

## MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION FOR THE TRANSPORT SECTOR IN INDIA—FOCUSING ON RESULTS

On 19 October 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We appreciate OED's Sector Assistance Program Evaluation (SAPE) for the Transport Sector in India. We find it comprehensive and well-analyzed, covering all key aspects of ADB's assistance to the transport sector in India, particularly the roads and railways subsectors. We note that the SAPE will provide valuable insights for the new Country Partnership Strategy (CPS) for India, which is currently under preparation.

2. We note that the SAPE rated ADB's transport sector assistance to India partly successful overall, but on the higher side. The SAPE rating is determined largely due to its assessment on efficiency ("less efficiency") and sustainability ("less likely to be sustainable"). The SAPE also rated the overall impact of ADB's transport sector assistance modest in comparison to the overall needs of the country. Furthermore, ADB's performance is rated partly successful.

3. We agree in general with the SAPE assessment. Regarding the implementation efficiency and sustainability, we note that ADB has been making efforts to mitigate the implementation delays and to explore various means, including public-private partnerships and institutional capacity building, to help ensure sustainability of developmental impact in all of the technical, financial, and institutional aspects. On the impact of ADB's assistance, given the advanced stage of development the country is in, and the scale of the country's developmental needs and undertakings, we believe it is natural that ADB's contributions to the country's developmental process have been modest.

### II. Comments on Specific Recommendations and Follow-Up Actions

4. **Implementation delays and ADB supervision.** We agree with the SAPE suggestion that implementation delays should be a focus of ADB's portfolio management. We note that implementation delays have indeed been a major concern under ADB-assisted transport projects in India. At the strategic level, ADB's South Asia Department (SARD) declared project implementation as the top operational priority in 2006 and 2007 and intensified interactions with the Government on implementation issues. The Government of India (GOI) and ADB recently instituted several measures to address implementation delays. These measures include: (i) regular, quarterly tripartite portfolio review meeting, (ii) training on project implementation, and (iii) devoting an increasing share of our staff resources for project supervision.

5. GOI and ADB started quarterly tripartite portfolio review meetings, involving oversight and line agencies of the Government and ADB at a senior level, to discuss implementation issues and agree on corrective actions on each

individual project. We have been providing complementary assistance to GOI through hands-on training on project management and workshops on procurement, disbursement, and safeguards compliance, for executing agency officials. We are also now devoting an increasing share of our staff time for project implementation. In the transport sector, 42% of the field work was on project implementation (the rest is for project processing) in 2006. This would further strengthen in 2007 with 56% of field work on project implementation and per-project inputs of 27 staff-days for field review.<sup>1</sup>

6. We note that with these efforts, disbursements increased from \$161 million in 2005 to \$440 million in 2006. It is estimated that disbursements will further increase to \$550 million in 2007. As forward-looking efforts, GOI and ADB have adopted ex-ante measures of project readiness filters to be used from the project preparation stage so that delays could be managed from the outset. This work process has proven to be effective as demonstrated in the case of Rural Roads Multitranchise Financing Facility (MFF) Project 1<sup>2</sup> (first year contract awards of 95% and disbursement of 47%) and Madhya Pradesh State Roads Sector Project II<sup>3</sup> (first year contract awards of 75%). With these positive results, we are continuing and intensifying the efforts.

7. **ADB staffing.** In general, we agree with the SAPE's suggestion that ADB find ways to match the number and quality of staff to the increasing level of transport operations. However, we note that the provision of further quality staff resources to the transport sector in India has ADB-wide implications and should be reviewed through the annual Work Program and Budget Framework exercise.

8. **Project design.** We agree with the SAPE suggestion that project design must be improved. We note that project design quality at entry has already been adopted in practice. Project design takes into account the past lessons and experience, with realistic implementation schedule. Capacity building technical assistance is provided to needy executing agencies. Timely implementation of start-up activities and smooth take-off of project implementation is being ensured with the adoption of project readiness filters and consequent need of advance procurement actions. As a result of these efforts, the periods for loan signing and first contract awards have been sharply reduced for all loans approved since 2005.<sup>4</sup>

9. **Support private sector participation across transport modes.** We agree with the SAPE suggestion that ADB supports private sector participation (PSP) in the transport sector. We note that PSP has been and will continue to be

---

<sup>1</sup> The 1994 Task Force Report on Improving Project Quality recommended two weeks of field time per year to be allowed for an ongoing project.

<sup>2</sup> Loan 2248: Rural Roads Sector II Investment Program–Project 1 approved in July 2006.

<sup>3</sup> Loan 2330: Madhya Pradesh State Roads Sector Project II approved in May 2007.

<sup>4</sup> Among the loans approved from 2001 to 2004, the periods from loan approval to loan signing and to first contract awards were on average 10.9 months and 25.8 months, respectively. For the three loans approved since 2005, these periods have significantly been reduced: for Loan 2248, loan signing was 1 month after loan approval, at which time 90% of the contracts were already awarded under advance contracting and retroactive financing; for Loan 2330, loan signing and first contract awards were 2 months and 4 months after loan approval, respectively; for Loan 2308: Uttaranchal State-Road Investment Program–Project 1 approved in January 2007, first contract awards were 8 months after loan approval.

explored under ADB-assisted transport projects. Types of ADB support vary depending on the nature of the projects.

10. For revenue-generating national highways, ADB is currently processing a \$400 million MFF to finance viability gap of build-operate-transfer concessions. ADB has also helped develop operation and maintenance concession agreements for the Golden Quadrilateral national highway network for combined benefits of promoting PSP and helping sustainability. At the state level, ADB has been supporting PSP for comparatively advanced states, such as Madhya Pradesh. For the rural roads, ADB has been promoting PSP with construction and maintenance package work, also to ensure sustainability. In the railway sector, ADB has been holding dialogue on PSP on both practical applications for specific railway operations—container services in particular as well as in ancillary services such as catering and warehousing—and more holistic, strategic applications. Exploratory discussions are underway.

11. **Reassessment of the approach to policy reforms in Indian railways.** We concur with the CAPE suggestion that ADB reviews its approach in the railways subsector. We note that the progress of the ongoing reform program will be assessed during the midterm review mission scheduled for late 2007. The review will examine, among other things, how ADB's ongoing assistance should be structured to respond to the current Indian railway needs of increasing efficiency and improving commercial orientation. The results will be taken into consideration during preparation of the CPS and possible future collaborations.

12. Based on regular policy dialogue and periodic programming discussions, we are of the view that there is room for ADB to play a role in the railway sector, both in helping meet the financial needs and helping enhance operational efficiency. Our focus is to collaborate on areas where ADB, as an external multilateral development partner, could add value and deliver results effectively and efficiently.

13. **Strengthen policy dialogue.** We agree with the SAPE suggestion that ADB should strengthen policy dialogue. We note that ADB is broadening its developmental collaboration in the transport sector to respond to the current priority concerns and challenges, such as road safety, energy efficiency, intermodal transport system development, and governance.

14. For road safety, we are considering a TA for preparing a road safety strategy followed by a specific investment undertaking related to the enhancement of transport operation efficiency. ADB's ongoing collaboration on railways and urban transport (advisory technical assistance) will promote reduction of transport emissions and enhance efficient energy use in transport. On developing efficient transport systems over different transport modalities, ADB is processing a technical assistance for intermodal transport strategy. The sector governance and corruption issues are being taken up at the country level during the preparation of the CPS. Inclusive development has been adopted as one of the new CPS thrusts, which is currently under preparation.