



Validation Report

Reference Number: PCV: PAK 2008-63
Project Number: 33021
Loan Number: 1796
November 2008

Pakistan: Small- and Medium-Size Enterprise Trade Enhancement Finance Project

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
EPB	–	Export Promotion Bureau
FCEF	–	foreign currency export finance facility
FE-25	–	Foreign Exchange Circular No. 25
FY	–	fiscal year
GDP	–	gross domestic product
OED	–	Operations Evaluation Department
PEFGA	–	Pakistan Export Finance Guarantee Agency Limited
PCR	–	project completion report
RRP	–	Report and Recommendation of the President
SME	–	small- and medium-size enterprise
TA	–	technical assistance
TEPI	–	Trade, Export Promotion and Industry
WTO	–	World Trade Organization

Key Words

adb, asian development bank, small and medium enterprise, trade finance, exporters, non-traditional products, new markets, partial risk guarantees, letters of credit, sovereign-risk, risk mitigation, collateral, preshipment finance, guarantees, technical assistance, export promotion.

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PROJECT COMPLETION VALIDATION REPORT FORM

A. Basic Project Data		PCR Validation Date:	November 2008	
Project and Loan/ Grant Number:	Loan 1796-Pakistan		Approved	Actual
Project Name:	Small-and Medium-Size Enterprise Trade Enhancement Finance Project	Total Project Costs (\$M):	150.0	2.4
Country:	Pakistan	Loan/Grant (\$M):	150.0	2.4
Sector(s):	Small-and Medium-Size Enterprises (SMEs)	Total Cofinancing (\$M):		
ADB Financing (\$M):	ADF: OCR: \$150 million Loan; a partial risk guarantee of \$150 million; equity investment of \$2.0 million in the Pakistan Export Finance Guarantee Agency Limited (PEFGA); and technical assistance (TA) for \$0.8 million on grant basis	Borrower (\$M): Beneficiaries (\$M):		
Cofinanciers:	None	Others (\$M):		
Approval Date:	7 December 2000	Effectiveness Date:	15 March 2001	02 April 2001
Signing Date:	15 December 2000	Closing Date:	02 April 2004	21 January 2004
Project Officers:	Name: W. Liepach R. Hartel S. Lewis, M. Endelman and H. Bustamante (PCR preparation)	Location (HQ or RM): HQ HQ HQ	From (yr) 2000 2003	To (yr) 2002 2004 2007
Evaluator:	Sarath Thalakada, Staff Consultant	Director:	H. Hettige, OED2	
Quality Control Reviewer/Peer Reviewer:	Henrike Feig			

B. Project Description (summarized from RRP)

(i) Rationale: The Asian Development Bank (ADB) estimated that Pakistan needed to increase its annual per capita growth rate to about 5 percent (from 2.9 percent in fiscal year [FY]1999 and 4.8 percent in FY2000), on an equitable and sustainable basis, to significantly reduce poverty. The development of small- and medium-size (SME) enterprises and exporters were identified as playing an important role in this regard. SMEs in Pakistan tend to be more efficient than large-scale firms in certain sectors and SMEs dominate labor-intensive sectors. Given Pakistan's low share of international trade, significant economic gains were expected by increasing exports. In addition, improving export performance was seen as an important factor for Pakistan's macroeconomic stabilization. Under the ADB-supported Export Promotion and Industry (TEPI) Program and associated loan, which was approved in April 1999, improvement of the export financing system, in particular SMEs, and the development of value-added products and new markets were identified as key areas for increasing exports. It had been argued that SMEs experienced problems expanding and upgrading their products because of high financing costs, heavy collateral requirements, and unfamiliarity with trade financing. The Project sought to improve SME trade financing and export performance.

(ii) Impact: The Project was expected to help achieve higher and sustainable export-led economic growth and employment generation. It aimed at increasing exports and foreign exchange earnings by more than \$350 million per annum, supporting the creation of about 135,000 new jobs, and providing livelihood benefits to about 1 million persons.

(iii) Objectives or Expected Outcomes: The Project sought to: (i) increase SMEs' and emerging exporters access to export credit, (ii) offer a greater choice of market-based financing and risk-mitigation instruments to exporters, (iii) support the banking and export community to conduct structured trade, and (iv) facilitate reform of the subsidized export financing scheme to help Pakistan comply with long-term World Trade Organization (WTO) obligations regarding subsidization.

(iv) Components and/or Outputs: The Project comprised four components: (i) a \$150 million loan (1796-PAK) for the Foreign Currency Export Finance Facility (FCEF) to provide export financing for SMEs and emerging exporters; (ii) a partial risk guarantee facility of \$150 million for international commercial banks that confirm import letters of credit issued by Pakistani commercial banks at the request of eligible exporters to facilitate the availability of imports required for export production and reduce transaction costs, thereby enhancing the competitiveness of exports; (iii) an equity investment of \$2 million in the Pakistan Export Finance Guarantee Agency Limited (PEFGA) to reduce the collateral burden of exporters and to mitigate the risk of pre-shipment financing; and (iv) a TA (3558-PAK)¹ of \$0.8 million for the institutional strengthening of the Export Promotion Bureau (EPB), with the first phase focusing on a review of EPB's strategic plan and the second phase focusing on capacity development, especially management information system and staff training needs.

¹ ADB. 2000. *Technical Assistance to the Islamic Republic of Pakistan for Institutional Strengthening of the Export Promotion Bureau*. Manila.

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

(i) Relevance of Design and Formulation: The Project built on the TEPI Program, which had identified high documentation and collateral requirements, restricted use of government-supported local currency credit facilities, and the absence of foreign exchange credit facilities as key constraints for smaller exporters. Policy dialogue under TEPI included: (i) establishment of PEFGA to overcome documentation and collateral requirements, (ii) increased access to the local currency export finance scheme through market-based pricing and reduction of documentation requirements, and (iii) establishment of a foreign currency facility to complement the export finance scheme. Under TEPI, the Government of Pakistan also committed to the establishment of the Federal Export Promotion Advisory Board and the development of a plan to transform EPB from a regulatory to a promotional body.

The Project was in line with Government priorities, which included SME promotion and the development of export capacity in non-traditional sectors. It was also in line with ADB's medium-term strategy for Pakistan that gave priority to, inter alia, improving economic efficiency and export performance, and poverty reduction. The design took into account stakeholder interests (e.g., SMEs, policymakers, the banking and business communities) as elicited at a workshop held in Lahore in July 2000.

The Project was coordinated with the work of other development partners in the sector, including the International Finance Corporation's Trade Enhancement Project, which was approved in May 2000, and the Islamic Development Bank's assistance for trade financing.

(ii) Project Outputs (or conditions in the case of program loans): Project outputs with respect to the four project components are given below.

(a) The FCEF was established on 2 April 2001. Its utilization, until loan closure in January 2004, was insignificant. The four participating commercial banks extended subloans in the total amount of \$429,000 to four exporters, which accounted for only 0.3% of the ADB loan of \$150 million. This amount was revolved by the participating commercial banks to the same four exporters to the extent of \$2.970 million, of which \$2.165 million was actually utilized. Repayments amounted to \$1.977 million. The loans mainly financed the import of leather and cotton as inputs for the production of textiles and leather goods for the export market. The size of the sub-borrowers could not be ascertained from the project completion report (PCR). The PCR identified three factors that were responsible for poor loan utilization:

1. The State Bank of Pakistan's Foreign Exchange Circular No. 25 (FE-25) dated 20 June 1998, which preceded ADB's commencement of loan processing in September 2000, had allowed the foreign currency deposits of commercial banks to be utilized to finance imports and exports. Anti-money laundering measures taken after 2001 led to a greater formalization of remittances from overseas, which contributed towards an increase in foreign currency deposits. From 2001 to 2003, banking sector liquidity increased and interest rates decreased. With foreign currency deposit rates starting to approach and then fall below 6-month LIBOR rates, FCEF pricing, which was based on 6-month LIBOR plus a markup by the State Bank of Pakistan to reflect the Government's cost of borrowing, became uncompetitive. In addition, starting in January 2002, foreign currency deposits that were utilized to finance foreign trade were no longer counted against ceilings on foreign currency deposit holdings by banks. The highest disbursement of \$593,212 under the FCEF occurred during the fourth quarter of 2002. This amount was equivalent to only 0.2% of trade financing extended under the FE-25 scheme during the same period (around 80% of borrowers under the FE-25 scheme were exporters). Data on trade financing extended to SMEs under FE-25 is not available, although SME loans accounted for about 19% of total bank lending in 2004;

2. Pricing was non-responsive to changing market conditions even though the attractiveness of the FCEF improved slightly in April 2003 when participating commercial banks were allowed to price subloans according to risk and avail of the facility on a wholesale basis. Previously, bank margins under the FCEF had been capped at 2%. However, the FCEF's 6-month interest rate re-pricing mechanism,

which did not match the monthly re-pricing required by the market, was retained. Participating commercial banks perceived the FCEF as unattractive because it could not keep pace with falling interest rates; and

3. The documentation process was not user-friendly. Participating commercial banks and exporters felt that FCEF's application and documentation process was more complex than that of the FE-25 scheme. The State Bank of Pakistan first circulated the FCEF under circular No. 04 (dated 28 March 2001). Due to the participating commercial banks' negative feedback, the State Bank of Pakistan, in consultation with ADB, modified FCEF provisions in circular No. 07 (dated 17 April 2003) to enhance utilization by the participating commercial banks and exporters. However, unfavorable funding costs outweighed improvements made in response to other concerns.

(b) The facility for partial risk guarantee was launched in September 2001. It issued guarantees for 30 import transactions for a total of \$15.4 million (8.7% of the total partial risk guarantee amount). Nearly all guarantees were provided for imports by the textile industry and all occurred within 9 months of the commencement of partial risk guarantee. The need for the facility diminished following an upgrading of Pakistan's sovereign risk rating, which allowed international banks confirming letters of credits to reestablish or increase country limits, and reduce confirmation fees without recourse to the partial risk guarantee. There were no requests under the partial risk guarantee facility in 2003.

(c) PEFGA started operations on 16 July 2001. Its business volume never met projections and cumulative losses as of 31 December 2006 amounted to about \$1.0 million equivalent. According to the Report and Recommendation of the President (RRP), business was expected to reach \$100 million per annum in guarantee volume within the first 3 years and PEFGA was expected to become profitable from the second year onwards. PEFGA issued pre-shipment finance guarantees totaling about \$12 million equivalent during 6 years of operations and supported a total of about 500 transactions, or about 80 transactions annually. This was, however, far less than the 2,500 transactions per year originally expected. An improving appetite for risk among the banks and the lack of effective credit enhancement, beyond guaranteeing commercial pre-shipment risk of domestic borrower default, undermined the business growth of PEFGA. According to the PCR, PEFGA's ability to grow was hindered by a high level of reciprocity from all shareholder banks, a good range of export product offerings, and the Government's participation through a governing council advisory body never materialized. In addition, management's seemingly indiscriminate claim payment practices contributed to PEFGA becoming a non-viable concern. The issuance of guarantees was discontinued in June 2007. Discussions are ongoing over a possible merger of PEFGA with the newly-established Trade Development Agency and its conversion into an export credit agency.

(d) Consulting services under the TA commenced in March 2002 and were to be implemented in two phases. The first phase was to review the strategic plan and operational priorities of EPB, and based on its recommendations, EPB was to be restructured under the second phase. The first phase was finalized in May 2003. In close consultation with exporters, EPB management, and the minister of commerce, the TA consultants concluded that EPB had not been an effective tool for helping expand exports and proposed the creation of a new corporatized, autonomous, and market-oriented trade promotion organization supported by well-defined corporate goals and performance targets. Stakeholder feedback suggested that a corporate setup appeared unsuitable because export promotion was seen as a statutory function of the Government. As a result, a decision was made in March 2004 to consider the establishment of an autonomous public sector body, which would be funded by the Government, but with higher private sector representation and professional staff. The minister of commerce then decided on a revised concept, which widened the scope of this entity to comprise trade development rather than export promotion only. However, due to delays in obtaining internal government approvals for the establishment of the Trade Development Agency, the second phase of the TA was cancelled. The Trade Development Agency was finally established in November 2006.

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

(a) The FCEF was established on schedule on 2 April 2001. Of the \$150 million loan, disbursements amounted to only \$2.38 million comprising the four subloans for a total of \$429,000 and \$1.95 million as a front-end fee payable to ADB. Due to the very low FCEF credit line utilization, ADB, at the request of the Government, canceled the remaining uncommitted loan amount of \$147.62 million and closed the loan account on 21 January 2004, ahead of the expected loan closing date of 02 April 2004. Termination of the FCEF became effective on 29 January 2004.

(b) The partial risk guarantee facility started operations in September 2001, which was about 6 months after the Project became effective in March 2001. Guarantees issued by ADB on eligible letters of credit comprised 30 import transactions for a total of about \$15.4 million. All of these guarantees have expired without any liability for ADB.

(c) PEFGA was incorporated on 19 January 2001 and commenced operations on 16 July 2001, which was about 4 months after project effectiveness. However, it started operations with a paid-up capital of only \$2 million. The expected capital of \$10 million equivalent did not materialize due to the failure to substantially grow its business and the lack of follow-up on additional capital contributions. As a result, ADB's equity investment in the PEFGA was only \$375,000, or 20% of the paid up capital, as opposed to the envisaged investment of \$2 million. Approval for ADB equity investment of \$2 million was given on 7 December 2000.

(d) TA implementation was delayed due to lengthy consultations with EPB. After a prolonged recruitment process, consulting services commenced in March 2002. The first phase of the TA was completed in May 2003. Implementation of the second phase was delayed considerably due to a prolonged debate on the part of the Government on the final concept of restructuring EPB. As a result, the closing date of the TA was extended three times from the original 31 March 2002 to 31 March 2006 to accommodate the delays in the decision-making process. ADB decided to close the TA account on 30 September 2005 and canceled the unutilized amount of \$618,860.

(iv) Implementation Arrangements, Conditions and Covenants, Related Technical Assistance, and Procurement and Consultant Performance:

(a) The implementation arrangements were satisfactory in the following areas: (i) the FCEF: the State Bank of Pakistan was the executing agency. It had been operating the export financing scheme and had considerable experience in administering export refinancing facilities; (ii) partial risk guarantee: ADB appointed a facility agent (Standard Chartered Bank, Pakistan) that entered into a master risk participation agreement with each guaranteed bank. The facility agent acted as an agent among ADB, the Government, and guaranteed banks to administer, promote, and market the partial risk guarantee in Pakistan and internationally; (iii) PEFGA: it operated as a corporate body under the guidance of a board of directors with a membership of about 10, including one director nominated by ADB. The Board was supported by a policy advisory committee consisting of representatives from government, exporters, and the private sector; and (iv) TA implementation: the implementing agencies were the Ministry of Finance and a well-respected research organization, the Pakistan Institute of Development Economics.

(b) The covenants designed for the FCEF were adequate. Of the 11 covenants, eight were complied with and one was complied with late: the audited project accounts for the period 1 April 2001 to 30 June 2002 were received by ADB only on 5 July 2007. One covenant was partly complied with: the export financing scheme working group met only in October and December 2000 as the State Bank of Pakistan called for meetings only when necessary. Finally, one covenant was not complied with: the State Bank of Pakistan's own PCR was not submitted to ADB.

(c) The scope and services provided to be provided under the TA were adequate. However, the TA was not implemented, as discussed above.

(d) According to the PCR, procurement under the subprojects financed by the FCEF was in line with ADB's guidelines.

(v) Performance of the Borrower and Executing Agency: The Borrower's performance was largely satisfactory. The Project was made effective within about a month of the expected effective date of 15 March 2001. Three of the project components (the FCEF, partial risk guarantee, and PEFGA) were established within a reasonable amount of time of the project becoming effective. However, the performance of the Ministry of Finance and the Pakistan Institute of Development Economics, which were the entities responsible for implementing the TA, was less than satisfactory. Commencement of the first phase of the TA faced delays in the consultant recruitment process, while implementation of the second phase had to eventually be canceled due to the Government's indecision over the concept of restructuring EPB.

(vi) Performance of the Asian Development Bank: ADB's performance was less than satisfactory. The project design was flawed. The possibility of macroeconomic recovery and appreciation of the Pakistan rupee, coupled with declining interest rates, was not even considered as a potential risk. Effective demand from banks for the FCEF was overestimated, given the cheaper funds that were readily available to finance trade finance activities, interest rate caps that prevented risk-based pricing, and the absence of any special project support to develop smaller and emerging exporters as potential clients. With regard to partial risk guarantee, the perception of Pakistan's country risk began to improve from the fourth quarter 2001 onward. However, ADB did not respond quickly enough to the facility agent's request to change the pricing and other terms of the partial risk guarantee. This constrained partial risk guarantee utilization. Also, ADB should have taken a more proactive role on the PEFGA board when management problems emerged and the institution failed to grow as projected.

D. Evaluation of Performance (PCR assessment and Validation)

(i) Relevance: The validation concurs with the PCR assessment that the Project was less relevant. The PCR states that the Project was relevant at the design stage, but subsequently failed because of a change in the economic environment between the project appraisal and implementation stages. This view does not take into consideration that the assessment of project risks and the demand analysis undertaken for the Project were inadequate. Market conditions reduced the demand for trade finance services offered under the FCEF, partial risk guarantee, and PEFGA. Daily readjustments in FE-25 pricing, according to 3-month LIBOR rates, in an environment of rapidly-decreasing interest rates, lower funding costs, the possibility of higher interest spreads for participating banks, and low documentation requirements, made FE-25 a far more attractive funding source for export finance than the ADB-financed FCEF. Even though interest caps on re-lending rates were later removed and documentation requirements lowered under the FCEF, its semiannual re-pricing mechanism and fundamentally-higher cost structure, when compared with FE-25, continued to make ADB funding unattractive. The TA appears to have been relevant at the formulation stage, although a different approach to the institutional set-up for the trade agency was eventually chosen. It can be argued that the TA's recommendations provided further impetus for institutional reforms of the Government's trade support infrastructure.

(ii) Effectiveness in Achieving Outcome: The validation concurs with the PCR assessment that the Project was ineffective in achieving its outcomes. The FCEF did not help increase the access of SME or emerging exporters to trade finance. It assisted only four exporters, all of which operated in the traditional export sectors (textiles and leather). Similarly, because of their limited roles, partial risk guarantee and PEFGA were not successful in increasing the range of financing and risk-mitigation instruments available in the market and in reducing the collateral burden of exporters and mitigating risks of their pre-shipment finance. As a result, the three financing mechanisms did not contribute much to the development of a new class of exporters, new products, or new markets for increasing exports as envisaged. As no information was provided in the PCR with regard to the functioning of the Trade Development Agency and the extent to which TA recommendations were reflected in its set-up, it is not possible to fully judge TA effectiveness.

(iii) Efficiency in Achieving Outcome and Outputs: The validation concurs with the PCR assessment that the Project was less efficient in achieving its outcomes. The FCEF, during about three years of operations (April 2001 to January 2004), increased the supply of trade finance by only about \$429,000 (0.3% of the loan amount of \$150 million) for four export-oriented subprojects. The partial risk guarantee facility, during its one year of operations (September 2001 to end 2002), issued guarantees on eligible letters of credits for only 30 import transactions in the total amount of \$15.4 million (8.7% of the \$150 million worth of guarantees available). PEFGA, during 6 years of operations (January 2001 to end 2006), supported only about 500 transactions (or about 80 transactions per annum against the targeted 2,500 transactions per annum), totaling about \$12 million. Associated processing and implementation costs, and related charges would not appear to have been in line with the achieved benefits, resulting in comparatively modest resource efficiencies. As a result, the implementation efficiency for the TA was low.

(iv) Preliminary Assessment of Sustainability: The validation concurs with the PCR assessment that the Project is unlikely to be sustainable. All three facilities were terminated prematurely for lack of demand. The FCEF, which was expected to be available for at least 15 years, was canceled in January 2004. The need for cover under the partial risk guarantee, which was expected to be available over a 6-year period, became unnecessary with the improved market perception of Pakistan's country risk and the ability of Pakistani banks to meet their obligations under import letters of credits at competitive rates. PEFGA became unviable and stopped issuing guarantees. Even if it will be merged into the Trade Development Agency eventually, it is doubtful that some of the original principles underlying the creation of PEFGA will be maintained.

(v) Impact (both intended and unintended): The Project did not have the envisaged impact on export-led economic growth, employment generation, or poverty reduction. A lack of demand for the facilities offered by the FCEF, PEFGA, and partial risk guarantee resulted in a smaller than expected number of financed transactions to increase and diversify exports by promoting a new class of exporters, nontraditional products, and markets. The Project did not contribute as expected to increasing exports and foreign exchange earnings by more than \$350 million per annum, creating about 135,000 new jobs, and supporting the livelihood of about 1 million persons. The Project was not effective in contributing to the development of sustainable mechanisms for facilitating SMEs' access to trade financing.

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

(i) Overall Assessment: ADB's Operations Evaluation Department (OED) rates the Project as unsuccessful, which is the same rating given by the PCR. OED's rating was based on the Project's failure to achieve outcomes; inefficiency in achieving outputs; unlikely sustainability; and negligible impact on export-led economic growth, employment generation, and poverty reduction.

(ii) Lessons: The PCR did not identify any evaluation lessons. However, the following lessons could be drawn for future operations: (i) trade finance facilities require special skills and flexibility in pricing, which ADB will have to improve upon in the event of similar future projects; (ii) for all ADB financial intermediation facilities, demand will have to be carefully assessed by taking into consideration all major risk factors, including the availability of alternative sources of funds and potentially-adverse interest and exchange rate developments; (iii) the use of partial risk guarantees to cover the risk of non-transferability and convertibility of foreign exchange under letters of credit for imports can be effective if used under the appropriate conditions (e.g., participation requirements for guarantees that result in long processing times might delay projects beyond the point at which such instruments would be useful); and (iv) private sector investments by ADB require pro-active management, including participation in board meetings. The last item is particularly true with the example of PEFGA, in which there were disagreements between other shareholders, declining company performance, and management problems.

(iii) Recommendations: The PCR recommends continued ADB involvement in addressing remaining impediments to trade, including the lack of adequate infrastructure and limited availability of trade finance. The latter is to be addressed through the development and use of non-loan products, including limited guarantees to fill temporary market gaps while recognizing that once conditions improve these products may not be needed. Overall, these recommendations would appear to be reasonable if trade sector support is indeed identified as an ADB country program strategy priority for Pakistan.

F. Monitoring and Evaluation Design, Implementation, & Utilization (PCR assessment and validation):

The monitoring and evaluation design was appropriate. It included a project logical framework attached to the RRP (Appendix 1); quarterly State Bank of Pakistan reports to ADB on FCEF usage; quarterly facility agent's reports to ADB on partial risk guarantee utilization; and submission by PEFGA to ADB of annual financial statements, which had been audited by an internationally-recognized accounting firm in accordance with international accounting standards. All of these reports were submitted to ADB with the exception of the State Bank of Pakistan's PCR. ADB carried out project administration through an inception mission in June 2001 and four review missions from 2001 to 2003. The Pakistan Resident Mission also supported project administration. ADB's Private Sector Operations Department administered PEFGA equity investment through review missions, having a Pakistan Resident Mission representative on the PEFGA Board, and submitting regular updates on PEFGA performance to ADB management. However, these arrangements and efforts were not successful in ensuring project success as market forces ultimately prevailed.

G. Other (e.g. safeguards, including governance and anticorruption; fiduciary aspects; Government assessment of the Project, as applicable) (PCR assessment and validation): According to the PCR, all procurement under the Project followed ADB guidelines. The State Bank of Pakistan maintained separate accounts on ADB loan utilization and submitted audited annual financial statements to ADB. (As noted above, the financial statement for the period 1 April 2001–30 June 2002 was submitted late on 5 July 2007). The borrower complied with the covenant pertaining to the approval of labor policies which promote the eradication of child labor and protection of the rights of women.² The subprojects had no proven environmentally-adverse effects. The quarterly reports submitted to ADB by the facility agent gave details of partial risk guarantee operations, including which imports were supported and how they were ultimately used in export production. The PCR did not confirm whether PEFGA submitted to its Board annual audited financial statements as required by ADB. The State Bank of Pakistan did not submit a PCR to ADB.

² The Government enacted the Labor Policy 2002 on 23 September 2002. The Policy includes provisions which improve the role and contribution of women in the labor force and provides them with equal opportunities for employments; and states that the Government has accepted the responsibility to enhance the age limit for entry into the labor market to 18 years with respect to the worst forms of child labor.

H. Ratings	PCR	OED Review	Reason for Disagreement/Comments
Relevance:	Partly relevant	Less relevant	
Effectiveness in Achieving Outcome:	Ineffective	Ineffective	
Efficiency in Achieving Outcome and Outputs:	Less efficient	Less efficient	
Preliminary Assessment of Sustainability:	Unlikely	Unlikely	
Borrower and EA:	Not given	Satisfactory	
Performance of ADB:	Satisfactory	Partly Satisfactory	The PCR emphasized ADB's role in active project implementation. However, OED considers that flaws in project design and ineffective project administration contributed to project failure. As a result, ADB's performance rating was downgraded to partly satisfactory.
Impact:	Limited	Negligible	While there might have been some small economic benefits associated with the partial risk guarantee, these did not compensate for the lack of impact of the other project components.
Overall Assessment:	Unsuccessful	Unsuccessful	
Quality of PCR:		Satisfactory	

I. Comments on PCR Quality: The quality of the PCR was generally acceptable. It could have been improved through a more balanced analysis of the reasons for project failure. Its view that the project was relevant at the design stage, but subsequently failed because of a change in the economic environment between the appraisal and implementation stages, does not take into consideration that the assessment of project risks and the demand analysis undertaken for the Project were inadequate. Also, the PCR should have updated the project logical framework and assessed the performance of associated TA 3558.

J. Recommendation for OED follow-up: None.

K. Data Sources for Validation: RRP, PCR, and back-to-office reports of review missions.