



Validation Report

Reference Number: PCV:MLD 2008-27
Project Number: 28321
Loan Number: 1695
August 2008

Maldives: Regional Development Project

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
IsDB	–	Islamic Development Bank
MOAD	–	Ministry of Atoll Development
MPND	–	Ministry of Planning and National Development
NDR	–	northern development region
O&M	–	operation and maintenance
OED	–	Operations Evaluation Department
PCR	–	project completion report
RDMO	–	regional development management office
SDF	–	social development fund
SDR	–	southern development region

Key Words

adb, asian development bank, maldives, decentralization, regional development, living standards, poverty reduction, project components, ratings, lessons, recommendations, operations evaluation department

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PROJECT COMPLETION REPORT VALIDATION

A. Basic Project Data		PCR Validation Date:	11 July 2008	
Project/Loan No.:	28321/1695		(\$ million)	
Project Name:	Loan 1695-MLD: Regional Development Project	Total Project Cost:	Approved	Actual
Country:	Maldives	Loan:	14.00	16.42
Sector(s):		Cofinancing:	8.00	6.62
Financing:	ADF: \$8.00 million	Borrower Contribution:	3.00	5.87
	OCR:—	Board Approval Date:	2 Sep 1999	
Cofinanciers:	Islamic Development Bank	Effectiveness Date:	2 Mar 2000	
		Closing Date:	31 Dec 2004	31 Dec 2005
Project Officers:	T. Gallego-Lizon, M. Otsuka, H. Austria	Designation: Headquarters, South Asia Department	From Mar 2000	To Dec 2005
Evaluator:	Sarath Thalakada, Consultant	Officer-in-Charge:	Ramesh B. Adhikari, OED2	
Quality Control Reviewer:	Cheolghee M. Kim, Senior Evaluation Specialist, OED2			

B. Project Description (summarized from the report and recommendation of the President)

- (i) **Rationale and expected impacts:** The Project was to contribute to achieving more equitable development of the Maldives by supporting regional efforts to develop the Government-defined five development regions, focusing on the northern development region (NDR) and southern development region (SDR). Institutional, social, and physical infrastructure and environmental improvements were to provide a better standard of living for the people in these regions comprising 13 focus islands (9 in the NDR and 4 in the SDR), far from the capital Malé, the recipient of most development in the past. This, in turn, was expected to result in economic, environmental, and social competitive advantages catalyzing economic growth in regional centers and creating a range of employment and private sector investment opportunities. The Project was expected to benefit directly, with a better standard of living, a population of 19,000 in the nine focus islands of the NDR and 21,000 in the four focus islands of the SDR; and benefit more than 100,000 people in the NDR and SDR through the regional development and management offices (RDMOs) by providing the opportunity for residents to influence development taking place in their own islands. The Project was well-timed, as the country had entered a critical stage of development after 2 decades of impressive economic performance.
- (ii) **Objectives or expected outcomes:** Four outcomes were expected: (a) institutional strengthening (strengthened RDMO operations and staff training for initiating a decentralization program); (b) provision of social infrastructure (water supply and sanitation programs); (c) development of physical infrastructure (a road development program for facilitating travel, trade, economic development, and reduction of coastal erosion); and (d) environmental improvements.
- (iii) **Outputs:** To achieve the goals of equitable development and reduce population pressure in Malé, the Project had four parts: part 1, institutional strengthening (constructing permanent RDMOs in Kulhudhuffushi and Hithadhoo, and providing them with furniture, equipment, and staff training); part 2, social infrastructure (rainwater tanks, septic tanks, pilot sewerage scheme, desludger, and social development fund (SDF) to help achieve cost recovery in the water sector); part 3, physical infrastructure (upgrading a 17-kilometer road from Gan to Hithadhoo, upgrading streets in urban areas of the focus islands, coastal protection, bridge, and road equipment); and part 4, environmental improvements (solid waste management, freshwater lens investigations, coastal erosion investigations, and marine ecology monitoring).

(iv) Principal activities: Consulting services; RDMOs—design and procurement, construction, staffing, and operations; Gan–Hithadhoo Road—design and procurement, construction, and maintenance; Hankede Bridge—design and procurement, construction; solid waste management; rainwater collection and sanitation; pilot sanitation—survey and design, construction, and implementation; setting up the SDF; environmental monitoring; project management; training; and project performance management.

C. Evaluation of Design and Implementation (project completion report [PCR] assessment and Validation)

(i) Relevance of design and formulation: Design and formulation were relevant at appraisal. The Project was consistent with the Government's Fifth Development Plan (1997–2000) and island community requirements. The Fifth Plan identified the root causes of poverty as regional disparity and unequal access to (a) economic and social infrastructure, and (b) benefits of the fishing industry and tourism. The Project was the first major thrust to implement and operate the Government policy of regional development with equity in the country and reduce pressure on Malé. It was in line with the Asian Development Bank (ADB) country operational strategy (1995–2002), which emphasized regional development, population planning, and environmental protection. The Project was consistent with ADB's medium-term strategic framework (1997–2000), which focused on increasing economic growth, reducing poverty, improving the status of women, facilitating progress in population planning, and protecting the environment. The Project was formulated by an ADB project preparatory technical assistance in 1999. It identified the key infrastructure investments considered necessary for development of regional growth centers and defined the conditions necessary to provide a growth engine at each center. ADB-financed investments in the NDR and SDR were in accordance with these findings and constituted the key elements in a series of interventions coordinated by the Government. They were also identified in consultation with the other major funding agencies operating in the country (Islamic Development Bank [IsDB], Kuwait Fund, and United Nations Development Programme,).

(ii) Project outputs: The envisaged outputs were generally achieved for the four parts. Part 1, institutional strengthening: RDMO buildings were constructed, and furniture and equipment provided; but staff training was limited. Part 2, social infrastructure: 5,000 water tanks were provided against the appraisal estimate of 2,000. The pilot sewerage scheme was established in the NDR with a reduced coverage of 60 households but encountered staffing and operating problems. The supply of 1,000 septic tanks as envisaged was substantially reduced due to the lower than expected demand for credit for their purchase, and insufficient financing allocated for this subcomponent for construction of a comprehensive sewerage scheme and on-site sanitation. Desludging equipment was provided for both the NDR and SDR. Part 3, physical infrastructure: the Gan–Hithadhoo link road, bridges, and a causeway with culverts together with coastal protection measures were constructed; a sea transport study was finalized. Part 4, environmental improvements: two solid waste management centers were constructed, one in each development region. Groundwater investigations were conducted in both regions, and environmental surveys, leading to the establishment of sedimentation, marine ecology, and baitfish population baselines were conducted in both regions. Underwater transects for coral and live fish monitoring were accomplished, and an environmental assessment of coral mining activities was completed for both regions. A study on the gypsy moth that was not envisaged at appraisal was also prepared at the request of the Government. Base maps and land use plans were prepared for the NDR and SDR.

(iii) Project cost, disbursements, borrower contribution, and conformance to schedule (as relevant to project performance): A comparison of the project cost at appraisal and completion is given in Table 1.

Table 1: Comparison of Project Cost at Appraisal and Completion (\$ million)

Component	Appraisal Estimate	Actual at Completion
A. Base Case		
1. Civil Works	5.70	10.78
2. Furniture and Equipment	3.10	2.07
3. Consulting Services	2.03	2.25
4. Institutional Development	0.90	1.09
Subtotal (A)	11.73	16.18
B. Contingencies	1.87	0.00
C. Interest Charges	0.40	0.23
Total Project Cost	14.00	16.41

At completion, the net project cost increase of \$2.41 million (cost increases of \$6.28 million less cost savings of \$3.87 million) brought the total project cost to \$16.41 million compared with the appraisal estimate of \$14.00 million (an increase by 17.2%). The cost differences and reasons are for (a) part 1, cost increase of \$1.36 million, mainly for RDMO buildings (\$0.87 million) as their size was increased to provide for additional functions and accommodation, although partially underutilized at the time of the PCR; and \$0.21 million each for consulting services for project management and benefit monitoring and evaluation, and project implementation cost; (b) part 2, cost saving of \$0.79 million: \$0.37 million for the water tanks program probably due to an overestimate although 5,000 tanks were provided against the appraisal estimate of 2,000, and \$0.42 million for sanitation units as this component size was reduced due to the lower than expected demand for credit to construct and install septic tanks, and total financing allocated for this subcomponent would have been insufficient for construction of both a comprehensive sewerage scheme and on-site sanitation; (c) part 3, cost increase of \$4.16 million for link road construction due to increased civil works cost in relation to coastal protection measures despite shortening the redesigned road to 13.5 kilometers, and cost savings of \$0.85 million; and (d) part 4, cost increase of \$0.76 million due to construction of a new bridge between Gan and Feydhoo costing \$0.47 million, and solid waste management cost increase of \$0.29 million due to the increased costs of establishing the solid waste management centers in the NDR and SDR; and cost savings of \$0.19 million in environmental monitoring due to an overestimate, \$1.87 million for the unused contingency provision, and \$0.17 million from in the interest charge due to the reduced ADB loan size of \$6.62 million. (PCR, Appendix 2, Table A2.2).

At appraisal, the project cost of \$14 million was expected to be financed by the ADB loan of \$8.0 million (57.1%), IsDB loan of \$3.0 million (21.4%), and Borrower contribution of \$3.0 million (21.4%). The project cost at completion of \$16.41 million was financed by ADB loan disbursements of \$6.62 million (40.3%), IsDB \$5.86 million (35.7%), and the Borrower \$3.92 million (23.9%). ADB loan disbursement of \$6.62 million, equivalent to a loan utilization rate of 82.8% and in accordance with appraisal items, was for part 1, institutional improvements, \$2.91 million (RDMO furniture and equipment \$0.36 million, training and workshops \$0.31 million, and consulting services \$2.24 million); part 2, social infrastructure, \$1.51 million (water tanks program \$1.33 million, and sanitation units \$0.18 million); part 3, physical infrastructure, (nil); and part 4, environmental improvements, \$1.97 million (bridge \$1.17 million, solid waste management \$0.63 million, and environmental monitoring \$0.17 million); and interest charges \$0.23 million. Cost increases for the RDMO buildings and link road were financed by increased contributions from the IsDB loan and the Borrower (PCR, Appendix 2, Table A2.2 and Appendix 3). At the request of the Government, the \$1.2 million savings under the ADB loan was canceled and reallocated to the Tsunami Emergency Assistance Project in early 2005.

Appendix 4 of the PCR gives a comparison of the actual project implementation schedule against that estimated at appraisal. Generally, implementation was smooth. The Project was to be implemented over 4 years (2000–2004). Road and bridge construction and the water tank program were implemented ahead of schedule, while the construction of RDMO buildings was partially delayed and the recruitment of RDMO staff was delayed by 9 months. Only the finalization of the benefit monitoring and evaluation report was implemented after the scheduled date for loan closure on 31 December 2004, which necessitated

extending the loan closing date by 1 year to 31 December 2005 (ADB agreed to extending the loan closing date to utilize surplus loan proceeds for upgrading Kulhudhuffushi's main road at the Government's request in December 2004. The surplus funds were later canceled and reallocated to the tsunami project). The only activity that was significantly delayed was the launching of the SDF, expected in the last quarter of 2007.

(iv) Implementation arrangements, conditions and covenants, and related technical assistance:

Implementation arrangements were satisfactory. This was the first multisector project to be implemented in the country. The Ministry of Finance and Treasury was the Executing Agency and the Ministry of Planning and National Development (MPND), the Implementing Agency. The Ministry of Atolls Development (MOAD) was responsible for development activities in the atolls and for the functioning of the RDMOs. The identified drawbacks in this arrangement are (a) the difficult coordination between MPND and MOAD, which impacted the Project; (b) MOAD's resistance to some project outcomes, particularly those relating to institutional development, which was believed to have partially inhibited instituting and operating the RDMO; and (c) given the complex nature of the Project, in some cases, the Project was reported to be excessively centralized. Several changes to the Government's ministerial portfolio occurred during project implementation, one of which was to have the RDMOs report to the Ministry of Housing and Urban Development before preparation of the PCR. Also, the revised responsibilities and changes in reporting staff led to discontinuity in reporting arrangements, particularly concerning the RDMOs.

The status of compliance with loan covenants is given in the PCR, Appendix 5. According to the PCR, loan covenants have generally been complied with, except for five that were partly complied with; of these, three are notable. The first is in relation to the Borrower's commitment to annually monitor freshwater quality and quantity, and geomorphology of the coastlines and marine ecology, which was originally complied with during implementation. These activities, depending on the region, were discontinued for at least 1 and in some cases up to 3 years. Compliance could be achieved if a firm monitoring program was agreed between the relevant ministries and the RDMOs for collection and disclosure of data. The second relates to the failure to operate the SDF. Guidelines and preliminary actions have been undertaken but the launch was delayed until the fourth quarter of 2007. The third concerns the objective to recover the operation and maintenance (O&M) costs and a portion of capital costs for the pilot sanitation scheme from beneficiaries. The covenant did not appear to be directly relevant after project completion as that scheme was redesigned and reduced in size to cover a small portion of Kulhudhuffushi's population, and scaling and replication might not have been viable from a cost-effectiveness and conceptual perspective. The other two partly complied with covenants relate to inadequate RDMO staffing.

The Project had a single consultancy contract that covered detailed design and construction supervision, project management, institutional development, and environmental monitoring. The performance of the consultants was generally satisfactory. The expected inputs were completed according to the agreed schedule and the requirements of MPND. Implementation difficulties were due to limited local capacity and/or remoteness of the islands and, in some instances, asphalt bleeding required repairs. Procurement of goods and services conformed to ADB's *Procurement Guidelines* (2007, as amended from time to time) and was generally satisfactory. Some problems related to (a) delays in delivering boats to the RDMOs as they initially failed to meet specifications and later reported operating problems, and (b) delays in the construction of RDMO buildings, mainly in Hithadhoo, because of retendering following failure to complete a contract with a contractor.

(v) Performance of the borrower and executing agency: The performance of the Borrower, Ministry of Finance and Treasury, and MPND was satisfactory. Loan effectiveness and arrangements for implementation were made within expected dates. Counterpart funds were provided adequately. However, greater efforts appear to have been needed to empower, coordinate, and strengthen RDMO operations. The lack or delay in attending to them hampered their operations leading to a delay in project implementation by about a year, reducing the effectiveness and efficiency of project components, and impeding the momentum of the decentralization and regional development program and process.

(vi) **Performance of ADB:** ADB's performance was generally satisfactory. The Project was formulated, appraised, approved, and implemented within a reasonable time. Project supervision was done regularly and timely actions taken, such as on procurement, to facilitate implementation. ADB provided project implementation training to key project staff and supported RDMO staff capacity development through additional technical assistance.

D. Evaluation of Performance (PCR assessment and Validation)

(i) **Relevance:** The Project continued to be in line with regional development principles, remained a priority for the Government during the Sixth National Development Plan (2001–2005), and was central to the Seventh National Development Plan (2006–2010) in draft form at the time of the PCR. It also continued to be consistent with ADB's country strategy and program 2002–2004 and its updates. Community and stakeholder consultation reports indicate that the project outcome (and, indirectly, outputs) was aligned with community aspirations. The Project's relevance (and ownership by the Borrower) appears to have decreased to some extent during project implementation and completion due to delays on the part of the central Government to empower, coordinate, and strengthen RDMO operations. This hampered decentralization and regional development efforts. The delay in launching the SDF to provide microfinance prevented the development of livelihood projects for employment creation, investment, and poverty reduction; inconsistency in the commitment to annually monitor freshwater quality and quantity, geomorphology of the coastlines and marine ecology; and the delay in finalizing the benefit monitoring and evaluation report. Overall, the PCR rates the Project "relevant." The Operations Evaluation Department (OED) supports the rating.

(ii) **Effectiveness in achieving outcome:** Part 1, institutional strengthening: the RDMOs were successfully established in the NDR and SDR by the scheduled dates, but the intended outcome of facilitating decentralization was not fully achieved as they were operationally deficient in terms of institutionalizing and streamlining their operations, providing consistent leadership by an independent chief executive officer, and retaining and training staff to enhance their skills particularly in the SDR. Part 2, social infrastructure: the water tanks subcomponent was successfully established within the scheduled dates and contributed to improving the living standards by improving health and hygiene. The sanitation subcomponent contributed little to improving living standards as the pilot scheme, although it was established successfully on schedule in the NDR, was reportedly operating deficiently due to design shortfalls and irregular maintenance. The septic tank program was scaled down. Part 3, physical infrastructure: the Gan–Hithadhoo link road, bridge, and causeway with culverts were successfully established within the scheduled dates facilitating travel and economic development, and preventing sea erosion. The sea transport study was finalized by the scheduled date. Part 4, environmental improvements: the two solid waste management centers were established successfully by the scheduled dates with the one in the SDR being more successful in waste collection and management than the NDR center. The various outputs including investigations, surveys, assessments, studies, base maps, and land use plans, as referred to under item C (ii) above, were finalized on time. The PCR rates the Project "less effective" (bordering on "effective") in achieving its outcome. OED concurs with the PCR rating.

(iii) **Efficiency in achieving outcome and outputs:** The economic and financial rates of return (EIRRs and FIRRs) were reevaluated (PCR, Appendix 8): (a) part 2, social infrastructure: the water supply subcomponents had EIRRs of 27.50% (SDR) and 23.55% (NDR), higher than the appraisal estimates of 24.20% (SDR) and 22.30% (NDR); (b) part 3, physical infrastructure: the link road in the SDR had an EIRR of 17.40%, higher than the appraisal estimate of 15.30%, and (c) part 4, environment improvements: the solid waste management subcomponent had FIRRs of 6.37% (SDR) and 7.56% (NDR), both above the weighted average cost of capital for the Project (around 0%), but lower than the appraisal estimates (12.20% for the SDR and 10.00% for the NDR) due to higher capital costs and currently lower service coverage. Parts 2 and 3 are economically viable and the PCR rates them "highly efficient." The efficiency of the sanitation subcomponent in the NDR under part 2 was low with an EIRR of 2.20%. This pilot sanitation subcomponent was reduced in scope by decreasing the number of beneficiaries from 1,000 to 60 households, and the scheme implemented under the Project was therefore found to be costly, both in

terms of capital investment and O&M costs relative to the small service coverage. The septic tank program under part 2 was also scaled down. Sensitivity analysis done for the PCR showed that the components were most sensitive to delays in realizing benefits. Although not mentioned in the PCR under this particular section, the efficiency in achieving outcomes and outputs was low in regard to part 1, institutional strengthening: RDMO operations remained effective and efficient (item D (iv) below); part 2, social infrastructure: the SDF had not been launched; and part 4, environmental improvements: inconsistency in monitoring freshwater quality and quantity, and geomorphology of the coastlines and marine ecology. The PCR rates the Project “efficient.” OED agrees with the rating.

- (iv) Preliminary assessment of sustainability:** On an overall basis, the PCR rates the Project “less likely” to be sustainable (bordering on “likely”). The PCR states that sustainability varies among components. OED assesses the sustainability of the Project “less likely.” Apart from problems associated with some of the individual components, OED’s primary concern is for part 1, institutional strengthening, i.e., whether an institution was properly established with an adequately delineated functional and responsibility framework and the needed organization and management set up to carry through and sustain this complex regional development program. There appear to be some doubts on this matter. The RDMOs were expected to play the key role in this regard, but their functions and responsibilities need to be institutionalized, streamlined, and made fully operational: they need to be fully empowered by the central Government to carry out the expected functions and responsibilities; adequately coordinated with (and among) central government ministries and atoll and island offices to facilitate their performance; and further strengthened in terms of autonomy, leadership, management, staffing, and procedures to carry out those functions and responsibilities effectively and efficiently. Until that is done and done quickly, achieving the sustainability and impact of the components as envisaged at appraisal will be difficult. Financial sustainability of the RDMOs has been secured through an annual budget prepared by the RDMOs.

In part 2, social infrastructure, the water tanks subcomponent is considered “sustainable” as the involved O&M costs are minimal and they are to be met by the households. The purchase of any additional water tanks was secured through the establishment of the SDFs. The pilot sanitation subcomponent in the NDR has been established and funds provided by the RDMO to cover O&M costs of the unit ensure its financial sustainability. But, it was said to be environmentally unsustainable because of its current operating practices (there was a risk of pollution of the freshwater lens as a result of lens recharge by discharge of wastewater that had not been disinfected). Also, no firm plans appeared to be in place to carry through the pilot scheme. Also, the septic tank program was scaled down due to lack of demand for credit to purchase the tanks.

In part 3, physical infrastructure, adequate institutional arrangements and Government budgetary allocations have been made for maintenance of the Gan–Hithadhoo link road component in the SDR. Its sustainability could have been strengthened if the supplementary heavy road maintenance equipment identified at appraisal had been provided, and road repairs undertaken before canceling the loan savings. In part 4, environmental improvements, sustainability of the solid waste management subcomponent in the SDR is considered significant and in agreement with the existing contract. Household collection coverage was about 65% and expanding. A private sector contractor managed to generate a small profit from household waste collection and fees collected from vehicles disposing at the waste management site. However, in the Kulhudhuffushi (NDR) site, which served most of the island, poor management shortened the lifespan of the center, raising concerns and in effect turning it into a dump site. Also, the private sector contractor for the waste management center in the NDR generated revenue only from septic tank desludging services for Kulhudhuffushi households. Primary waste collection from households was provided by other independent private agents, compromising the financial sustainability of the current contract for management of the waste site, and rendering it financially unsustainable.

- (v) Impact (both intended and unintended):** This was the first project to initiate regional socioeconomic development. It was a complex multisector project. Its short-term impact is mixed. However, with resolution of the various problems encountered during implementation, the Project’s full potential is expected to be realized in the longer term thus increasing its economic value and yielding greater benefits of improved

standards of living, additional opportunities for employment and private sector investment, increased economic growth rates, and reduced poverty.

On a component basis, the impacts are as follows:

Part 1, Institutional Strengthening. A basic institutional framework, in the form of the RDMOs (with the Project supplying the buildings, furniture and equipment, vehicles, and some training), was established to initiate, administer, and operate a regional development program. However, the impact on institutional strengthening has been minimal so far due to lack of empowerment and coordination, and RDMO operating weaknesses (particularly in relation to staff—their recruitment, retention, and training). These problems, in turn, have constrained RDMO operations and realization of the full benefits of the other components that they were to manage and operate.

Part 2, Social Infrastructure. The Project supplied 5,000 water tanks against the appraisal estimate of 2,000. The supply of regular and cleaner water contributed to improving the health and living standards of residents of the region and reducing the incidence of waterborne diseases. Since the SDF remained to be launched, it did not make any impact on livelihood development, employment creation, and poverty reduction. The pilot sanitation subcomponent also did not make a significant impact on improving living standards. It was reduced in size and said to be environmentally unsustainable; no firm plans are in place for its launch.

Part 3, Physical Infrastructure. The construction of the link road and prevention of coastal erosion have improved (i) trade, supply chains, and business opportunities; (ii) bait and tuna fisheries as a result of improved sea-to-lagoon flows; (iii) access to and attendance at school and hospital facilities; and (iv) road conditions leading to increased traffic, and reduced travel times and fuel consumption. In addition, the road provides a sustainable solution to coastal protection by preventing erosion and flooding, and facilitating removal of stagnant water areas by replacing solid causeways with bridge openings; improving drinking water supplies; increasing coral growth in the house reef by preventing sand runoff from the road; and improving bait supplies for the tuna fishery through bridge openings.

Part 4, Environmental Improvements. The impact of the solid waste management subcomponent has not been significant. In the SDR, the household collection coverage was about 65% but expanding, while the impact in the NDR is less due to poor collection and management of the waste disposal site. The impact of the various studies, surveys, and investigations undertaken were not known as they have not been implemented. The impact of monitoring of freshwater quality and quantity, and geomorphology of the coastlines and marine ecology is not known as it was not done regularly. Positive environmental impacts relate to capacity enhancement in monitoring and managing freshwater, and monitoring coastal erosion and marine ecology; reducing pressure on and protection of the freshwater lens and groundwater; and reducing environmental hazards associated with random dumping of garbage.

E. Overall Assessment, Lessons, and Recommendations (validation of PCR assessment):

- (i) **Overall assessment:** OED endorses the PCR rating of the Project as “partly successful” (bordering on “successful”):

Table 2: Overall Performance Assessment

Criterion	Weight (%)	Rating Value	Rating
1. Relevance	20	2	0.4
2. Effectiveness	30	1	0.3
3. Efficiency	30	2	0.6
4. Sustainability	20	1	0.2
Overall			1.5

Rating value: Relevance: highly relevant 3.0, relevant 2.0, partly relevant 1.0, and irrelevant 0.

Effectiveness: highly effective 3.0, effective 2.0, less effective 1.0, and ineffective 0.

Efficiency: highly efficient 3.0, efficient 2.0, less efficient 1.0, and inefficient 0.

Sustainability: most likely 3.0, likely 2.0, less likely 1.0, and unlikely 0.

Overall rating: Highly successful: greater than 2.7, successful: between 1.6 and less than 2.7, partly successful: between 0.8 and less than 1.6, and unsuccessful: less than 0.8.

Source: ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila.

- (ii) **Lessons:** The PCR identified some key lessons (PCR, para. 44). In addition, OED outlines the following:
- (a) Cooperation and commitment of the central government and its ministries are necessary to devolve power to regional institutions to carry out a successful decentralization program for regional development. A firm and structured arrangement to devolve the necessary powers would need to be agreed upon and put in place prior to a project's commencement to ensure smooth project implementation and realization of the expected benefits. In this regard, the option to use an existing institution such as MOAD to carry out the Project should have been investigated instead of creating new ones like the two RDMOs for that purpose. Because they were outside the accepted bureaucracy, they encountered problems pertaining to empowerment, coordination, and operations that hindered their performance. Setting up and operating new institutions is a difficult task.
- (b) Staff retention, training, and human resource development are essential to make institutional strengthening successful particularly in relation to a decentralization and regional development program.
- (iii) **Recommendations:** The PCR made some recommendations (project-related and general) (PCR, paras. 44–47). In addition, OED makes the following:
- (a) Consider the identified lessons when designing and formulating a project.
- (b) Follow up on covenants that have not been fully complied with.
- (c) Follow up on the following components: part 1, institutional strengthening: RDMO empowerment, coordination, and operational strengthening (autonomy, leadership, management, staff retention and training); and part 4, environmental improvements: action to improve the collection, management, and financial viability of the two solid waste management centers; outcomes of the gypsy moth study and the base maps and land use plans prepared for the NDR and SDR; and the need for more regular monitoring of the environment in relation to the pilot sanitation scheme, the two solid waste management centers, and monitoring of freshwater quality and quantity, and geomorphology of the coastlines and marine ecology, which appears to have been done on an irregular basis.

- F. Monitoring and evaluation design, implementation, and utilization (PCR assessment and Validation):** A project framework was prepared and attached as Appendix 1 to the appraisal report. It outlines the performance targets and monitoring mechanisms. ADB undertook six review missions and one midterm review over the period of 2001–2005, or about 22 person-days per year.

- G. Other (e.g., safeguards, including governance and anticorruption, fiduciary aspects):** Procurement followed ADB guidelines. Imprest account and statement of expenditure procedures were set up and operated satisfactorily, ensuring disbursement of funds for intended purposes under ADB supervision and enhancing timely disbursement of funds. Covenants relating to timely submission of reports, accounts, and

audits were generally complied with. They required the project management unit to maintain separate accounts and records for the Project including the SDF, and the statement of expenditure records and the SDF to be audited annually by independent auditors acceptable to ADB and the Borrower. The PCR states that the audit reports were not qualified in any material respect by the auditors (PCR, Appendix 5). The status of environmental safeguards is discussed under each of the project components.

H. Ratings:	PCR	OED Review	Reason for Disagreement/Comments
Relevance:	Relevant	Relevant	
Effectiveness in Achieving Outcome:	Less effective	Less effective	
Efficiency in Achieving Outcome and Outputs:	Efficient	Efficient	
Preliminary Assessment of Sustainability:	Less likely	Less likely	
Borrower and Executing Agency:	Satisfactory	Satisfactory	
Performance of ADB:	Satisfactory	Satisfactory	
Impact:	Positive	Positive	
Overall Assessment:	Partly successful (bordering on successful)	Partly successful (bordering on successful)	
Quality of PCR:		Satisfactory	
<p>I. Comments on PCR Quality:</p> <p>(i) The PCR is comprehensive, provides a good analysis of the issues, reaches acceptable conclusions such as on the ratings, identifies key lessons, and makes appropriate recommendations.</p> <p>(ii) The PCR guidelines¹ were followed. The effectiveness and efficiency in implementing some subcomponents should have been discussed under the respective ratings analyses. These relate to RDMO operations; launching of the SDF; and monitoring of freshwater quality and quantity, and geomorphology of the coastlines and marine ecology; and implementing the status of studies undertaken under the Project relating to sea transport, gypsy moth, and land use.</p>			
<p>J. Recommendations for OED follow up Considering the good quality of the PCR and the smallness of the Project, OED project performance evaluation report is not recommended.</p>			
<p>K. Data Sources for Validation Report and recommendation of the President Project completion report Back-to-office reports of loan review missions</p>			

¹ ADB. 2008. *Project Administration Instructions*. PAI No. 6.07: Project Completion Report. Manila (February).

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

On 11 July 2008, Director, OED2, Operations Evaluation Department (OED), received the following comments from the Urban Development Division, South Asia Department.

We have reviewed OED's earlier draft project completion report validation report circulated to us on 25 June 2008 and its final draft that was sent to us for review on 7 July 2008. We appreciate that the comments we made to OED on the earlier draft have been adequately incorporated in the final draft.