



# Validation Report

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Reference Number: PCV: NEP 2008-28  
Project Number: 26015  
Loan Number: 1437  
August 2008

## Nepal: Second Irrigation Sector Project

Operations Evaluation Department

**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
CMIASP	–	Community-Managed Irrigation Agriculture Sector Project
DOA	–	Department of Agriculture
DOI	–	Department of Irrigation
EA	–	executing agency
EIRR	–	economic internal rate of return
FMIS	–	farmer-managed irrigation schemes
ha	–	hectare
IA	–	implementing agency
ISP	–	Irrigation Sector Project
O&M	–	operation and maintenance
OED	–	Operations Evaluation Department
PCR	–	program completion report
PPTA	–	project preparatory technical assistance
WUA	–	water user association

## NOTES

In this report, "\$" refers to US dollars.

### Key Words

adb, asian development bank, farmer-managed irrigation schemes, nepal, project completion report, project implementation, second irrigation sector validation, water user association

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## OED PCR Validation Report Form

A. Basic Project Data		PCR Validation Date:	July 2008	
<b>Project and Loan/Grant Number:</b>	26015, Loan No. 1437-NEP(SF)		<b>Approved</b>	<b>Actual</b>
<b>Project Name:</b>	Second Irrigation Sector Project	<b>Total Project Costs (\$M):</b>	33.3	29.6
<b>Country:</b>	Nepal	<b>Loan/Grant (\$M):</b>	24.3	22.1
<b>Sector:</b>	Agriculture and Natural resources	<b>Total Cofinancing (\$M):</b>	–	–
		<b>Borrower (\$M):</b>	4.2	4.5
<b>ADB Financing (\$M):</b>	<b>ADF:</b> 25.0	<b>Beneficiaries (\$M):</b>	4.1	2.4
	<b>OCR:</b> –	<b>Others (\$M):</b>	–	–
<b>Cofinanciers:</b>	–			
<b>Approval Date:</b>	16 May 1996	<b>Effectiveness Date:</b>	19 Nov 1996	11 Sep 1996
<b>Signing Date:</b>	13 Aug 1996	<b>Closing Date:</b>	31 Dec 2002	13 Nov 2003
<b>Project Officers:</b> Appraisal Implementation  PCR	<b>Name:</b> D. Nangju W. Vochteloo M. Dembinski A. Siddiq K. Yokoyama S. Nebel	<b>Location (HQ or RM):</b> HQ HQ HQ HQ HQ HQ	<b>From</b> 15 Jan 1996	<b>To</b> 26 Jan 1996
			Nov 1997	Nov 1998
			Dec 1998	Apr 1999
			May 1999	Feb 2002
			Mar 2002	Feb 2004
			Sep 2006	Jun 2007
<b>Evaluator:</b>	J. Cook			
<b>Quality Control Reviewer/Peer Reviewer:</b>	T. Kondo, Senior Evaluation Specialist, OED1	<b>Director:</b>	R. B. Adhikari, OED1	

ADB = Asian Development Bank, ADF = Asian Development Fund, HQ = headquarters, M = million, OCR = ordinary capital resources, OED = Operations Evaluation Department, OED1 = Operations Evaluation Division 1, PCR = project completion report, RM = resident mission, SF = special fund.

B. Project Description (summarized from RRP)	
(i)	<b>Rationale.</b> Nepal's 1992 irrigation policy stressed the importance of involving farmers in irrigation development, and a cost-sharing plan was developed for construction and operation and maintenance (O&M). As of appraisal in 1996, the Asian Development Bank (ADB) had already supported 10 irrigation projects and had implemented the Irrigation Sector Project (ISP), <sup>1</sup> the predecessor to the Second Irrigation Sector Project (the Project). The Project would develop and support farmer-managed irrigation, increase farmers' participation, and provide institutional support to the Department of Irrigation (DOI) and to regional and district irrigation authorities.
(ii)	<b>Expected Impacts.</b> The goals of the Project were to raise the socioeconomic status of small-scale rural farmers, reduce poverty, and generate employment opportunities in rural areas.
(iii)	<b>Objectives or Expected Outcomes.</b> The Project's objective (outcome) was to raise agricultural production sustainably and promote sustainable increases in incomes in rural areas. The Project targeted farming communities that already managed traditional irrigation systems and promoted and strengthened water user associations (WUAs) in 35 districts of the Central and Eastern Development Region.

<sup>1</sup> ADB. 1988. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Kingdom of Nepal for the Irrigation Sector Project*. Manila.

- (iv) **Components and Outputs**  
**Components (output clusters):**
- (a) Strengthening WUAs to allow them to participate actively in planning, designing, implementing, and operating farmer-managed irrigation schemes (FMISs).
  - (b) Improving FMISs to enhance agricultural productivity, generate employment, and raise the income levels of small and medium-scale farmers.
  - (c) Strengthening irrigation offices at the central, regional, and district levels to enable them to provide appropriate assistance to FMISs and WUAs while improving project management and monitoring.
  - (d) Providing agricultural extension services to strengthen the Department of Agriculture (DOA) at the district level to improve extension services and thereby boost sustainable crop production.
- Outputs:**
- (a) **Strengthening of WUAs**
    - 179 WUAs registered by 2002
    - 1,500 farmers trained on construction techniques, O&M, and agricultural activities
    - 150 association and farmer organizers trained and fielded
  - (b) **FMISs Improved and Constructed to Enhance Agricultural Productivity**
    - 160 FMISs covering about 32,000 hectares (ha) rehabilitated by 2002
    - 19 new FMISs constructed covering some 8,500 ha by 2002

About 12,000 FMISs exist in the project area, constructed by farmers using local materials and indigenous construction methods.<sup>2</sup> Most of these schemes have temporary headworks and earthen canal structures that require frequent repair after each monsoon season. In addition, water losses in the canals are high, and drainage and flood protection facilities are lacking.
  - (c) **Strengthening of Central, Regional, and District Level Irrigation Offices**  
175 district irrigation staff trained using a project implementation manual, selection criteria, and design guidelines, as well as in communication and presentation skills.  
179 WUAs registered by 2002
  - (d) **Provision of Agricultural Extension Services**  
Improved coordination between district irrigation and district agricultural development offices

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

- (i) **Relevance of design and formulation.** The sector approach is considered to have been valid, given the capacity and prior experience of DOI.
- The design was generally appropriate. However, the following is stated in the project completion report (PCR):
- (a) The farm-to-market roads included in the original project design were not pursued as a separate activity for several reasons: (1) lack of farmer awareness of the opportunity; (2) district and village development committees often directly funded such roads; (3) roads were constructed as part of FMIS rehabilitation work; and (4) DOI sought to focus on the construction of FMISs (para. 10).
  - (b) The design process gave too little attention to the challenge of providing irrigation in the hill and mountain environments. It would have been necessary to introduce bioengineering, which uses improved vegetative, soil, and water-management practices, alongside "hard structures" for coping with the landslide problem in the hills and mountain areas. This issue was not identified by the project preparatory technical

<sup>2</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Second Irrigation Sector Project*. Manila; and Department of Irrigation. 2003. *Project Completion Report on the Second Irrigation Sector Project in Nepal*. Kathmandu.

assistance (PPTA) team. Since a large portion of the Project was rehabilitation, the PPTA should have put more emphasis to identifying O&M needs and subsequently strengthening the capacities of WUAs (para. 6).

DOI was keen to achieve project objectives and develop irrigation in the maximum area. However, it is evident from review mission reports that ADB staff held serious reservations about the quality of subprojects. In particular, many were not based on strong farmer demand but were designed in the top-down manner that is traditional among Nepali (and many regional) rural development agencies. Poor subproject design is likely to be a major factor causing weak ownership and scheme management by beneficiary farmers and WUAs. For example, the first implementation review mission in November 1997 reported that it was

seriously concerned with the way subprojects are currently "rushed" through the preparation process. It is estimated that over 50% of the subprojects included by the National Planning Commission in the 1997–1998 program were not supported by genuine farmers' demand, and/or approved feasibility studies at the time of their inclusion. *Top-down* subproject selection, inadequate subproject preparation and consultation with the farmers, and submarginal design and construction quality are eroding the original *participatory* project concept and are creating a new *agency dependency* of previously self-reliant FMIS. There is an urgent need to scrutinize all completed and ongoing projects to assess the extent that DOI guidelines for the Project [Second Irrigation Sector Project] have been followed, and the extent the objectives have been or can be achieved. There is also the need to put into place a review and monitoring mechanism to ensure that subproject-preparation procedures are being complied with.

The Project followed on from the ADB-financed ISP. Appraisal (para. 22) reviewed the status of the then-ongoing) Project and found it fully satisfactory. However, OED considers that the assessment was not adequate and that both PPTA and appraisal should have made a more detailed assessment of the problems facing FMISs, particularly in the hills region. This could have led to significant improvements in design, which have now been adopted in the successor Community-Managed Irrigation Agriculture Sector Project (CMIASP). This highlights the potential problem of designing and implementing a follow-on project without adequate assessment of the first project.

(ii) **Project Outputs and costs as envisioned during appraisal as compared to actual costs and achievement of outputs; reasons for any deviation.**

**Output Cluster 1: Strengthening of WUAs.** The PCR reports that “278 WUAs (versus a target of 179) were registered with the Committee. However, it cannot be assumed that all registered WUAs are performing their functions and duties as required. Training in O&M and construction supervision provided by association organizers and farmer organizers was found to be insufficient” (para. 9). Collection of service fees by WUAs is generally irregular and insufficient relative to needs for adequate O&M.

**Output Cluster 2: FMISs Improved and Constructed to Enhance Agricultural Productivity.** The numbers of rehabilitated and newly constructed FMISs were higher than anticipated at appraisal, but the area irrigated was about the same. Altogether, 283 subprojects covering 41,147 ha were implemented. Of these, 117 subprojects were new systems. According to the PCR prepared in March 2003 by the Executing Agency (EA), 278 subprojects covering 39,757 ha were completed. The balance between hill and Terai (plain) systems and between new systems and rehabilitation was adjusted at the midterm review, with an overall target for irrigation improvement reduced from 40,500 ha to 30,600 ha (76% of appraisal target). Actual achievement was 98% of target.

**Output Cluster 3: Strengthening of Central, Regional, and District Level Irrigation Offices.** Training was provided to regional and district staff, and vehicles and equipment

were procured. According to the PCR (Appendix 2), six district and regional DOI offices were constructed (as per appraisal target), and in addition improvements were made to 31 offices.

**Output Cluster 4: Provision of Agricultural Extension Services.** The target of providing transport vehicles, motorcycles, and training was achieved. However, the aim of strengthening the linkage between the provision of irrigation and of agricultural extension services through improved coordination between district irrigation offices and district agricultural development offices was inadequately achieved. Problems arose from officials' lack of commitment in both offices. After ADB's midterm review mission, the component was redesigned and the agricultural development offices were given direct responsibility to carry out extension services rather than receiving budgetary allocation through the district irrigation offices. This facilitated such activities as demonstration plots and farmer training.

**Project Cost** was budgeted at \$33.3 million including loaned funds of \$25.0 million, a Borrower contribution of \$4.2 million, and beneficiary contributions totaling \$4.1 million.

- (iii) **Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule** (as relevant to project performance). The actual project cost according to the PCR was \$29.6 million, or 88% of the appraisal estimate. The Borrower contribution was around 7% above the target. In practice, the contribution expressed in rupees was significantly higher following the devaluation of the currency during the project period. Beneficiary contributions, estimated at \$2.4 million, were around 60% of budget expressed in dollars. Loan drawdown was \$22.1 million (88% of loan amount).

The project period was 7.1 years, compared to the planned 6.1 years, according to the PCR's basic data. Delays were due to the extra time needed to complete facilities for delivering irrigation benefits and a worsening security situation that made implementation difficult.

- (iv) **Implementation Arrangements, Conditions and Covenants, and Related Technical Assistance (TA).** The EA for the Project was DOI under the Ministry of Water Resources. The existing project implementation unit established by DOI under the ISP was responsible for coordinating activities. The regional irrigation directorates were responsible for overall coordination of subproject preparation, approval, and implementation under the supervision of the regional appraisal and approval committee. In the Implementation Support and Coordination Section of the regional irrigation directorates, a multidisciplinary mobile irrigation team consisting of irrigation engineers, a sociologist, an agricultural economist, and an agronomist was responsible for supervising subproject appraisal and design and for providing technical support to the district irrigation offices. The high number of subprojects taken up for implementation overstretched the team's human and technical capacities, and it was not able to adequately appraise and provide technical support to district irrigation offices.

DOA was responsible for providing training of WUAs, monitoring the project benefits through its regional and district agricultural development offices, and implementing the agricultural extension services in the completed subprojects. However, DOA did not perform the tasks satisfactorily until the final stages of project implementation, when funds for these activities were channeled directly to DOA.

Most covenants were complied with. However, a number of covenants were only partly complied with, mainly relating to linkage between DOI and DOA, ongoing subproject monitoring by DOI, and the limited involvement of women in project and WUA activities. While these deficiencies were significant, they reflect frequent experience in the region in relation to the difficulty of coordinating between government departments, supporting completed projects when agencies prefer to focus on new construction or projects, and changing the role of women in farmers' organizations.

- (v) **Performance of the Borrower and EA.** The Borrower, EA, and implementing agencies (IAs) performance is rated *satisfactory*, given the difficult situation in relation to budget and security

during the latter part of the implementation period. Problems arose with the purchase of motor bikes, which were required for efficient project implementation by the district irrigation and agricultural offices.

The Government PCR (page 118) reports that, by the end of the first year, “137 sub-projects covering 18,837 ha (based on the feasibility study cultivable command areas) had been brought under actual implementation.” While this was a commendable achievement by the IAs, it is noteworthy that all ADB review missions considered that the pace of implementation was actually too rapid, which is an uncommon perspective on ADB rural projects. The reasons for the concerns were the continued, traditional top-down approach of the irrigation authorities and the lack of strengthening of the WUAs. Many of the schemes had been carried over from earlier irrigation projects and did not reflect the new approaches planned for the Project. The back-to-office report of the November 1997 review mission said that some subprojects considered less suitable for implementation under the ISP had been brought forward and approved under the Project.

The conduct of the project completion workshop by DOI in late 2002 (PCR para. 58) was a useful and positive exercise, contributing substantially to the assessment of the Project and the assembly of useful lessons and recommendations.

- (vi) **Performance of ADB.** ADB fielded 16 missions over the project period, averaging two missions per year. However, there was a 1-year gap following the inception mission in 1996, at a time when review could have been beneficial to implementation. This apart, mission frequency was satisfactory and well above the average for ADB projects. The inception mission rightly queried the quality of the subprojects, since many were prepared to feasibility study level. However, DOI was not able to respond adequately to the implied criticism, and subproject quality remained an issue throughout the Project.

The PCR (para. 16) reports that the ceiling amount for local cost financing was fully utilized before the completion of the Project. Therefore, ADB could not finance the local currency costs incurred. This resulted in partial payment for three withdrawal applications. Since the rupee depreciated by around 35% over the project period, it is surprising that local costs were fully drawn, suggesting inaccurate budgeting at appraisal. Mechanisms could have been considered by ADB to change the proportion of local cost financing, once the issue became apparent.

ADB’s performance, however, is considered to have been *satisfactory*.

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

- (i) **Relevance.** At design, the Project was highly relevant, both in relation to ADB’s country operational strategy (1999) and government policies and legislation. The latter include the national irrigation policy (1992), Water Resources Act (1992) and its supporting regulations (1993), and the 8<sup>th</sup> Five-Year Development Plan (1992–1997). Key policies related to strengthening WUAs and the overall institutional structure, both of which were central features of the Project.

ADB’s 2005–2009 country strategy and program continued to emphasize rural infrastructure, including irrigation and poverty reduction. Although the emphasis on irrigation was somewhat lower than at design, the Project remained relevant. The PCR (paras. 41 and 42) indicates that the Project would have been more relevant if (a) it had included approaches to reduce landslip damage to irrigation structures, and (b) the program had provided more support to WUAs. This validation concurs with this view. Overall, the Project is rated *relevant*, as in the PCR.

- (ii) **Effectiveness in Achieving Outcome.** Based on a survey for the PCR of 60 WUAs, 30% were operating without problems. The remainder faced physical or managerial problems

to varying degrees. The area developed or rehabilitated was marginally below appraisal target and significantly above the reduced targets defined by the midterm review. The number of schemes covered (278) was 1.5 times higher than the 179 schemes envisaged at appraisal, and the large number of small schemes caused design and implementation problems. The area irrigated (41,150 ha) was similar to the appraisal target. A survey conducted for the PCR found that yield gains were lower than planned, mainly due to the technical problems experienced by some schemes. The increase in rice production was estimated at 48,000 tons, compared with a prediction of 73,000 tons. However, it is noted that the rice price has approximately doubled since the date of the PCR. While price may decline in the future, depending on a number of factors, the high current price should lead to significant income gains and assist in achieving project objectives for those farmers with a production surplus over their subsistence needs. Overall, the Project is rated *effective* (in the PCR, *partly effective*).

- (iii) **Efficiency in Achieving Outcome and Outputs.** Overall, process efficiency is considered to have been adequate despite the delay in completion. However, the 1-year delay in appointing the implementation consultants caused significant problems, particularly due to the large backlog of projects hanging over from the ISP that needed in-depth assessment. This burdened the TA consultants with tasks that were in the implementation consultants' terms of reference and contributed to the less-than-adequate subproject screening cited by most review missions.

The PCR estimates the economic internal rate of return (EIRR) at 14%, compared with an appraisal estimate of 25%, due to yield gains lower than budgeted. The rice price gains mentioned above would mean a significant increase in the EIRR since the price gains are occurring relatively early in the project life. The PCR's analysis does not fully account for probable declines in performance due to the sustainability issues indicated below, since project completion benefits are carried forward at their project completion levels until year 22 (the final year of the analysis). However, performance declines would have limited impact on the EIRR, as a 5% per year compounding decrease in net benefits from 2006/07 until the end of the assessment period over the entire project area would decrease the EIRR only to 13%. If the decrease were restricted to the hill areas, the overall decline would be negligible. OED rates the Project *efficient*, as in the PCR.

- (iv) **Preliminary Assessment of Sustainability.** Many WUAs are functioning at a low level and/or not collecting fees sufficient to maintain their systems. In the rehabilitated hill areas (with just over half of the total command area), new systems in particular have been subject to damage from landslips, limiting performance and sustainability. In the flatter areas of the Terai, these problems are less significant, which is a key factor behind the far better economic performance of the lowland schemes. Compounding the physical problems of the hill area schemes is the relatively weak performance of the WUAs. Some are operating effectively and have the capacity to collect sufficient user fees and maintain their schemes. However, average user fees are too low for effective O&M, and WUA management is often weak. These two factors (actual and potential damage to hill schemes and weak management) suggest a rating of less likely sustainability (equivalent to the PCR's *partly sustainable*).

- (v) **Impact** (both intended and unintended). The PCR took an interesting approach to impact assessment with ratings against key crosscutting factors:
- (a) Impact on poverty was positive for all classes of beneficiary. However, improved access to land and resources by poor farmers and the landless would be needed to have a major poverty-reduction impact.
  - (b) Few negative environmental impacts were observed. Management of drainage was sometimes inadequate, causing erosion downstream of some schemes.
  - (c) In terms of social impact, undemocratic WUA elections were an issue, particularly in relation to the caste and ethnic situation in the irrigated areas.
  - (d) In relation to gender, WUAs, as required, included women in their committees.

However, committees considered that women were underrepresented and did not participate actively.

Overall, despite these negative conclusions, the improvements made over a large irrigated area suggest that project impact has been positive.

The experience of the Project made a major contribution to the design and implementation of the ongoing CMIASP, representing a significant and positive impact of the Project.

#### E. Overall Assessment, Lessons, and Recommendations (Validation of the PCR assessment)

(i) **Overall Assessment.** Overall, the Project is assessed as *successful* (*partly successful* in the PCR). The difference in rating is entirely due to a different rating applied to effectiveness partly resulting from the increase in the rice price over the past 12 months, estimated at around 75%. It is also considered justified based on the assessed high level of financial performance of the Terai schemes.

(ii) **Lessons.** A number of lessons were suggested by the national project workshop, indicating the need for (a) strengthened quality control at the entry or pre-feasibility stage and engaging nongovernment organizations to assess farmer needs; (b) applying more time and resources to forming sound WUAs by engaging community-based organizations as facilitators; (c) avoiding expensive structures such as headworks and extensive main canal lining to focus more on low-cost and labor-intensive works; (d) more stringent construction quality control through joint supervision with WUAs; (e) more strategic and coordinated provision of agricultural services; (f) continued monitoring and guidance to WUAs after physical completion to ensure sustainable O&M; and (g) substantial improvement in overall quality control through an effective internal management information system and an external quality assurance mechanism. These lessons are considered by OED to be valid and highly relevant to many community-managed irrigation schemes.

As do many projects, the Project suggests that having multiple EAs causes implementation and coordination difficulties. DOA activities were slow to start and gained momentum only when it was provided with its own funding channel.

(iii) **Recommendations.** Recommendations made by the PCR derive directly from the issues and lessons identified and are considered useful for future irrigation scheme development in Nepal and the region. They have, to a large degree, been adopted under the successor CMIASP.

OED would add a recommendation that directly derives from PCR's analysis but is not made directly by the PCR: Where multiple EAs need to be assigned, the budget flows should be independent, i.e., that each agency should operate its own imprest account. During the early years of the Project, DOA was expected to receive funds through DOI, which made it impossible to plan or budget works (PCR para. 47).

A general recommendation can also be made in relation to second projects that are designed and commence implementation before the completion of the first project. Great care is needed in such cases to ensure that detailed and objective assessment is made of the performance and weaknesses of the first project, so that problems are not compounded in the second project. Numerous successor projects have been evaluated by OED, where the second project repeats the problems of the first project as well as building on its strengths.

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

Monitoring irrigation schemes was the responsibility of the district irrigation offices. This was undertaken but, in most cases, not continued after the project.

DOA was expected to monitor and support agricultural production on the irrigation areas but was not able to adequately fulfill its monitoring role. This appears to have been due to the limited resources provided to DOA (\$103,000 was disbursed out of a total allocation of \$187,000) and the frequently encountered difficulties of collaboration between departments in Nepal. The PCR (para. 21) reports that DOA did not perform its extension and monitoring tasks satisfactorily until the final stages of project implementation, when funds available for these activities were channeled directly to DOA.

Overall, the PCR's statement (para. 23) that project benefit monitoring and evaluation was ad hoc and not systematically accomplished appears to be a realistic assessment.

**G. Other** (Safeguards, including governance and anticorruption; fiduciary aspects) (PCR assessment and Validation)

Some issues were evident during implementation in relation to the award of subproject construction contracts. The IAs often broke down works into small contracts so that they could be allocated by local shopping. This tended to constrain construction efficiency. Contracts were often awarded as intended to WUAs, who often subcontracted works to local firms, negating the training and development features intended to result from WUA implementation. No other particular issues have been identified in relation to safeguards and governance.

<b>H. Ratings</b>	<b>PCR</b>	<b>OED Review</b>	<b>Reason for Disagreement/Comments</b>
<b>Relevance:</b>	Relevant	Relevant	
<b>Effectiveness in Achieving Outcome:</b>	Partly effective	Effective	Area targets were achieved, the Terai schemes are performing well, and the increase in rice prices should lead to increased farm incomes for households with marketable surpluses.
<b>Efficiency in Achieving Outcome and Outputs:</b>	Efficient	Efficient	Economic efficiency should be higher than estimated by the PCR due to the increased rice price.
<b>Preliminary Assessment of Sustainability:</b>	Partly sustainable	Less likely sustainable	
<b>Borrower and EA:</b>	Satisfactory	Satisfactory	
<b>Performance of ADB:</b>	Satisfactory	Satisfactory	
<b>Impact:</b>	Positive	Positive	
<b>Overall Assessment:</b>	Partly successful	Successful	OED estimates a higher effectiveness rating. It is noted that project performance report ratings were satisfactory for almost the entire project period, with only brief periods being only partly satisfactory.
<b>Quality of PCR:</b>		Highly satisfactory	

**I. Comments on PCR Quality**

OED assesses the PCR as *highly satisfactory*, with commendation due to Nepal Resident Mission staff.

The PCR has assessed project performance objectively and identified what appear to be the key issues relating to design and implementation.

It is consistent with PAI 6.07.<sup>3</sup>

Lessons and recommendations are appropriate and based on evidence.

**J. Recommendations for OED follow up**

No follow-up action required.

**K. Data Sources for Validation**

PCRs (ADB and Government), TA completion report and back-to-office reports.

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<sup>3</sup> ADB. 2006. *Project Administration Instructions. PAI 6.07: Project Completion Report*. Manila.

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

On 14 July 2008, the Operations Evaluation Department (OED) circulated a draft validation report for the project completion report for interdepartmental comments. OED received the following comments from the Agriculture, Natural Resources, and Social Services Division of the South Asia Regional Department:

"We agree with most of the findings in the report, and very much appreciate the *highly satisfactory* rating given to our Project Completion Report (PCR).

We noted that the validation report rates the Project *successful* while our PCR rated it "partly successful." The different ratings in the overall assessment are caused by the difference in the effectiveness ratings—PCR rated *partly effective* while the validation report rates *effective*. The reasons for disagreement were explained in the validation report as "area targets achieved, terai schemes performing well, increase in product prices should lead to increased farm incomes for households with marketable surpluses."

While we appreciate and accept OED's re-rating, we remain concerned about the functionality of the irrigation schemes in the hill areas, which will need continued monitoring and support, as called for under the successor project Community-Managed Irrigation Agriculture Sector Project, to ensure increased farm incomes in the hill areas, where farms are dominantly marginal and marketable surpluses are limited."