approved in 2007. The Project's requirement was that at least 30% of the investments would be earmarked for subprojects in the uplands; in 2007, this requirement was dropped. The dual objectives, to reduce poverty in the uplands and simultaneously adhere to sound economic rationales in the approval for subprojects, proved to be not always compatible. Even subprojects in the delta were slow to start due to cumbersome requirements, such as (i) the water sector action plan to be developed by consultants as a basis to select non-core subprojects, and (ii) completion of RDS committees and agreements before civil works contracts could be awarded. ADB has argued that the adjustments made in 2007 constitute a minor change of scope. Poverty assessments have shown that the largest number of poor people in fact live in the delta provinces and not in the upland provinces, and that upland farmers with irrigated land are better-off. This again points to basic flaws in the original project design that may be related to misconceptions regarding the targeting of the poor. The study team however observed that the Government was proceeding with the funding on its own of some of the expensive irrigation and drainage subprojects identified by the Project, through national bonds. Implementation of the RDS component was similarly delayed for years due to the approval of the connecting Japan Funds for Poverty Reduction (JFPR) 9046-VIE: Poverty Reduction on Red River Basin Irrigation Systems in November 2004, two and a half years after loan approval. In 2007, the component was reduced from six to two major activities (agricultural extension and small rural infrastructure). Due to, among other things, lack of demand for the very small loans on offer, the micro credit activities for farmers were canceled. Another reason for slow progress was the condition that compensation and resettlement should be completed before the signing of civil works contracts. In 2007, this clause was changed to these activities being done before commencement of civil works. Lastly, the experience with capacity development consultants, as funded by the Netherlands and selected by ADB, has been negative and MARD and ADB were in the process of selecting new capacity development consultants at the time of the visit. In spite of the design problems encountered and the slow progress, MARD, which has 24 donors, was satisfied with ADB overall and hoped for the continuation of funding from ADF for the agriculture and rural development sector. MARD saw an improvement in the ADB procedures and had recently been able to negotiate for the relaxation of certain conditions (removing a ceiling on the size of the subprojects notably) but requested ADB to give more responsibility and ownership to MARD for the design of future ADF financed projects. The study regards the projects as partly successful at best; the design logic was flawed, progress has been very slow and delays have

been incurred. Implementation of the rural development support component has been difficult, as this component was also not properly thought through.

2. Loan 1883-VIE: Central Regions Livelihood Improvement Project

Executing agencies: four provincial peoples committees

70. The Project was supported by a \$43.1 million loan from ADB and a grant equivalent to \$16.4 million from DFID. It was started 2 years late due to the delay in approval of the DFID component. The committed ADF resources were therefore left idle for a long time. The ADB loan has been extended up to 30 September 2009. DFID decided not to extend its involvement beyond the original completion date of 31 December 2007 and therefore reduced its contribution to \$13.03 million. The Project comprises five components, i.e. (i) household food security, (ii) income generation including agricultural extension, small infrastructure at commune level, and micro-credit subcomponents, (iii) community development, (iv) institutional strengthening, and (v) project management support. It has elaborate arrangements to ensure that the Project is appropriate to local conditions. It is operating in four provinces through four different provincial EAs (provincial peoples committees) and the micro-credit subcomponent is executed through the Viet Nam Bank for Agriculture and Rural Development (VBARD). The progress is slow especially in two of the four provinces, and ADB regards the Project as cumbersome due to heavy demands on management and monitoring. Five EAs, two teams of international consultants and six international NGOs cause a high workload for the project staff in VRM. The two teams and six NGOs are funded by DFID but administered through ADB. Many contract variations need to be processed. Due to the work load, the project officer visited only 13 communes so far. The low quality of plans produced by the NGOs, which shows in their almost identical nature across various provinces, has led DFID to decide to withdraw its support for the next phase of the Project. The Midterm Review has suggested that the Government should take over the role of the consultants but this is costly. The Project's approach focusing on small productive interventions like home gardens and small infrastructure development has proved very cumbersome and some have argued that the benefits for the poor are marginal. Communes are not used to making their own plans and taking their own decisions, and have excessively sought guidance from provincial authorities, which has slowed the Project down. Procurement packages are too small in size, and very few contractors have been coming forward. The EAs have argued that the communes should be allowed to implement more in their own traditional way than currently is allowed. The micro-credit subcomponent offers credit in too small amounts for farmers to be able to invest productively, and for the VBARD to administer profitably. The Ministry of Planning regards the VBARD micro-credit component is not integrated with the other components. The infrastructure improvements produced are questionable in quality. Often such infrastructure deteriorates quickly, as the commune budgets for repairs are minimal. Even when communes sign off on responsibility for O&M arrangements, as they do in the context of the Project, both ADB and Ministry are skeptical about the results, as the mindset of communes so far has been to ask for support by the provincial governments when the time for O&M comes. The study assesses this Project as likely to be only partly successful; the design seems to have led to a too cumbersome implementation process; poverty components seem unable to make a dent in the livelihoods of the poor. The Project does not seem to have any noticeable effect on good governance.

3. Loan 1990-VIE: Housing Finance Project

Executing agency: State Bank of Viet Nam

71. The loan of \$27.5 million was approved on 20 December 2002 and aimed for improved housing for 8,600 poor and 27,500 low income households in urban areas, and

the establishment of a sustainable housing finance/mortgage market without subsidies, accessible to such categories of households. The EA, the State Bank of Viet Nam (SBV), was to refinance insured housing loans and mortgages for low income groups provided by commercial banks that were to be certified for this purpose. For poor households they would work with community based credit institutions. The Project was conceived largely as an urban housing project and therefore assigned to the then Mekong Social Sectors Division. However, as the Project was novel and had to build up a favorable implementation environment in Viet Nam, it did not start quickly. The period to declaring the loan effective was one year; consultants were fielded very late. In 2005, two and a half years into the Project, very little actual progress had been achieved; no housing mortgages and other types of housing loans had been provided as intended. It was clear that project administration could be more appropriately handled by specialists in governance and finance, and the Project was transferred to the Mekong Governance and Finance Division (now South East Asia Governance and Finance Division). This division identified a number of problems with the design as well as changes in the rapidly evolving Vietnamese context, and embarked upon a revision of the scope. Because of the many institutions involved and the time needed to reach full agreement, this required over a year to complete. The revisions to the loan agreement were signed May 2006, and involved, among other things, the raising of the thresholds for poor and low income households qualifying for housing loans, and an annual review of these thresholds. Only with these changes, some main activities of the Project could be started in earnest. By the time of the visit of the study team, June 2007, the Project was yet to make an impact on lending in the housing market, but ADB had approved various proposals that would enable commercial banks, certified for the purpose, to start lending to low income households. By the end of 2007, mortgage provision and other lending for repairs to low income households by commercial banks should be in full swing, allowing the Project to be completed successfully, albeit with a two year extension. SBV staff, when interviewed, still had some reservations regarding the level of the thresholds, making it difficult for commercial banks to lend quickly and viably. They also commented that the original design of the Project had been inappropriate, particularly regarding the securitization of collaterals, and did not fit the mindset of the Vietnamese at the time. A report of TA consultants concluded in 2005 that there is currently no market demand for mortgage insurance products, particularly due to the low loan to value ratio applicable in the housing finance market. In order to achieve the project purpose of helping the poor and low income households to a house of their own, they recommended that community micro credit institutions should be used rather than commercial banks, and that the Government should contemplate providing subsidized social housing. While SBV was disappointed in the progress of the Project, it was hopeful that the relaxation of the thresholds would work, and did not conclude that nothing has been achieved. The Project had already achieved the following: (i) preparation and informal approval of a National Housing Finance Policy document, and thereby the creation of a legal framework for the housing market; (ii) improvement of the valuation system of land and houses to facilitate development of the primary mortgage market; (iii) improved banking sector performance in Viet Nam (commercial banks had started lending to low income households); (iv) an increase in the number of urban land use certificates issued and improved registration procedures; (v) accreditation of seven commercial banks by SBV; and (vi) creation of capacity in this area through a dedicated housing finance facility in SBV. On the other hand, less progress had been booked with the following objectives: (i) improving legal procedures for calling up defaulting mortgages and selling mortgaged land and houses, (ii) attracting additional funds to the housing sector through the development of a secondary mortgage market, and (iii) facilitating the introduction of a mortgage insurance scheme. The achievements, however, could have been made under dedicated TA or even a program loan as incentive to reform rather than through a credit line project. The original design of the Project, heavily influenced by pro-poor concepts at the time, proved to be overambitious. Its redesign took much time and effort. Also, continuous

changes, including massive price increases in the housing market, progressively restrict the poor from acquiring property in the urban areas. This study assesses the Project therefore as only partly successful – much of the intended outcome in terms of targeting the urban poor is not achieved, and the main positive outcomes are related to wider governance issues.

4. Loan 1979-VIE: Upper Secondary Education Development Project.

Executing agency: Ministry of Education and Training

72. ADB approved the loan valued at \$55 million by 17 December 2002. In part due to ADB being the only donor in the country in this sub-sector, the Project followed a comprehensive approach: (i) improvement of quality of education through development of new curriculum, textbooks and teaching methodologies more appropriate to Viet Nam's changed economy; (ii) provision of instructional materials and equipment; (iii) development of quality assessment systems and enhanced education leadership; (iv) civil works and related works for 2,000 school rooms in 576 upper secondary schools; (v) study support programs; (vi) development of information, education and communication programs; (vii) regulatory options for management; and (viii) application of new information technology. The Project was deemed properly designed by ADB and the EA, the Ministry of Education and Training. So far, curriculum development is completed and all textbooks for upper secondary schools will be delivered by the end of the year. Some 1,700 school rooms have been built already, of which 1,000 are in operation. Staff development has been the more difficult part. More than a million person days of training need to be dispensed, and 400,000 had been provided by the time of the interview. Staff development is a nation-wide activity and faces the usual constraints as a result. The current challenge that the Project faces is on the governance side and pertains to the way to promote more policy dialogue on how effectively the Project can fill the demand gap in expansion of Upper Secondary Education, particularly for rural remote areas. Girls' attendance is increasing and the secondary school drop out rate is decreasing. The Project has developed a draft Gender and Ethnic Minority Action Plan which will be posted on the ADB website shortly. Given high priority attached by the government to secondary education, the Project is already viewed as highly successful by EAs, Government, and ADB, even though there were large delays in declaring effectiveness of the loan, and later in Government approval of the civil works plan, which has delayed the Project overall. Nevertheless, the Project, with the award of \$12 million equivalent of contracts in 2006, and good quality of outputs, is catching up with the original project schedule. Given its faith in the improved capacity of the project implementation unit, ADB is now planning to provide a new JFPR project for Expansion of the Learning Opportunity for Ethnic Minority Youth (JFPR 9099), as an attached project. The study regards the Project provisionally as highly successful; ADB successfully implements a good project in an area not cluttered up by interventions from other donors. There are no special components targeting the poor; the Project is promoting good governance and making headway in this area.

5. Loan 1888-VIE: Provincial Roads Improvement Sector Project.

Executing agency: Ministry of Transport

73. The loan of \$70 million was approved 18 December 2001. The Project has been extended for 2 years, due to slow progress. The goals were economic growth and poverty reduction. The original targets were to improve 1,600 kilometers (km) of existing rural roads in 18 poor northern provinces with large ethnic minority populations, to help produce the necessary decrees and rules to implement the new Road Traffic Act, to create a road fund, to improve maintenance, to improve road safety, and to improve capacity of the Provincial Department of Transport. While the road fund and road maintenance are now being addressed by TA, the other components are still ongoing. Upon detailed design of the road subprojects, the

indicative road target has had to be reduced to 1,182 km. Rising cost of inputs and works over the years have contributed to this reduction in scope of the Project. The road improvement component has been slow to move for a variety of reasons, among which figured prominently the late appointment of project management consultants in spite of the advanced actions authorized (delay of 1 year), delays in contract awards, and the need for the preparation of some 70 or so resettlement plans, and 40 ethnic minority development plans. Initial proposals were rejected by ADB, which insisted on separate plans for each district, in spite of sometimes very minor land acquisition, and difficult to define risks to ethnic minorities arising from the improvement of the local roads (and major benefits). In spite of large national programs also focusing on these activities, the ethnic minority development plan has focused on specific contracted out activities for each road on HIV/AIDS awareness, women and child trafficking, and school and market improvements. After large delays, these have just started implementation in July 2007. Sustainability of the roads is an issue: Provincial Peoples Committees have to take over the maintenance of the roads. The Department notes that O&M budgets for roads have gone up for these roads but, even for national roads, they are still only at around half of the actual requirement. The Department also commented that, under ADB guidelines, the processes of land clearance and resettlement were too slow, and that there was no need for involvement of international consultants on the design and supervision of small provincial roads. All parties involved agreed that the quality of the improved roads produced is good. The study assesses the Project as successful due to this good quality end product in an area with a high need for repaired roads, and in spite of the lower number of roads covered. The latter sometimes occurs with sector projects. The ethnic minority plans can count as special components targeting the poor, but are viewed as not likely to make a significant dent in their lives, due to their small size. The Project had no significant governance related components or covenants.