



# Validation Report

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Reference Number: PCV: KIR 2009-05  
Project Number: 28310  
Loan Number: 1648-KIR(SF)  
May 2009

## Kiribati: Sanitation, Public Health, and Environment Improvement Project

Independent Evaluation Department  
**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
m <sup>3</sup> /day	–	cubic meter per day
MESD	–	Ministry of Environment and Social Development
MPWU	–	Ministry of Public Works and Utilities
PCR	–	project completion report
PIU	–	project implementation unit
PMO	–	project management office
PUB	–	Public Utilities Board
TA	–	technical assistance

## NOTE

In this report, “\$” refers to US dollars.

### Key Words

adb, asian development bank, environment, health, policy, project completion report, project implementation, sanitation, validation

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## PROJECT COMPLETION VALIDATION REPORT

A. Basic Project Data		PCR Validation Date:	May 2009	
<b>Project Number:</b>	28310		<b>Approved</b>	<b>Actual</b>
<b>Loan Number:</b>	1648-KIR(SF)			
<b>Project Name:</b>	Sanitation, Public Health, and Environment Improvement Project	<b>Total Project Costs (\$M):</b>	12.80	12.49
<b>Country:</b>	Kiribati	<b>Loan (\$M):</b>	10.24	9.94
		<b>SDR Equivalent:</b>	7.27	7.11
<b>Sector:</b>	Water supply, sanitation, and waste management	<b>Total Cofinancing (\$M):</b>	0	0
<b>ADB Financing (\$M):</b>	<b>ADF:</b> 10.24	<b>Borrower (\$M):</b>	2.56	2.55
	<b>OCR:</b> 0	<b>Beneficiaries (\$M):</b>	0	0
<b>Cofinanciers:</b>	None	<b>Others (\$M):</b>	0	0
<b>Approval Date:</b>	8 December 1998	<b>Effectiveness Date:</b>	26 July 1999	15 September 1999
<b>Signing Date:</b>	28 April 1999	<b>Closing Date:</b>	31 December 2003	9 April 2008
<b>Project Officers:</b>	<b>Name:</b>	<b>Location (HQ or RM):</b>	<b>From (year)</b>	<b>To (year)</b>
	J. Stubbs	RM	May 1999	May 2005
	P. Moala	RM	June 2005	September 2006
	R. Phelps	RM	October 2006	April 2008
<b>Validator:</b>	E. Breckner, Consultant	<b>Director:</b>	R. B. Adhikari, IED1	
<b>Quality Control Reviewer/Peer Reviewer:</b>	J. S. Bayley, Evaluation Specialist, IED1			

ADB = Asian Development Bank, ADF = Asian Development Fund, HQ= Headquarters, IED1 = Independent Evaluation Division 1, KIR = Kiribati, M = million, OCR = ordinary capital resources, PCR = project completion report, RM = resident mission, SDR = special drawing rights, SF = special fund.

### B. Project Description (Summarized from the RRP<sup>1</sup>)

- (i) **Rationale.** At the time of appraisal, population pressure and a growing demand for adequate water and sanitation services in South Tarawa had stretched the capacity of existing service systems and contributed to significant environmental degradation. Steady deterioration of the environment and service standards of basic utilities were depressing the medium-term prospects of economic development and exposing the population to health hazards.
- (ii) **Impact.** The stated impact of the Sanitation, Public Health, and Environment Improvement Project (the Project) was to improve the development potential, health, and well-being of Kiribati people.
- (iii) **Objectives or Expected Outcomes.** The expected outcome was a sustained program of improvements in water supply, sanitation services, solid waste disposal, and environment conservation.
- (iv) **Components and/or Outputs.** The Project, as designed, had four components:

<sup>1</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grants for the Sanitation, Public Health, and Environment and Improvement Project in Kiribati*. Manila (Loan 1648-KIR[SF], for \$10.240 million, approved on 8 December).

- (a) **Participatory Development and Capacity Building.** This component consisted of (1) promoting a participatory development process; (2) building capacity to manage natural resources, including restructuring the Public Utilities Board (PUB); and (3) enhancing the capacity to implement development projects.
- (b) **Water Supply System Improvement.** This second component consisted of (1) rehabilitating and expanding South Tarawa's water supply system; (2) improving the collection, storage, treatment, and distribution of water; and (3) promoting community participation for the better use of water resources.
- (c) **Sewerage and Sanitation Systems Improvement.** This component consisted of (1) rehabilitating the sewerage system, (2) providing new connections to households, and (3) improving the operation and management of the sewerage and sanitation systems.
- (d) **Environmental Conservation.** This fourth component consisted of (1) improving solid waste management and safe disposal of hazardous waste, and (2) conserving groundwater resources.

### C. Evaluation of Design and Implementation (PCR Assessment and Validation)

- (i) **Relevance of Design and Formulation:** The project completion report (PCR)<sup>2</sup> noted that the Project was consistent with the country strategy and program of the Asian Development Bank (ADB) at that time to promote public sector reform and to develop social infrastructure. The Project also corresponded to the current country strategy and program update, which aims to promote good governance and increase the supply of basic social services. It was consistent with the Government's 1997–2000 medium-term development strategy to improve government efficiency and to integrate environmental considerations and supported the Government's current 2004–2007 national development strategy to promote economic growth, reform the public sector, and use natural resources in a sustainable manner. The PCR also noted that the project components followed the design recommendations of project preparation activities and the outcome of policy dialogue. It further pointed out that the Project included concurrent community development technical assistance (TA) to promote health and hygiene behavioral changes and community empowerment. However, the project design underestimated the potential obstacles to project goals due to the fundamental conflict between long-established local customs and relatively new behaviors needed to share and protect water resources and to sustain urban services, which had repercussions on the outcome of the Project.

The Validator notes that the Project was designed and formulated based on the perceptions of the design team and within the framework of both ADB and the Government's priorities. The Validator also notes that special measures were taken to deal with perceived potential social issues and problems.

- (ii) **Project Outputs:** The PCR described the achieved outputs as follows:

(a) **Capacity Building and Participatory Development.**

- (1) **Restructured Public Utilities Board.** The Government introduced legislative changes to give PUB increased autonomy, but PUB has yet to take full advantage of the opportunities presented by the changes. Achievements in the PUB restructuring action plan included a more autonomous board with community representation, a new organizational structure, the preparation of position descriptions, the appointment of a new chief executive officer under a performance-based contract, ongoing ad hoc corporate planning (although most targets have not been achieved in the intended time frames), the installation of new financial management and accounting systems, and the acceptable performance of trained technical staff in day-to-day operational roles to maintain service continuity. Although some restructuring milestones have been achieved, PUB is still subsidized by the Government and exhibits little accountability for its levels of service, delivery, and efficiency.

<sup>2</sup> ADB. 2008. *Project Completion Report on the Sanitation, Public Health, and Environment and Improvement Project in Kiribati*. Manila.

- (2) **Participatory Development.** The Ministry of Environment and Social Development (MESD), supported by two community development TA grants, delivered many successful public information programs and community activities in cooperation with nongovernment organizations, churches, cooperatives, women's organizations, schools, and households. Promotion of rainwater tanks was very successful; the percentage of households using them increased from 23% in 1995 to 43% in 2005. MESD also promoted other practices, including water conservation, hygiene, waste reuse and recycling, and garden composting. A collaborative solid waste management program with the International Waters Programme was successfully implemented. Community monitoring of project activities was implemented with varied degrees of impact.
- (3) **Project Management.** Training was provided to government and project management office (PMO) staff to increase their project management and procurement capacity and to build familiarity with ADB procedures. The Government established a well-equipped PMO close to the Ministry of Finance and Economic Development, which was the Executing Agency (EA). A comprehensive project performance management system was developed and training on it undertaken, but this remained largely driven by the specialist consultant and was not well utilized by the EA for progress monitoring or reporting. Quarterly reporting was inadequate and often submitted late. With ADB guidance, however, this improved significantly during implementation.
- (b) **Water Supply.** Collection, storage, treatment, and distribution of water were improved. The water treatment plant was upgraded, and its capacity increased from 1,400 to 2,050 cubic meters per day ( $m^3/day$ ). Leakage in the transmission mains was reportedly reduced from 70% to 20% as a result of their replacement under the Project. Only limited measures were taken to control leakage within the distribution system, however. Following a pilot project, 3,200 household connections were upgraded to a constant-flow system, although only 2,400 remain in operation. The 3,200 connections represented 91% of the households with PUB service in 1995, but the percentage dropped to only 71% in 2000 and to 61% in 2005 due to an intervening increase in the number of households. The goal of 24-hour supply has not been achieved, and many schools have been supplied with rainwater tanks. Following the Midterm Review Mission, the Project used cost savings to construct four additional water galleries at Bonriki and to install a water transmission pipeline to Temaiku. Combined with existing pump rate modifications, this work increased the total safe water yield from underground sources from 1,300  $m^3/day$  to just under 2,000  $m^3/day$ .
- (c) **Sewerage and Sanitation.** The Project rehabilitated three existing saltwater sewerage systems that were no longer functional, increasing household coverage and improving operation and maintenance. More than 400 problematic connections were rehabilitated, and the system was extended in six locations. All government-owned houses are now connected. In addition, the saltwater supply system was overhauled. The three existing PUB sewer outfalls discharged within the reef were repaired, strengthened, and extended, but not to 15 meters below sea level as was recommended in project design. Operation and maintenance training was undertaken, and stocks of spares procured. High-pressure pipe-cleaning equipment was also procured but is no longer functional. Despite an extensive school hygiene promotion program undertaken by MESD's project implementation unit (PIU), school toilet facilities were not rehabilitated or constructed as envisaged at appraisal.
- (d) **Environmental Conservation.**
- (1) **Solid Waste.** The Project developed two new landfill-type waste disposal sites on the lagoon side beaches at Nanikaai and Bikenibeu. The existing site at Betio was improved, and three discontinued sites were restored. A solid waste management manual was prepared, and operational training was provided. Procurement included three tractors and trailers for waste collection, two trucks and lift-off trays for waste transfer, and two bulldozers for waste covering and compaction. The poorly performing incinerator at Tungaru Central Hospital was replaced with one better suited to hazardous hospital waste disposal.

- (2) **Water sources.** Monitoring boreholes were repaired, and regular monitoring of extraction rates and salinity began. Four water reserves were declared, and the two operational reserves were better defined by constructing permanent roadways along their peripheries. MESD's PIU was active in promoting water conservation, and households purchased a large number of rainwater tanks through the microfinancing scheme financed by the Project and administered by the Kiribati Housing Corporation. A water reserves coordination committee was established to consult with communities and act on behalf of the Government to resolve water protection issues. Nonetheless, human settlement on the existing water reserves has not been significantly reduced.

The Validator considers this to be a clear and comprehensive description of project outputs.

**(iii) Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule (as relevant to project performance):**

- (a) **Project cost.** In terms of project costs, the PCR noted that the estimated cost of the approved Project was \$12.80 million, financed by an SDR7.271 million loan (approximately \$10.24 million, or 80% of the project cost), with the Government expected to fund the balance. At project completion, the loan had covered \$9.94 million of a total cost of \$12.49 million, with the balance of \$2.55 million funded by the Government. A major change in costs was due to the price of consulting services, which cost about \$1.20 million more than the original estimates because of extensions to the consultant's contract to meet implementation needs. The cost of consulting services thus increased to 33% of overall costs.
- (b) **Disbursement.** Disbursement was made through reimbursement, direct payment, and an imprest account. Disbursement from the loan account began in December 2000 and was completed in June 2005.
- (c) **Borrower Contribution.** Most disbursements from the loan account were through direct payment procedures that amounted to \$7,896,881.00. The closure of the loan account was delayed for 2 years due to inability of the Borrower to refund an outstanding advance in the imprest account amounting to \$67,917.28. To resolve the issue, the ADB financing for civil works was increased from 81% to 82% through a major change in the implementation arrangements. In terms of project schedule, the Project was proposed for implementation over a 4.5-year period, starting in January 1999, with completion of civil works by 30 June 2003 and loan closing by 31 December 2003. However, loan effectiveness was twice delayed pending the Government's compliance with conditions relating to restructuring of PUB, and the loan was only declared effective on 15 September 1999. The Government undertook prior recruitment of consultants, and they were mobilized the same month. Later, following a 6-month delay in approval of prequalification of contractors by ADB, a civil works contract was signed in late May 2002. Physical works began in mid October 2002. After an extension of the loan closing date by about 1 year, project activities were completed in October 2005, and the loan was closed on 9 April 2008.

The Validator notes the relatively high percentage of the project cost devoted to consulting services. However, the Validator takes into account that this was the first ADB project in Kiribati and that the need for consultancy, as well as consultancy costs tend to higher in the Pacific than in other parts of the region. The flexibility in increasing the financing percentage is also noted, as are the delays in making the loan effective and, on the part of ADB, in approving the prequalification of contractors.

**(iv) Implementation arrangements, conditions and covenants, procurement and consultant performance:**

- (a) **Implementation Arrangements.** Implementation arrangements followed those set out in the report and recommendation of the President (RRP). The Ministry of Finance and Economic Development was the EA. A project steering committee was established and also acted as the technical advisory committee. The EA established a PMO, and PIUs were established within MESD and the Kiribati Housing Corporation, and a third was set up within the Ministry of Works and Energy. The Ministry of Public Works and Utilities (MPWU) project management unit was supposed to work closely with the consultants in design and supervision of civil works, but added

little value to these activities mainly due to staff shortages and competing priorities. In 2005, with ADB's consent, the consultant engaged a local engineer to strengthen civil works supervision.

- (b) **Conditions and Covenants.** All covenants remain as per the original Loan Agreement. Loan effectiveness was twice delayed pending government compliance with conditions for the creation of enabling legislation for PUB restructuring, but this was ultimately resolved. The PCR further noted that, otherwise, covenants listed in Schedule 6 of the Loan Agreement were generally complied with within reasonable time frames. However, Table 3 on loan covenant compliance shows that there were other significant shortcomings. For example, restrictions to prevent encroachment on water reserve areas were formulated but are not being observed or enforced. Furthermore, financial covenants for PUB are not being fully followed, and the project performance management system has not been regularly updated.
- (c) **Related Technical Assistance.** Funding for the approved Project included two TA grants: (1) Management and Financial Advisory Services for Restructuring the Public Utilities Board, and (2) Community Development and Participation Initiatives. A third follow-on TA grant, Community Development and Sustainable Participation, was provided to consolidate the achievements of the earlier community development TA grant. The PUB restructuring TA grant mobilized in July 1999 and was implemented over 42 months. It was assessed as substantially achieving its terms of reference within budget. However, because PUB remained commercially unviable, the TA grant was rated *partly successful*. The community development TA began in September 1999 and was implemented over 17 months. By mobilizing nongovernment and community-based organizations, the TA grant worked closely with MESD's PIU in promoting water conservation, composting toilets, good sanitation and hygiene practices, and environment and public health awareness. The TA completion report assessed it as substantially achieving its terms of reference within budget, and rated it *successful*. The follow-on TA grant started in August 2002 and was implemented over 34 months. It was also assessed as substantially achieving its terms of reference, was within budget, and was rated *highly successful*.
- (d) **Procurement.** For the loan project, procurement of consulting services was undertaken in accordance with ADB's *Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers*<sup>3</sup> with assistance from ADB. Procurement of major equipment was undertaken by the PMO in accordance with ADB's *Procurement Guidelines*<sup>4</sup> under ADB Loans. However, the delivery of materials and equipment was delayed on many occasions on account of logistical issues and Kiribati's remote location. There was insufficient consultation with end-users, and their involvement in specification and procurement could have enhanced ownership and sustainability.
- (e) **Consultant Performance.** The PCR noted that the consultant's performance was *less than satisfactory*. It considered that although the design and specification documentation was generally well done, the design solution was often more complex and costly than necessary, and the design was unnecessarily detailed for the contracting approach adopted. In terms of contractor performance, the constructed works were generally of high quality, and "fit for purpose," except that the works as constructed could not deliver the quantity of water as reassessed at the midterm review.

The Validator considers that this section of the PCR provided a clear picture of project implementation but notes that a more explicit discussion on partially fulfilled covenants could have been presented in the text rather than just in the accompanying table, especially since they relate to the final overall assessment of the Project.

- (v) **Performance of the Borrower and the Executing Agency.** The PCR considered that, generally, the performance of the Government, EA, PMO, and the PIUs was *satisfactory*. The cabinet endorsed the PUB restructuring plan and, despite some minor delays, implemented suitable amendments to the PUB legislation. The PMO was adequately staffed, and the project manager's resignation in late December 2002 was overcome with little disruption. However, coordination between loan-funded and

<sup>3</sup> ADB. 2007. *Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers* Manila. Available: <http://www.adb.org/Documents/Guidelines/Consulting/default.asp>

<sup>4</sup> ADB. 2007. *Procurement Guidelines*. Manila. Available: <http://www.adb.org/documents/guidelines/procurement/Guidelines-Procurement.pdf>

TA activities could have been improved. MESD's PIU was well-staffed and performed satisfactorily with the support of the capacity-building TA. After some early problems that constrained the number of loans issued, the Kiribati Housing Corporation's PIU performed satisfactorily. MPWU's PIU did not perform as well, however, and was hampered by staff constraints and confusion regarding its role in relation to PUB and the project consultant. Except for environmental regulation, the Government has not made progress in the regulation of service delivery.

The Validator questions the PCR's *satisfactory* assessment in view of the material provided in sections C (vi) and (iv). In view of the nonachievement of several project outputs and outcomes (e.g., the construction of toilets for schools, the partial compliance with covenants on water reserves, the financial and institutional restructuring of PUB and the less-than-satisfactory performance of MPWU) all of which were within the responsibility and control of the Borrower, a more reasonable assessment would have been *partly satisfactory*.

- (vi) **Performance of the Asian Development Bank.** The PCR considered that ADB's early performance was satisfactory but that overall performance should be rated as *partly satisfactory*. The reasons given were water sources remain vulnerable, 24-hour piped water supply was not provided, PUB is still subsidized by the Government, and some urgently needed sanitation interventions were not implemented. In addition, the PCR noted that adoption of a design-and-build modality for the civil works contract was inappropriate; coordination difficulties between ADB headquarters and the South Pacific Regional Mission delayed approval of the PMO's contractor prequalification recommendations for 6 months, and the midterm review's finding that progress was fully satisfactory was not supported by the facts. On the other hand, the PCR mentioned a number of positive actions taken by ADB in support of implementation, including that (a) ADB's project formulation and design preparation were generally well researched and widely consulted; (b) additional staff consultants were provided to deal with several technical and compliance issues during the implementation period; (c) ADB provided advice and training related to loan conditions, establishment of the PMO and PIUs, recruitment of the project manager and the consultant, and operation of the imprest account; and (d) frequent and regular review missions were undertaken during the Project's early implementation period, and ADB's project performance reporting was regularly updated and generally adequate.

The Validator notes that the items listed as not being achieved were more the responsibility of the Borrower and its EA as the project implementing agencies, rather than ADB in its role of financier. In view of the many positive aspects of ADB's performance the assessment is thus upgraded to *satisfactory*.

#### D. Evaluation of Performance (PCR Assessment and Validation)

- (i) **Relevance:** The PCR rated the Project as *relevant*. It noted that the project design responded appropriately to real and urgent health, environmental, and economic development needs of the people of South Tarawa. The midterm review enhanced project relevance by addressing water availability and solid waste management issues.

The Validator notes these achievements and agrees with the *relevant* rating and notes that some of the material in section II (A) of the PCR (Relevance of Design and Formulation) should have been described in this section as well, especially the relationship of the Project to the Government and ADB's development strategies for the country.

- (ii) **Effectiveness in Achieving Outcome:** While noting significant improvements in the level of services, access to water, access to sanitation facilities, and environmental cleanliness, the PCR still rated the Project *less effective* for the following reasons.
- (a) **Institutional Development.** The autonomy and capacity of PUB to deliver services has improved significantly, although it remains constrained by considerable human resources shortages at management levels, and low recovery of operating costs through user charges.
- (b) **Service Delivery.** Improvements are needed to meet the Government's Millennium Development

Goals for access to safe water and to increase supply security to the optimal 100-liters-per-person-per-day level recommended by the World Health Organization. The infrastructure provided under the Project should contribute to meeting this target, if it is efficiently managed, which is not yet the case.

- (c) **Water Quality.** The use of rainwater has increased significantly, largely as a result of project microfinancing and promotional activities. The quality and availability of the piped water supply has increased, and so has access to the supply. However, water sources are still susceptible to pollution from illegal settlements within the reserves.
- (d) **Sewerage.** Sewerage services are now more reliable. About 400 additional households were connected to the system by the Project. Some environmental concerns remain regarding the adequacy of the ocean outfalls repaired and extended by the Project for dispersing the effluent.
- (e) **Solid Waste.** Attitudes and practices in relation to household solid waste have improved significantly. Recycling rates have increased, and local councils are now better equipped and more motivated by the communities to collect solid waste regularly. However, the current landfill operation is inadequate to prevent disease vector breeding or to maximize the useful life of the investment.

The Validator notes the achievements and deficiencies of the Project, and, while acknowledging some significant outcome achievements, agrees with the *less effective* rating.

- (iii) **Efficiency in Achieving Outcomes and Outputs:** The PCR rated the Project *inefficient*. It noted that unit costs were high, the expected rates of return have not been achieved, and the implementation period was just over 6 years, compared with the 4.5-year target. It noted the high cost of consulting services, the high connection cost of the water supply component, the low overall project economic internal rate of return, and the negative financial internal rate of return.

The Validator acknowledges this underperformance but notes that the Project was completed within budget and that delays were not excessive when compared with many other ADB projects (the average start-up delay among ADB projects is 8 months). One delay, of 6 months, was due to ADB's—not the Borrower's—inaction. Moreover, the economic internal rate of return of 8.6%, while below 12.0%, is not abysmally low and this assessment does not include the unquantified health benefits of the project. According to the *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*,<sup>5</sup> an economic internal rate of return between 6% and 12% is considered *less efficient*. Furthermore, in view of the environmental improvements brought about as a result of the Project, there may well be additional unquantifiable benefits. The Validator, thus, considers that a more reasonable rating would be *less efficient*.

- (iv) **Preliminary Assessment of Sustainability.** The PCR rated the sustainability of project outcomes *less likely* at this time, with potential to improve if the declines in service coverage, operating cost recovery, and water resource protection can be addressed in the near future. In support of this rating, it noted that (a) piped water service coverage has decreased by 30% since project completion, mainly due to disconnections that followed intentional damage or nonpayment; (b) despite PUB's progress toward commercialized operations, it is not in a position to fund even its current low levels of service, let alone improvements or expansion; (c) the Government has taken some actions to protect water sources but has been unable to reduce the risk of pollution by human settlement; and (d) the Government has not yet established mechanisms to control water resource use, while PUB's current extraction rate exceeds estimates of safe yield by more than 20%.

On the basis of the evidence given, the Validator agrees with the *less likely* rating.

- (v) **Impact (both intended and unintended).** The PCR noted that there has been a significant improvement in health and economic indicators in South Tawara and attributed a major portion of this improvement to the Project. Taking into account the outputs and the outcomes indicated in the PCR

<sup>5</sup> ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila. Available: <http://www.adb.org/Documents/Guidelines/Evaluation/PPER-PSO/default.asp>

(even though they may be less than expected during appraisal), the Validator agrees that the impact of the Project was *significant*.

#### **E. Overall Assessment, Lessons, and Recommendations (Validation and PCR Assessment)**

- (i) **Overall Assessment:** The PCR considered that the Project was *partly successful*. On a subjective basis, the Validator agrees with this assessment. The Project attained some achievements and had a significant impact, but the shortcomings were such that it is not possible to consider it successful. To double check, the assessment methodology used in the guidelines (footnote 5) was followed. On the basis that the Project was *relevant, less effective, less efficient and less likely to be sustainable*, the overall rating is 1.4, which by definition, should be considered at the higher end of the *partly successful* rating (0.8–1.6). This confirms the PCR rating and seems a reasonable reflection of the achievements of the Project. The Validator, thus, concurs with the *partly successful* rating.
- (ii) **Lessons:** The PCR provided a number of lessons learned. These include (a) local culture impacts outcome, (b) water and land issues are interlinked, (c) multidimensional projects need effective coordination, (d) organizational change requires time, (e) service improvement requires ongoing motivation and sufficient human resources, and (f) simple and appropriate solutions are less costly and more sustainable. The Validator notes that these are valuable lessons and relevant to most (if not all) of ADB's projects—not just those in this sector or the Pacific region.
- (iii) **Recommendations:** The PCR made several recommendations relating to future monitoring, covenants, imprest account liquidation, and further action or follow-up as well as additional assistance. The Validator notes that the recommendations do not include a follow-on project. However, without such a project, ADB will have no leverage to ensure that the recommendations are followed and no basis upon which to provide additional TA. Since the originally intended outcomes and outputs are not complete, some kind of recommendation as to future project assistance and the modality to be followed (if such assistance is recommended) would provide a more complete conclusion to the PCR.

#### **F. Monitoring and Evaluation Design, Implementation, and Utilization (PCR Assessment and Validation)**

Project performance management and evaluation were to be conducted by the PMO with the assistance of MESD's PIU. A project framework was provided at appraisal and was updated in the PCR. The PCR also noted that community monitoring was undertaken, with various degrees of impact. In addition, a comprehensive project performance management system was developed and training undertaken, but the system remained largely driven by the specialist consultant and was not well-utilized by the EA for progress monitoring or reporting. Quarterly reporting was inadequate and often submitted late. With ADB guidance, this improved significantly during implementation. The PCR also recommended that the EA and ADB missions continue to use the project performance management system developed for the Project to monitor sector performance on a regular basis.

#### **G. Other (e.g., Safeguards, including Governance and Anticorruption; Fiduciary Aspects; Government Assessment of the Project) (PCR Assessment and Validation)**

The most notable safeguard issue was that of water quality and safety. As noted, although regulations have been put into place to preserve the quality of water reserves, they are not being enforced, and there is still encroachment on the reserves. In addition, the extraction of water by PUB exceeds a sustainable supply by 20%. In terms of governance, the main issue is the management and financial sustainability of PUB. While improvements have been made, it appears that there is a long way to go before this will be a viable and sustainable institution without government support. These issues were adequately dealt with in the PCR.

H. Ratings	PCR	IED Review	Reason for Disagreement/Comments
<b>Relevance</b>	Relevant	Relevant	
<b>Effectiveness in Achieving Outcome</b>	Less Effective	Less Effective	
<b>Efficiency in Achieving Outcome and Outputs</b>	Inefficient	Less Efficient	Project completion was delayed but was completed within budget. The economic internal rate of return was recalculated at 8.6%, below the cost of capital but public health related benefits were not quantified.
<b>Preliminary Assessment of Sustainability</b>	Less Likely	Less Likely	
<b>Borrower and EA</b>	Satisfactory	Partly Satisfactory	Most of the responsibility for the nonachievement of outputs and outcomes can be attributed to the Borrower and the EA.
<b>Performance of ADB</b>	Partly Satisfactory	Satisfactory	Most of the reasons attributed to ADB for its <i>partly satisfactory</i> performance were, in fact, the responsibility of the Borrower and the EA. Although there were some shortcomings, most of ADB's inputs were of a positive and proactive nature.
<b>Impact:</b>	Significant	Significant	
<b>Overall Assessment:</b>	Partly Successful	Partly Successful	
<b>Quality of PCR:</b>		Satisfactory	

#### I. Comments on Project Completion Report Quality

The PCR was generally well-prepared. It was clear and concise and detailed the history of project implementation comprehensively. It also featured an adequate treatment of safeguard issues and provided some valuable lessons. As noted, the recommendations do not seem complete without a comment regarding whether a follow-on project should occur. In addition, it is not clear why the Project was assessed *inefficient* rather than *less efficient* nor why the Borrower and EA's performance was assessed *satisfactory* rather than *partly satisfactory* while the opposite applied for the assessment of ADB's performance. Also, a more extensive account of the consultant's shortcomings in overdesigning project works and the impact of that on project success would have been helpful. All in all, the Validator assesses the quality of the PCR *satisfactory*.

#### J. Recommendation for Independent Evaluation Department Follow-Up

If there is no follow-on project, then a project performance evaluation report should be undertaken as recommended by the PCR after the Project has had at least 3 years of operational history or in 2009 at the earliest.

#### K. Data Sources for Validation

Data sources for this validation exercise include the Project's RRP, PCR, and project files.

**REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT  
VALIDATION REPORT**

The validation report was finalized incorporating the comments received on 16 January 2009. The Pacific Subregional Office of the Pacific Department had no further comments on the validation report.