

**REVIEW OF PROJECT COMPLETION REPORTS  
FOR ADF VIII PROJECTS**

Supplementary Appendix A

to the

**SPECIAL EVALUATION STUDY ON THE  
ASIAN DEVELOPMENT FUND VIII AND IX OPERATIONS**

**December 2007**

## CONTENTS

	<b>Page</b>
SUPPLEMENTARY APPENDIX A	
A. Loan 1832-COO: Waste Management Project	3
B. Loan 1867-LAO: Environment and Social Program	5
C. Loans 1828-RMI and 1829-RMI (SF): Fiscal and Financial Management Program	6
D. Loan 1852-TAJ: Emergency Restoration of Yavan Water Conveyance Project	7
E. Loan 1912-TAJ: Emergency Baipaza Landslide Stabilization Project	8
F. Loan 2123-VIE: Support to Implementation Of Poverty Reduction Program	9
G. Loan 1860-KGZ (SF): Second Phase of the Corporate Governance and Enterprise Reform Program	11
H. Loan 1904-TON: Economic and Public Sector Reform Program	12
I. Loans 1926-KGZ (SF) and 1927-TAJ (SF): Regional Trade Facilitation and Customs Cooperation Program	13

## REVIEW OF PROJECT COMPLETION REPORTS FOR ADF VIII PROJECTS

1. The findings of the case studies of ongoing ADF VIII operations have been complemented by assessments made by all ten PCRs that were completed for ADF VIII projects by September 2007 (Table 1). The operations they report on are somewhat different from the usual—the operations were completed relatively quickly, and the number of program loans was higher than the overall average for ADF VIII. The success ratings of the PCRs (Table 2) were higher than those of the 25 case studies; the fact that PCRs are essentially self-assessments by operations departments and that the case studies were done by OED may have also played a role. Seven out of ten were rated successful, one highly successful, and two partly successful. An 80% success rate is perhaps not surprising given that projects completed in time are usually more successful. The PCRs assessed the design of eight operations as appropriate, and only discussed suboptimal design in two operations, when it had led to increased cost of civil works and construction works, and when IP were not considered in the social safeguard component of a project. All ten were found to be relevant and consistent with ADB and Governments' strategies, policies, and plans. None encountered any major changes during project implementation.

2. Different from the high proportion of special components targeting the poor in the sample of ongoing operations, only two of the ten discussed in the PCRs included special measures targeting the poor. In one case the overall impact on the poor was too early to assess at the time of the PCR. The other case was assessed as successful. The predominance of program loans in the sample is in part responsible for the fewer poverty components. Eight projects, mostly programs, included governance components. These ranged from fiscal and financial management, market and trade integration, public sector reform, structural reform, corporatization, privatization, and private sector development. Five of the eight were provisionally assessed as likely to be successful with most of the loan conditions fully complied with. Three projects were assessed partly successful due to failure to introduce policy measures on user charges and full cost-recovery and to ensure financial sustainability. Thus, the mixed success of governance components in the case studies was corroborated in projects with PCRs.

**Table 1: Basic Data on ADF VIII Projects with Project Completion Report\***

<b>Project</b>	<b>Loan No.</b>	<b>Date of Approval</b>	<b>ADF Loan (\$m)</b>	<b>OCR Loan (\$m)</b>	<b>Co-financing</b>	<b>Poverty Classif.</b>	<b>Thematic Classif.</b>	<b>Environment Classif.</b>	<b>IR Classif</b>	<b>Presence of IPP</b>
<b>Cook Islands</b>										
Waste Management Project	1832	17-Jul-01	2.20	0.00	0.90	PI	ENV	B	C	NO
<b>Lao PDR</b>										
Environment and Social Program	1867	06-Dec-01	20.00	0.00	0.00	O	ENV	B	B	YES
<b>Marshall Islands</b>										
Fiscal and Financial Management Program	1829	07-Jun-01	8.00	4.00	0.00	PI	ECO/ GG	B	C	NO

Project	Loan No.	Date of Approval	ADF Loan (\$m)	OCR Loan (\$m)	Co-financing	Poverty Classif.	Thematic Classif.	Environment Classif.	IR Classif	Presence of IPP
<b>Tajikistan</b>										
Emergency Restoration of Yavan Water Conveyance	1852	30-Oct-01	2.76	0.00	0.90	CPI	HD	B	A	NO
Emergency Baipaza Landslide Stabilization Project	1912	10-Sep-02	5.32	0.00	1.33	O	ECO	B	C	NO
<b>Viet Nam</b>										
Support to Implementation of Poverty Reduction Program	2123	09-Dec-04	6.40	0.00	0.00	GI	ECO [ISD/GG/PSD]	C	C	NO
<b>Tonga</b>										
Economic and Public Sector Reform Program	1904	28-May-02	10.00	0.00	0.00	O	ECO/GG	C	C	NO
<b>Kyrgyz Republic</b>										
Second Phase of the Corporate Governance and Enterprise Reform Program	1860	22-Nov-01	35.00	0.00	0.00	O	ECO	C	C	NO
<b>Regional</b>										
Regional Trade Facilitation and Customs Cooperation Program	1926-KGZ/ 1927-TAJ	29-Oct-02	25.00	0.00	0.00	O	ECO/ REG/GG	C	C	NO

ADF = Asian Development Fund, Classif. = Classification, CPI = core poverty intervention, ENV = environmental protection, ECO = economic growth, GG = good governance, GI = general intervention, HD = human development, IR = Involuntary Resettlement, IPP = Indigenous Peoples Plan, ISD = inclusive social development, O= other, OCR = Ordinary Capital Resources, PI = poverty intervention, PSD = private sector development, REG = regional cooperation.  
Source: Project Completion Reports as of September 2007.

**Table 2: Project Completion Report Ratings of ADF VIII Projects\* and Additional Assessments by this Study**

Project	Delay?	PCR Rating	Special poverty comp.?	Likely successful?	Good governance ambitions?	Likely successful?	Design problem?	Scope change?
<b>Cook Islands</b>								
Waste Management Project	Yes	S	No	NA	Yes	PS	Yes	No
<b>Lao PDR</b>								
Environment and Social Program	1 year	S	Yes	S	Yes	S	Yes	No
<b>Marshall Islands</b>								
Fiscal and Financial Management Program	—	PS	Yes	unclear	Yes	PS	No	No
<b>Tajikistan</b>								
Emergency Restoration of Yavan Water Conveyance	—	HS	No	NA	No	NA	No	No
Emergency Baipaza Landslide Stabilization Project	Yes	S	No	NA	No	NA	No	No
<b>Viet Nam</b>								
Support to Implementation of Poverty Reduction Program	No	S	Yes	S	Yes	S	No	No
<b>Tonga</b>								
Economic and Public Sector Reform Program	No	PS	No	NA	Yes	PS	No	No
<b>Kyrgyz Republic</b>								
Second Phase of the Corporate Governance and Enterprise Reform Program	Yes	S	No	NA	Yes	S	No	No
<b>Regional</b>								
Regional Trade Facilitation and Customs Cooperation Program	Yes	S	No	NA	Yes	S	No	No

ADF = Asian Development Fund, comp. = component, HS= highly successful, NA = not applicable, PCR = project completion report, PDR = People's Democratic Republic, PS = partly successful, S = successful, U = unsuccessful. Source: ADF VIII projects as of September 2007.

#### **A. Loan 1832-COO: Waste Management Project**

Executing Agency: Ministry of Finance and Economic Management

1. The objective of the Project was to facilitate the establishment of sustainable and appropriate waste management practices on Rarotonga and Aitutaki in the Cook Islands. The Project was expected to help increase the efficiency of waste management services through enabling policies, better local capacity to provide the services, and strengthened service cost recovery; support private sector participation in the provision of waste management services; make the public more aware and responsible for waste management; and safeguard public health and the environment. It had four components: (i) construction of a fully engineered

and environmentally sound landfill site on Rarotonga, (ii) construction of a landfill, and (iii) supply of operating equipment for each landfill, and recycling of waste materials on Aitutaki. Project design involved extensive consultations with the Government and other stakeholders, and required several ADB missions in addition to the fact-finding and appraisal missions. The Project was consistent with ADB's country strategy for the Cook Islands and with the ADB 2002 Environment Policy. ADB approved an ADF loan of US\$2.2 million on 17 July 2001 and the Project became effective on 25 October 2001. The loan account was closed on 20 September 2005.

2. The Project substantially achieved its objectives. The two main construction components, landfills and septage pools for Rarotonga and Aitutaki, were completed and achieved their intended purposes. The continued operations of recycling centers at their new location at the landfill sites also achieved their intended purposes. The major benefits of the Project were the improved collection and disposal of wastes in Rarotonga and Aitutaki, improved health, a septic tank desludging program, general cleanliness in the urban areas, and improved solid waste management services. The economic performance of project components based on economic internal rate of return (EIRR) showed that both project components (landfills and septage pools for Rarotonga and Aitutaki) achieved higher EIRRs than the forecast in the appraisal report.<sup>1</sup> However, the financial internal rate of returns (FIRR) for both projects were below the appraisal estimates because the Government did not introduce the monthly user charges recommended and anticipated in the appraisal report.<sup>2</sup> Actual implementation encountered some problems. The actual cost of the project was US\$4.9 million, higher than the total project cost at appraisal of US\$3.1 million. This was due to the increased cost of civil works during construction and currency fluctuation. The increased cost was however offset by direct government funding. The project implementation schedule was not followed because of delays in the start of the design work, tendering, civil works contracting, land acquisition, recruitment of international consultants, and shortages of counterpart staff. There were unrealistic expectations from the agencies implementing the project. While the Ministry of Finance and Economic Management (MFEM) was the executing agency, and the Ministry of Works (MOW) implemented the Project through the project management unit (PMU), the Aitutaki Island Council (AIC) and the Environment Service were not able to provide counterpart staff to the PMU because of the lack of necessary professional and technical capacity for it. The involvement of the island councils and Environment Service was limited mainly to advisory and approval inputs. The Government complied mostly with loan covenants that were associated directly with project implementation such as reporting requirements but some compliance were overdue e.g. the Parliament's ratification of the new Environment Act and other measures for the establishment of an improved institutional framework to enable waste management services to be contracted out. Other covenants that need to be complied with included those that were associated with ensuring adequate operations and maintenance (O&M) funding e.g. introducing user charges for the waste management services following a full cost-recovery strategy and a stronger financial reporting system.

3. The Project was classified as poverty intervention (PI). However, project design was focused on structural reforms and an indirect targeting of the poor. The Project included governance components such as promoting economic recovery through private sector support for waste management services, enhancing participation of stakeholders in the design and

---

<sup>1</sup> For Rarotonga, the EIRR is 13.2% (versus 12.7 at appraisal) and for Aitutaki, the EIRR is a much higher 20.5% (versus 13.2%).

<sup>2</sup> The FIRR for Rarotonga was estimated at -5% (versus 2.9% at appraisal) and for Aitutaki at -2.8% (versus 2.4%).

implementation of the Project, providing an enabling environment through the use of resources, and safeguarding public welfare through sound environmental waste management. The Project had no adverse environmental or socio-cultural impacts albeit minor, temporary, and localized environmental impact during construction which were properly mitigated by sound engineering practices. Landowners affected by land acquisition were well compensated on the basis of land replacement value. The entire population in the area benefited from improved waste management services through enhanced quality of health, and to a certain extent, economic growth and employment opportunities resulting from tourism. The Project was governance-targeted with the inclusion of loan covenants relating to the provision of appropriate funding for the maintenance of the waste management assets; developing adequate O&M resources and capacity within MOW and AIC; and the formulation and implementation of the national waste management plan. Overall, while the PCR rated the project as successful in achieving most of the project's objectives, this study assesses it as only partly successful in terms of its governance ambitions due to failure to ensure the financial sustainability of waste management services. The project did not have special components targeted to the poor that could be rated.

## **B. Loan 1867-LAO: Environment and Social Program**

Executing Agency: Science, Technology and Environment Agency

4. The Asian Development Bank (ADB) approved a \$20 million Environment and Social Program (ESP) loan from ADF to the Lao Peoples' Democratic Republic (PDR) on 6 December 2001 and became effective on 19 February 2002. The objective of the ESP was to support the policy reform agenda of the Government to improve environmental management and social safeguards in the energy and transport sectors. The Project design was relevant and consistent with sustainable environmental management which was a thematic priority of ADB's 2002–2004 country strategy and program for Lao PDR. The ESP covered five areas: (i) strengthening national policy and the regulatory framework for environmental management and social safeguards; (ii) enhancing policy implementation measures and capacity in the provinces and in each sector; (iii) improving compliance and enforcement; (iv) promoting river basin management as a multi-sector and integrated planning framework for energy and transport development; and (v) establishing sustainable financing mechanisms, including an environment fund. A limitation of the ESP design was that it focused on only one of ADB's social safeguards which was involuntary resettlement, and did not include ADB's other social safeguard like indigenous peoples which were also relevant in Lao PDR. This was later partially rectified by including indigenous peoples in the policy reforms for involuntary resettlement. A policy matrix indicating the policy framework and specific actions included in the ESP was subjected to a participatory process that involved field surveys, workshops, and extensive consultations with national, regional, and local stakeholders, including the major funding agencies involved in supporting environment, transport and energy activities. As such, the reforms and specific policy actions detailed in the draft policy matrix supported the Government's environment and development objectives, and complemented the relevant programs of the international aid community in the Lao PDR.

5. Program implementation was delayed by a year due to (i) staff shortages in the Science, Technology and Environment Agency (STEA) which was the executing agency and other demands by the steering committee (SC) members, (ii) only the Government, specifically the STEA, taking the ownership of specific outputs after the technical assistance (TA) had demobilized, and (iii) the original project schedule not leaving time for the Government to review and issue the ministerial decrees. As mentioned, program implementation suffered from staff shortages and less commitment from other steering committee agencies other than STEA (e.g., Ministry of Finance, Ministry of Industry and Handicrafts, Ministry of Agriculture and

Forestry, and Ministry of Communication, Transport, Post and Construction's Department of Roads). Conditions and covenants were mostly met although compliance for some was delayed due mainly to the time required for Government review and issuance of the decrees for resettlement and EPF.

6. The Program strengthened participatory planning to take into account the people's needs, priorities and aspirations. The STEA, the agency in charge of compensation and resettlement, issued national guidelines for facilitating and monitoring the involvement of affected communities in project implementation. The decree on compensation and resettlement being implemented by STEA included requirements for assessing social impact and addressing ethnic minority issues within development projects. The ESP also addressed ethnic minorities in the legislation on involuntary resettlement. Other than these, the Program had no specific poverty components targeting the poor.

7. Notably, the Program's outputs were mainly focused on policy and governance safeguards. These included (i) strengthening national policy and the regulatory framework for environmental management and social safeguards in identifying gaps in the legal and institutional framework that impede environmental and social management; (ii) strengthening sector performance by enhancing capacities of staff and offices in the provinces and in each sector; (iii) improving compliance and enforcement through raising awareness within ministries about environmental and social safeguards, conscious attention to safeguard planning and implementation, monitoring and evaluation, and transparency and accountability in social and environmental decision making; (iv) implementing a number of policy actions to ensure that planning of energy and transport programs take place within an integrated resource management framework; and (v) establishing sustainable financing mechanisms through the environmental protection fund (EPF) to support specific objectives related to environmental protection and natural resource conservation. The Program was regarded as likely sustainable but other governance components were seen to hinder ESP's sustainability such as weak institutional capacity and limited human resources. These were addressed in the Program by successive efforts at capacity building and the Government's strong commitment to legal and institutional reforms. Overall, the PCR assessed the Program as successful particularly in putting in place policy reforms for social and environmental safeguards within Lao PDR; this study sees it as successful also in its specific governance ambitious and ambitions to target the poor, by including specific provisions in the resettlement legislation regarding ethnic minorities.

**C. Loans 1828-RMI and 1829-RMI (SF): Fiscal and Financial Management Program**  
Executing Agency: Ministry of Finance

8. The Fiscal and Financial Management Program (the Program) loan included \$4 million from ADB's ordinary capital resources and \$8 million from the ADF. The Program was approved in June 2001 and assisted the Marshall Islands (RMI) in (i) strengthening its financial management, (ii) maximizing the benefits from the renegotiation of the economic provisions of the Compact of Free Association with the United States (Compact), and (iii) laying a foundation for sustainable government finances and economic development. The Program included a TA grant of \$950,000 to the Government providing fiscal and financial advisory services, economic strategy advice, and building the capacity for a more efficient public service. The design of the Program was consistent with the 2001 Country Assistance Plan which recommended a long-term strategy to address the impending completion of the initial 15 years of economic assistance under the Compact. It was also relevant and in line with the Country Strategy and Program Update for 2003–2005 which outlined the need to “strengthen public

sector governance and enhance public sector productivity” in the Marshall Islands. The PCR considered the program design as relevant. No adverse environmental or sociocultural impacts were seen.

9. There were no major changes made to the Program during implementation. However, the Program only partly achieved the objectives of its governance components and was rated less efficacious. Progress was made in: (i) catalyzing the creation of the Compact Trust Fund (CTF) and the successful negotiation of the Compact, and (ii) improving financial management with the establishment of the Medium-Term Budget and Investment Framework (MTBIF) and the installation of the new financial management and information system (FMIS). The Program did not deliver other reform measures. There was lack of progress in improving the public service and reforming the private sector policy environment. For instance, the Program has yet to address the appropriate role of the Public Service Commission (PSC) as well as institute changes in public service regulations to improve public service management. Private sector development remained limited but progress was made with the passage of legislation to create the Marshall Islands Land Development Registration Authority (MILDRA) since land tenure was often cited as one of the crucial issues in private sector development. Access to land for investors increased but this progress should be seen in the long-term. Much more remains to be done to promote private sector development since PSEs continued to absorb substantial public resources. The PCR rated the Program as less efficient. Loan funds were used to pay off arrears of the Health Fund and eliminate high-cost commercial debts but deficits persisted as reported by the International Monetary Fund (IMF) which meant that the fiscal position remained perilous. The sustainability of the Project was also rated less likely considering that the government finances were still being institutionalized.

10. The Program was classified as PI. As special poverty measure, the Program increased the threshold on tax-free income in September 2003 to provide some financial relief to low-income earners. Through the (MTBIF), the renegotiation of the Compact also secured substantial funding for education and health especially in the rural areas. Substantial funding was also directed to upgrade social infrastructure and enhance provision of these services. The Project Completion Report (PCR) however noted that the impact of these efforts on the poor was either too early to assess or unclear due to lack of timely statistics.

11. Overall, the Program was implemented as designed but it only partly achieved the desired outcomes. The major developments were the establishment of the CTF (via the MIITF) and the successful negotiation of the 20-year package of assistance under the Compact. Hence, the PCR rated the Program partly successful. Poverty targeting was included in the Program but this study finds that the impact on the poor is as yet unclear. Governance measures were also partly met and therefore considered only partly successful.

**D. Loan 1852-TAJ: Emergency Restoration of Yavan Water Conveyance Project**  
 Executing Agency: Ministry of Water Resources and Land Reclamation

12. The main objective of the Project was to rehabilitate the household and irrigation and water supply system in Gozimalik, Khojamaston, and Yavan districts of Khatlon Region which was damaged by an earthquake in May 2001. ADB approved the Project as an emergency assistance on 30 October 2001. The total cost of the project was \$4.5 million and ADB provided an ADF loan of \$3.6 million. The Project was designed by domestic consultants with the active participation of relevant government agencies and the beneficiaries. The design involved fully restoring the water supply by installing permanent replacement works for the temporary pipelines laid immediately after the disaster; rehabilitating other facilities that had outlived their

envisaged lifespan and posed a threat; and reducing the possibility that emergency expenditures will disrupt the implementation of approved development programs. The PCR assessed the Project as comprehensive and highly relevant. There were some delays during the start of the activities but most of the major works were completed on time. The implementation of the Project by the Ministry of Water Resources and Land Reclamation (MWRLR) through its project management office (PMO) worked well as envisaged at appraisal. The Project also addressed most of the environmental aspects of the Project satisfactorily but did not undertake environmental monitoring as adequately as was required in the initial environmental examination (IEE). Social and environmental impact analyses were conducted but not to the acceptable level. An advisory technical assistance (TA) attached to the Program assisted the MWRLR in establishing the procedures for proper operation and maintenance (O&M) of the Yavan conveyance system facilities and building MWRLR's capacity for construction management and supervision. Tajikistan demonstrated strong ownership of the Project at the highest level considering that the President of Tajikistan himself sought the assistance of ADB for this Project. There was timely provision of adequate counterpart funds. The Project achieved its objectives by rehabilitating the infrastructure (Loikasai siphon) damaged during the earthquake of 7 May 2001. Upon completion of the physical infrastructure works, water supply in the project area improved and full supply was restored by the end of October 2003. To sustain project benefits, the Project rehabilitated two other siphons which were intact but posed a risk because the steel pipes had outlived their expected lifespan of 30 years; improved the Vakhsh-Yavan tunnel and Pravaya Vetka main canal; provided radio equipment to effectively handle emergency situations in the future; and strengthened the capacity of the EA for proper O&M and construction management and supervision through an associated advisory TA. In general, the PCR found that the Project was highly successful from an assessment of highly relevant, highly efficacious, highly efficiently and likely sustainable. It was implemented as conceived delivering outputs within the implementation schedule and using less money than allocated. The project savings were used to improve the facilities of the irrigation network within the project area which as expected will enhance the project benefits.

13. The Project was limited in scope and focused on the immediate rehabilitation of infrastructure damaged by the earthquake in Tajikistan. Classified as core poverty intervention (CPI), the Project was expected to benefit about 56,000 people, 90% of whom lived below the poverty line<sup>3</sup> and depended on agriculture production. The Project had no special components targeting the poor but the Project obviously intended to raise the living standards of the affected rural communities by ensuring access to a stable water supply on a sustainable basis. However, the impact of the Project on increased production and/or enhanced living standards and welfare of the poor in the project population depended on other Government policy interventions and were considered beyond the scope of this emergency assistance project. The Project's governance components were very limited at the project-level such as O&M and enhancing construction management and supervision were integrated in the design of the Project.

**E. Loan 1912-TAJ: Emergency Baipaza Landslide Stabilization Project**  
 Executing Agency: Ministry of Energy

14. This Project included another emergency loan of ADB to the Government of Tajikistan. Its purpose was to stabilize the Baipaza landslide following an earthquake that shook Tajikistan

---

<sup>3</sup> Based on a World Bank study, the Tajikistan living standards survey undertaken in 1999 shows that 83% of the population lives below the poverty line. ADB. 2001. *Report and Recommendation to the President on a Proposed Loan and Technical Assistance to the Republic of Tajikistan for the Emergency Restoration of Yavan Water Conveyance System Project*. Manila.

on 3 March 2002. The disaster caused large volume of earth and rocks to slide down the mountainous banks of the Vaksh River about 5 kilometers (km) downstream from the 600 megawatt (MW) Baipaza Hydropower Station (BHPS) in the Khatlon region. Although the mountain slope that was affected was uninhabited, a substantial blockage of the Vaksh disrupted power-generating capacity comprising five hydropower stations and totaling 3,858 MW or 90% of the country's generation capacity. The Project which was designed with the participation of government agencies was simple and appropriate. It consisted of (i) part A: the emergency slope stabilization project and disaster preparedness; and (ii) part B: the feasibility for long-term solution. The project was supposed to be implemented from June 2002–December 2003 but it was completed in June 2005. The delay was caused by harsh weather, further landslides, and the executing agency's unfamiliarity with ADB procurement procedures. The Ministry of Energy (MOE) served as EA for the Project, and Barki Tajik which was a state-owned electricity utility, as the implementing agency (IA). Nevertheless, the Project was implemented effectively and all the major loan conditions were satisfactorily complied with particularly measures to mitigate the environmental impact as provided in the summary initial environmental examination (IEE). The Project which was classified as category B did not require any resettlement but included compensation to farmers for loss of cattle and fodder, effective soil and dust control during implementation, and environmental monitoring. The Project also did not result in any land acquisition, resettlement, or issues on indigenous peoples. The environmental and sociocultural impacts were rated as moderate. There were no major changes in the design and the Project was implemented using lesser funds than estimated. In general, the PCR assessed the Project as highly relevant, effective, efficient, and likely sustainable. The Project achieved its goal and purpose of lowering the risk of blockage of the Vaksh. More importantly, the Project provided a long-term solution for future possible disasters with the provision of earthmoving equipment and an early warning system to anticipate or prevent the creation of an unstable water reservoir. The overall rating was successful.

15. The Project had no specific special measures targeting the poor but had a positive indirect impact on poverty reduction with the prevention of the landslide's severe disruption to the economy. To a certain extent, the PCR noted that the Project had positive social outcomes. These included the following components: (i) rehabilitation of an access road to isolated villages and farms, (ii) extension of the electric grid to isolated farms in the neighborhood of the landslide, and (iii) modernization of springs in a remote village. Further, the inclusion of seeding and revegetation not only secured the terrace surface from landslides but also increased fodder for livestock. The Project had capacity development components such as training for MOE in contract management and disaster preparedness. The Project had no governance ambitions.

#### **F. Loan 2123-VIE: Support to Implementation of Poverty Reduction Program**

Executing Agency: State Bank of Viet Nam

16. The program loan for the Support to Implementation of Poverty Reduction Program (SIPRP) was aimed at reducing poverty and sustaining high-level economic growth. The SIPRP was relevant and highly consistent with the Government's development strategy envisaged in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) 2002–2006 and the Socio-Economic Development Plan (SEDP) 2001–2005. The SIPRP was intended to provide support for the ongoing implementation of the Government's Poverty Reduction Support Credit (PRSC 3), which was an annual multisector program collectively supported by many development partners. Through the SIPRP, the ADB participated as a cofinancier in the third of the 5-year PRSC. The World Bank and other development partners provided financial support in the form of grants or credits through a multidonor trust fund or on a bilateral basis. The estimated total cost was over \$436.7 million. Total financial support from all cofinanciers for

PRSC 3 amounted to about \$178 million, of which \$6.4 million was cofinanced by ADB. The PRSC, and more specifically, the program design of the SIPRP was also consistent with ADB's reform agenda, namely the Long-Term Strategic Framework and the Medium-Term Strategy, and helped ADB's obligations to the Rome Declaration on the harmonization of multilateral development banks. The PRSC was formulated in a participatory manner involving all stakeholders—government agencies, development agencies (including ADB), and civil society. The SIPRP became effective on 14 March 2005 and finally closed on December 2005. The Program was implemented as designed at appraisal without any major changes. The State Bank of Viet Nam (SBV) was the EA and responsible for overall implementation of the SIPRP. Program implementation which involved about 24 line ministries and other relevant government agencies (e.g. ministries of agriculture and rural development, education and training, finance, labor, invalids, social affairs, transport, etc.) structured into a national steering committee (NSC), a quasi-advisory body, and an interministerial working group and secretariat appeared complex but seemed to work well.

17. The SPRP was a policy-oriented program loan which consisted of both poverty and governance components. The poverty-targeted features of the SIPRP were covered under the component on socially inclusive development and were concerned with education, health, land, water, and environment. Progress in achieving developing outcomes in these sectors was generally rated as satisfactory to highly satisfactory except in one area associated to the establishment of a public health approach to tackling the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) epidemic which was rated as unsatisfactory. The SIPRP provided health care funds for the poor and established fund management committees in all provinces and cities. The central government's contribution to these funds was paid in full. In education, progress was achieved in increased overall spending, improving resource allocation and raising the quality of teaching. In the area of land, a new law was passed in late 2003 which supported access to land for all sectors and addressed land-tenure security and community land-use practices. In the water resources sector, the Government undertook an important policy action with the transfer of management of small-scale irrigation systems, and tertiary and secondary canals from the state-owned irrigation management to cooperatives or water user groups. Regarding environmental protection, the Government introduced environmental safeguards for public investments and mechanisms to implement the "polluter pays" principle. In general, the poverty goal of reduced poverty and sustained economic growth was achieved.

18. With respect to governance, SIPRP involved an ambitious structural reform agenda on the transition to a market economy covering trade integration, state-owned enterprise (SOE) reform, financial sector reform, private sector development, and communication infrastructure. Progress in infrastructure was assessed as highly satisfactory, while SOE and financial sector reforms were assessed as slow and unsatisfactory. Factors that contributed to the slow progress of SOE reform related to bad debts; resistance from numerous vested interests and potential retrenched workers; and uncertainties in enterprise management after equitization. Financial sector reform was also slow due to: lack of capacity to identify nonperforming loans; conflicts between the State Bank of Viet Nam's dual functions as banking supervisor of state-owned commercial banks (SOCBs) and as an SOCB shareholder; and caution in seeking to ensure public financial sustainability in the restructuring process. Progress in the infrastructure sector was attributed to the openness of the telecommunications sector to competition; significant improvements in the provision and operation of infrastructure; and reduction in prices of infrastructure services. On other governance components, the SIPRP improved the planning process, public financial management, and delivery of public administration services to people and businesses, and anti-corruption initiatives. SIPRP expanded the CPRGS approach in

provincial planning and launched the process in 20 provinces. To improve public financial management, accounting systems of the State Budget and the State Treasury were unified which paved the way for a consolidated and integrated budget. The Government also completed the design on an overall Treasury and Budget Management Information System (TABMIS) based on modern principles of public financial management such as the World Bank-International Monetary Fund Treasury Reference Model. All in all, progress in attaining the governance targets was made in trade integration, planning processes, private sector development, infrastructure, public financial management, and financial accountability, while slow progress was made in SOE reform and anticorruption.

19. The PCR rated the Program as successful from an assessment of highly relevant, highly efficacious, highly efficient, and likely sustainable. The SIPRP was implemented as conceived and was well-designed. Progress was generally on track and targeted outcomes were expected to be achieved. The SIPRP had a substantial impact on pro-poor policy and institutional development. Thus, this study considers the SIPRP to be broadly successful as well in terms of its poverty and governance targets.

**G. Loan 1860-KGZ (SF): Second Phase of the Corporate Governance and Enterprise Reform Program**

Executing Agency: Ministry of Finance

20. ADB approved the Second Phase of the Corporate Governance and Enterprise Reform (CGERP-II) which was a program loan of \$35 million of ADF and accompanying TA for the Kyrgyz Republic on 22 November 2001. The Program and TA aimed to enhance investor confidence by strengthening corporate, financial, and judicial governance and undertaking reforms to improve the efficiency and viability of the enterprise sector. The Program design was appropriate and assessed as highly relevant as it was also in line with the development objectives of the Kyrgyz Republic in judicial reforms. The Government showed strong ownership as reflected by its active participation during the project processing phase. The PCR assessed the implementation arrangements as adequate in delivering the program outputs and achieving the program purpose. The Ministry of Finance (MOF) was the EA for the Program while the Corporate Development Center (CDC) was the IA. Program implementation was supported by a consultative council and a steering committee comprising of key ministries and state agencies involved in the Program. Issues were also discussed in full cabinet meetings as necessary. Regarding the schedule, the PCR noted delays and partial compliance in some loan conditions as follows: (i) the condition to provide for sufficient employment counseling and retraining to mitigate the social cost of restructuring selected state-owned enterprises (SOEs), (ii) the passage of a new law on joint-stock companies (JSCs) which was not in line with best practice in corporate governance, (iii) amendment of the Land Code, and (iv) approval of the draft enterprise restructuring strategy which fully integrated active labor market policies. Performance of the borrower and the EA was rated satisfactory while the performance of ADB was highly satisfactory. The accompanying TA was regarded as relevant but was assessed as partly successful due to some delays and problems in the fielding of suitable consultants.

21. The Program components focused more on governance reforms than special poverty measures. The Program achieved its purpose to enhance investor confidence and promote enterprise efficiency. Inflows of gross foreign direct investment doubled from \$90 million in 2001 to \$176 million in 2004. Gross domestic investment increased from 18% of gross domestic product (GDP) in 2001 to 19% of GDP in 2004. Overall, the Kyrgyz economy grew by 4.9% per year on average over the Program and growth accelerated to 7.1% in 2004. The major facilitating factors included the high degree of macroeconomic and political stability as well as

the strong economic performance of neighboring countries. In particular, the Program's accomplishments included: strengthened enabling environment for corporate governance, disclosure, and creditors' rights; and enforcement of legislation through the judiciary. Some of the key policies instituted were the enactment of the law on JSCs, Law on Banks and Banking Activity (LBBA), auditing and accounting laws, and the law on out-of-court arbitration. However, the PCR found that the Program was less efficacious in terms of supporting restructuring of specific enterprises mainly due to problems affecting the compensation of laid off workers. There were also no definite policies yet formulated on enterprise restructuring following conflicting views of different government agencies on the overall enterprise restructuring strategy. The Government began to develop a general strategy for enterprises restructuring in 2001 but it was repeatedly revised partly in light of the changing experiences of pilot enterprises. In general, the Program was assessed as efficient as most of the conditions were complied with and only a few were only partly satisfied. The PCR observed that the other remaining legal reforms would need more time to be achieved. Similarly, the PCR provisionally rated the Program as likely sustainable. Despite risks of political instability in the Kyrgyz Republic and declining economic activities in neighboring countries, the PCR believed that the Program's accomplishments so far could not easily be reversed. Strong legal and regulatory bases for corporate governance were already put in place through legislation and would only have to be enforced and implemented. Continued delays in resolving divergent views about industrial policy in general and enterprise structuring in particular were expected. Environmental and sociocultural impacts were less significant. The Program was classified as category C which meant that it had no direct environmental impact. Overall, the Program was rated successful. This study also finds the governance components likely successful.

#### **H. Loan 1904-TON: Economic and Public Sector Reform Program**

Executing Agency: Ministry of Finance

22. ADB approved the Economic and Public Sector Reform Program (EPSRP) on 28 May 2002 for a \$10 million program loan financed from the ADF. The goal of the Program was to assist the Government in achieving a sustained and equitable rise in living standards of all Tongans through macroeconomic stability and private sector-led economic growth. The Program focused on two areas of governance reform—fiscal reform and public sector reform. The Program did not include special poverty measures. Nonetheless, the Program was rated relevant both at appraisal and completion. There was no change in the program design and scope. The Program design was consistent with ADB's Pacific Strategy for the New Millennium (2000–2004) and ADB's country assistance plan (CAP) for Tonga for 2001–2003. It was in line with the Government's development strategy which focused on sound economic management, good governance, and private sector development as top priorities. The fiscal reform component was appropriate for ensuring financial discipline, restraining public expenditure, increasing revenue, and reducing the budget drain by the public enterprises. The public service reform was also relevant and appropriate for laying down the foundation for an efficient and effective civil service. The planned period of implementation was 20 months from April 2002 to December 2003, and the planned loan closing was 20 June 2004. Policy conditions were substantially complied with and the loan was closed on 23 December 2003 which was 6 months ahead of schedule. Implementation arrangements supervised by the Ministry of Finance (MOF) as the EA worked well with the creation of a fiscal reform team comprising of five senior management government officials to implement the fiscal reforms. The performance of the Borrower and EA and the ADB was rated all satisfactory. There was no

major change in implementation arrangements during the program years. Two related TAs<sup>4</sup> which assisted the Government in implementing the public service reform program were rated both successful.

23. The Program was rated less efficacious. The Program targeted five outputs: (i) public expenditure management, (ii) revenue generation, (iii) effective and efficient use of public resources by public enterprises, (iv) institutional framework for public service, and (v) performance-based management. The Program created the Public Service Commission (PSC); facilitated the enactment of significant legislation and rules and regulations such as the Public Finance Management Act, the Public Enterprise Act, the Public Service Act, Code of Conduct, Discipline Regulations, and Dispute Resolution Policy; decentralized personnel management; instituted the corporate plan, merit-based remuneration policy, and performance evaluation system; and established the human resources management information system (HRMIS), among others. In general however the PCR assessed that the performance targets did not lead to the achievement of a sustainable fiscal balance and improved public service delivery to the private sector and the general public. Overall budget deficit remained and inflation was at 7.9%. The result of institutional and legal groundwork for efficient and effective public service laid down in the Program was unclear on whether these had translated into improved public service. The Program was rated efficient considering that the tranche conditions were met as scheduled. The Program's sustainability was initially assessed as less likely due to problems of fiscal deficit and dissatisfaction and low morale among government staff due to low salaries. The PCR believed that it would take some time before a sustainable fiscal position for the country could be achieved. The economy and revenue sources would need to expand and complemented by strict tax collection. Overall, the PCR found that the Program was implemented as conceived. The Program showed the Government's commitment and willingness to improve governance. The PCR highlighted that the Program's major accomplishments were in the area of public enterprise reform which pursued corporatization and privatization, tax, and budgetary reforms. However, since some of the targets were not achieved, the PCR rated the Program as partly successful. The Program includes perhaps unrealistically large governance ambitions which this study finds to be partly successful.

**I. Loans 1926-KGZ (SF) and 1927-TAJ (SF): Regional Trade Facilitation and Customs Cooperation Program**

Executing Agency: Ministry of Finance (Kyrgyz Republic); Ministry of Finance (Tajikistan)

24. The Regional Trade Facilitation and Customs Cooperation Program consisted of a \$15 million loan to the Kyrgyz Republic (Loan 1926-KGZ) and \$10 million loan to the Republic of Tajikistan (Loan 1927-TAJ). It was designed to foster industrial and trade growth by helping integrate the region's transition economies to the world market. After gaining independence in 1991, the Kyrgyz Republic and Tajikistan faced the challenge of shifting to a private sector-led market economy. The Program design was highly relevant and in line with both Governments' objective of encouraging good governance and modernizing customs administration and also consistent with the development priorities of both countries for a free market system thereby encouraging strong Government ownership and compliance with the loan conditions. Program goals were consistent with ADB's regional strategy and priority given to trade facilitation and market integration, development of an efficient transport system, and cooperation in the energy sector to promote rational use of resources. Regional cooperation was the core feature of the Program. Implementation arrangements led by the Ministries of Finance of both countries were

---

<sup>4</sup> TA 3873-Building a Performance-Based Public Service and TA 3705-Technical Assistance Grant to the Kingdom of Tonga for the Economic and Public Sector Reform Program

adequate. The Kyrgyz Republic experienced a slight delay in the passage of the revised Customs Code after which other customs clearance and control procedures were eventually fully complied with. The Government of Tajikistan complied on schedule. Also, accompanying TAs contributed in meeting the Program's objectives. A PPTA (TA 3950-KGZ and TA 3951-TAJ) helped assess the investment requirements for customs modernization and support implementation of reforms, and RETA (TA 6058-REG) which helped establish the Customs Cooperation Committee (CCC) facilitated compliance through the development of simplified transit shipment procedures and other monitoring conditions.

25. In general, the Program's outcomes were in the area of governance, transparency and institutional capacity. These were achieved by (i) rationalizing the structure of their respective customs administrations; (ii) improving management and personnel policies (e.g. regarding recruitment, performance assessment, compensation, and promotions); and (iii) establishing procedures to increase customs sector performance and transparency creating customs services information database, annual survey of customs services, and producing publicly available annual reports, and performing audits. The PCR found satisfactory results in achieving a stronger legal and regulatory framework consistent with international standards with the ratification of revised customs codes in both countries and development of related regulations. The Program was effective in improving operational efficiency of the customs sector to facilitate trade and improve revenue collection through adopting simplified clearance and control procedures, establishing electronic linkages to improve institutional coordination, and developing investment strategies for customs modernization. More important, the Program enhanced regional cooperation by promoting concerted customs reforms and modernization and addressing common interests and issues on regional transit development. The Program has no special or direct poverty components but was viewed to fall within the broad framework that trade facilitation and market integration are vital elements to promote economic growth and reduce poverty. The Program expected that encouraging trade and improving balance of payment positions as well as greater customs efficiency would increase revenue collection and in turn create increased fiscal resources for social services expenditures for the poor. Overall, the Program was assessed as effective, highly efficient, likely sustainable, and hence, successful. This PCR assessed the Program in general as successful and this study considers the particular governance components to have been successful. The study assesses that the Program as such did not have special components targeting the poor.