

## **MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT FOR BANGKOK URBAN TRANSPORT PROJECT (Loan 1195-THA)**

On 19 January 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Project Performance Evaluation Report (PPER) well prepared with comprehensive analysis of the project and its implementation. The lessons learned provide valuable guidance for designing future loan and TA projects in Thailand and elsewhere. Management response focuses on the overall assessment and the lessons learned.

### **A. Overall Assessment**

2. We note that the PPER considers the overall project highly successful. This is an upgrade relative to the Project Completion Report (PCR), which was prepared in 2002 and rated the project successful. The main reasons for the upgrade are: (i) the PPER estimates the project's economic internal rate of return (EIRR) at 28% against 20% in the PCR, partly due to newer data and partly due to enhanced benefit assessment methods using the latest version of the Bangkok Extended City Model; (ii) the PPER gives a more favorable assessment of Government's resettlement process than does the PCR, based on new documentation that was not available at the time of PCR; and (iii) the PPER gives a more favorable assessment of the project's sustainability than does the PCR, citing reform and restructuring of road management in Bangkok and increased road maintenance funding introduced after the PCR.

3. It is further noted that all subcomponents of the loan project are considered individually successful or highly successful, whereas two attached, grant financed technical assistance (TA) projects are both rated unsuccessful. The loan project supported road construction as well as loan financed advisory services to develop an urban traffic model for Bangkok, strengthen urban planning and management, and provide extensive training. The PPER notes that the outputs of these activities have had a significant and long-term impact, and specifically mentions that the traffic model is in widespread use, is kept updated, and has been further developed by the Government.

4. The two grant financed TAs provided support to establish an environmental unit within the road authority and plan a distributor road network for the area served by the project road. Both TAs are rated highly relevant by the PPER and the quality of the consultants' outputs is rated satisfactory. Yet, neither TA had a significant impact because the receiving agency accorded low priority to these issues and failed to implement the TA recommendations. We appreciate the insights provided by the PPER which highlights the importance of motivation and ownership on the part of receiving agencies and provides important lessons for future design of loans and TAs.

## **B. Lessons Learned**

5. Management agrees with the lessons identified in the PPER. We appreciate the observation that significant administrative and specialist inputs from ADB are required to attain optimal outcomes from large advisory components, and to secure adequate environmental mitigation and fair resettlement. Without these inputs, risks are that infrastructure projects foster severe dissatisfaction in the project area which can lead to delay and additional costs. The PPER illustrates this point well with its description of the delays associated with resettlement, which lead to additional commitment charges and a lower economic return than would otherwise have been the case. We note that ADB has substantially strengthened its environmental and resettlement capacity since the captioned project was initiated in 1992, but considers the lesson relevant as a reminder of the importance of these issues.

6. We also appreciate the observation that primary urban road projects can create opportunities for the poor if the improved network leads to significant savings in travel time for bus passengers. We agree that optimizing benefits from primary urban road projects and attaining optimal poverty impact requires that primary road projects be supported by a well developed network of secondary and tertiary distributor roads. Unfortunately, as described in the PPER, the authorities involved in the captioned project did not pay sufficient attention to this point, which may have reduced the benefits generated by the project.

## **C. Conclusion**

7. Management agrees with the report's conclusion that primary urban roads are a suitable investment category for ADB. Asia's fast economic growth is mostly generated in the large cities. Resolving chronic urban traffic congestion or—even better—preventing congestion before it becomes endemic is important and urgent as a means of securing sustained economic growth, which will be required to reduce and ultimately eradicate poverty in the region. ADB has been involved in urban road and mass transit projects in several countries and is planning further involvement. Examples of the preventive approach, where infrastructure is planned and developed ahead of demand rather than retrofitted after the fact, are Hanoi and Ho Chi Minh City in Vietnam, where the Government is readying projects for the construction of circumferential roads as well as rail-based urban transit systems in both cities although neither at this time experiences severe congestion. ADB is considering supporting these schemes.