

**MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT
FOR KHULNA-JESSORE DRAINAGE REHABILITATION PROJECT IN BANGLADESH
(Loan 1289-BAN[SF])**

On 11 January 2008, the Officer-in-Charge, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. We appreciate OED's Project Performance Evaluation Report (PPER) for the Khulna-Jessore Drainage Rehabilitation Project (KJDRP) in Bangladesh. Generally, we found it well-prepared.

2. **Present Development of KJDRP.** There are several encouraging recent developments that we feel could have been better captured in the PPER. The Bangladesh Water Development Board (BWDB) has been taking necessary measures since early 2006 to resume tidal river management (TRM) and has succeeded in East Khuksia Beel. To date, most of the works have been completed and the local drainage condition has improved as a result. The Government has also approved a Development Project Proforma (DPP) amounting \$20 million from its own resources to continue operations and maintenance and TRM during the coming 6-7 years. Finally, efforts are being made from BWDB's side to form a Multi-Stakeholder Forum (MSF) to carry forward the process in a participatory, integrated and holistic manner.

3. **Project Rating.** The project is rated as *unsuccessful*. However, we note that our earlier points about the evaluation methodology were not adequately reflected in the final analysis.¹ If this had been done, we believe that the economic internal rate of return (EIRR) would have exceeded 6% (as compared to 4.1% in the PPER), with the result that the Project would have been rated "*less efficient*," and in turn the overall Project rating would have been *Partly Successful*.

4. **PPER Recommendations.** We are in general agreement with the PPER's lessons and follow-up recommendations. All three follow-up recommendations are the responsibility of the Ministry of Water Resources and BWDB. OED proposes that ADB monitor the implementation of the recommendations. We note that ADB has been and will continue to be proactive in addressing various implementation issues. ADB has made enormous efforts to encourage the establishment of the MSF and to engage in dialogue with development partners and stakeholders on other various areas in which BWDB should become more inclusive and efficient.

¹ Our main concerns include the following: First, the initial 12 years of incremental net revenue are negative in the PPER, which could be due to underestimation of cropped area and yield, as well as incremental fish production facilitated by the improved drainage conditions. The cropped area under two major rice crops (Boro and Aman using high yielding varieties) grows fairly slowly up to 2008, and is kept constant or decreasing thereafter, which we feel is unrealistic. Second, the analysis does not reflect any changes in the cropping pattern between pre- and post- project conditions, despite the physical changes in the drainage conditions. Third, the methodology in the economic analysis is more of a financial analysis. Shadow prices are not included, which usually tends to reduce the EIRR.

5. We also note that SARD has been actively following up on the continuation of TRM since 2004. For example, in June 2006, Bangladesh Resident Mission (BRM) facilitated a meeting between BWDB and the local nongovernment organizations (NGOs), which updated NGOs about BWDB's future plans in the area. BRM also participated in a local consultation meeting and a roundtable meeting arranged by the local newspaper "Shomokal" on the KJDRP. In March 2007, the Government approved the DPP of the follow-on project to improve drainage, which will be financed entirely from the Government's revenue budget. To a large extent this approval was due to ADB's constant dialogue with the Government. In June 2007, ADB facilitated an informal agreement among the concerned parties, including NGOs, to establish the MSF in order to monitor and support further interventions in the KJDRP area. SARD is closely monitoring the situation, and providing active facilitation and support as needed.