

**FINDINGS OF ELEVEN COUNTRY ASSISTANCE PROGRAM  
EVALUATIONS FOR ADF COUNTRIES**

Supplementary Appendix B

to the

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

**December 2007**

**CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| SUPPLEMENTARY APPENDIX B                                    |             |
| A. Introduction   | 1           |
| B. Country Performance as Based on Five Evaluation Criteria | 2           |
| C. Evaluation of Performance of ADB in CAPEs                | 6           |
| D. Assessment of Thematic Performance in CAPEs              | 6           |
| E. Evaluation of Sector Performance in CAPEs                | 17          |

## FINDINGS OF COUNTRY ASSISTANCE PROGRAM EVALUATIONS FOR ADF COUNTRIES

### A. Introduction

1. A selection of Country Assistance Program Evaluation (CAPE) of Asian Development Fund (ADF)-supported countries for the period 1990 onwards is reviewed as part of the Special Evaluation Study (SES) on ADF VIII and IX Operations (SES). Table 1 shows the 11 CAPEs included, their date of publication, and period covered.

**Table 1: Country Assistance Program Evaluation Reviewed**

| CAPEs            | Year Published | Period Covered |
|------------------|----------------|----------------|
| Bangladesh       | 2003           | 1986–2002      |
| Bhutan           | 2005           | 1983–2003      |
| Cambodia         | 2004           | 1992–2002      |
| Indonesia        | 2005           | 1990–2004      |
| Lao PDR          | 2006           | 1994–2004      |
| Mongolia         | 2002           | 1991–2001      |
| Nepal            | 2004           | 1988–2003      |
| Pakistan         | 2007           | 1985–2006      |
| Papua New Guinea | 2003           | 1986–2002      |
| Sri Lanka        | 2007           | 1997–2007      |
| Uzbekistan       | 2006           | 1996–2004      |

CAPE = country assistance program evaluation, Lao PDR = Lao People's Democratic Republic.

Source: Asian Development Bank CAPEs.

2. The objective of the review is to document ADB's performance in ADF recipient countries, as reported by the CAPEs. The assessment period of the CAPEs does not exactly coincide with ADF VIII and IX (2001–2008) but the findings deal with the result of 5 to 10 years of ADB assistance in these countries, the latter part being more relevant to the SES.

3. CAPEs are produced to support the formulation of the next Country Strategy Program (CSP), and assess the experience of completed and ongoing ADB operations in the country. Information used is based on government plans and strategies, secondary performance data, country files, project records, stakeholder interviews, and sample surveys.<sup>1</sup>

4. The Operations Evaluation Department (OED) uses five criteria to evaluate the success of country operations or specific projects. However, older CAPE reports did not always make use of the same criteria and framework. In such cases, this review had to approximate the ratings given based on narrative discussion pertaining to a certain criteria, sector, or theme.

5. The guidelines (footnote 1) prescribe four levels of qualitative rating for each of the five criteria. In general terms these are: highly successful, successful, partly successful, and unsuccessful.

6. This review focuses on overall performance, performance in various sectors and themes of interest.

<sup>1</sup> ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila. Available: <http://adb.org/Evaluation/methods.asp>.

## B. Country Performance as Based on Five Evaluation Criteria

### 1. Evaluation Criteria

7. The five evaluation criteria used are (i) relevance, (ii) effectiveness, (iii) efficiency, (iv) sustainability, and (v) impacts. Relevance refers to the compatibility of ADB's sector strategy and sector program with the mission of ADB and with the key evolving economic circumstances, priorities, and absorptive capacity of the developing member country (DMC). Effectiveness refers to the level of success of the sector strategy and assistance program in achieving outputs and outcomes in support of the DMC's sector development goals and objectives. Efficiency compares the achievement of the sector assistance program goals and objectives with the use of ADB assistance resources. The level of sustainability reflects the likelihood that the achievement of sector results and benefits will be sustained in the future. Impact refers to ADB's plausible contribution to long-term changes in development conditions through its program in a particular sector.

8. CAPEs also assess ADB performance and overall performance. The former refers to ADB's efforts and success in providing quality support for lending and nonlending services, demonstrating and adhering to good corporate governance practice, being sensitive and responsive to client needs, fostering client ownership, and the extent to which performance is harmonized with that of other development partners.

9. The overall performance rated by a CAPE is derived from the bottom-up assessment of performance in ADB-supported sectors and the top-down assessment of ADB's positioning in the country and contribution to key results. The various ratings given in the CAPEs or which are derived from discussions in these CAPEs are reflected in Table 2 below.

**Table 2: Success Rates of Country Programs and ADB Performance**

| Criteria              | BAN   | BHU  | CAM | INO  | LAO  | MON   | NEP  | PAK  | PNG     | SRI  | UZB            |
|-----------------------|-------|------|-----|------|------|-------|------|------|---------|------|----------------|
| Relevance             | S     | S    | S   | S    | S    | S     | S    | [PS] | S       | S-PS | S <sup>2</sup> |
| Effectiveness         | [PS]  | PS-S | S   | PS   | S    | –     | [S]  | [PS] | [PS]    | PS-S | S              |
| Efficiency            | [PS]  | PS   | S   | PS   | PS-S | [PS]  | [PS] | [PS] | [PS]    | PS-S | –              |
| Likely Sustainability | PS-US | PS   | PS  | PS   | S-PS | PS-US | [PS] | [PS] | [PS]    | [S]  | –              |
| Institutional Impacts | [PS]  | PS-S | S   | PS   | –    | –     | [PS] | –    | –       | [S]  | –              |
| ADB Performance       | [PS]  | S    | S   | [PS] | S    | [S]   | [PS] | PS   | [PS]    | S    | [S]            |
| End Rating            | [PS]  | [S]  | S   | PS   | S    | S     | [PS] | PS   | [PS-US] | PS   | S              |

BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, HS = Highly Successful, INO = Indonesia, LAO = Lao People's Democratic Republic, MON = Mongolia, NEP = Nepal, NR = No Rating/Discussion, PAK = Pakistan, PNG = Papua New Guinea, PS = Partly Successful, SRI = Sri Lanka, S = Successful; US = Unsuccessful, UZB = Uzbekistan.

Note: Ratings in brackets were derived based on discussion from CAPE reports, ratings were provided only when there were no specific ratings given. Only "successful" or "partly successful" were used, to provide conservative estimates.

Source: ADB Country Assistance and Program Evaluation Reports.

<sup>2</sup> Uzbekistan rating for Relevance and Effectiveness were taken from the following statement from the CAPE Executive Summary: "The CAPE evaluated the overall program as satisfactory based on the criteria of relevance and efficacy."

## 2. Relevance

10. Except for the CAPE Pakistan, all CAPEs reported that ADB's assistance strategy was relevant to the country's needs and national development strategies. The CAPE Pakistan argued that resources were spread too thinly across too many sectors. Nevertheless, the CAPE also conceded that ADB's engagement in sectors such as education, power, rural infrastructure, and water supply in Pakistan was highly relevant.

11. Some CAPEs made provisos to the various ratings of relevance given, such as the CAPEs Nepal and Lao People's Democratic Republic (Lao PDR). The 1999 Country Operational Strategy (COS) for Nepal was viewed as being of such a broad nature that it was difficult to judge whether such projects as the Corporate and Financial Governance Project, Governance Program Loan, and Public Sector Management Program Loan, satisfied the COS' criteria of "achieving a sustainable reduction in poverty through: (i) generation of productive employment opportunities and increased rural incomes, and (ii) equitable improvements in basic social services to enhance human development resulting in reduction of population growth." Nevertheless, the CAPE gave a rating<sup>3</sup> of 3.8 out of 4 for design relevance, as most projects approved up to 2,000 were found to be chosen and designed in a manner relevant to the COS. According to the CAPE Nepal, several projects were proactively designed to meet the priorities of the COS. In the Lao PDR, project/program design was viewed as overly complex in the agriculture and natural resources, finance, and water supply sectors. This resulted in delays and low achievement of outputs and outcomes. Because project design was generally satisfactory in other sectors and even highly satisfactory in the transport sector, as it reflected continuity and synergies among projects, the overall performance of ADB's country programs was nevertheless considered relevant.

12. The CAPEs often reflected that there is a need for ADB to be more flexible in adjusting country strategies to the changing situations in the country. In Sri Lanka, country strategies have been relevant for the past decade but with the renewed conflicts, there is a need to modify the strategy. In Indonesia, the operating environment changed with the sudden decentralization but ADB's strategy has not been quick to develop new modalities to suit the new country situation. Nevertheless, the responsiveness of the country strategy to ADB's priorities was rated as highly relevant, and the responsiveness to country development issues rated relevant.

## 3. Effectiveness

13. CAPEs reported varied results of ADB's programs and projects' effectiveness in many countries. Country strategies and programs for Cambodia, Lao PDR, Nepal, and Uzbekistan were assessed as having achieved satisfactory levels of effectiveness. In Indonesia, pre-crisis results were very positive but ongoing projects were rated only partly effective as many were deemed to be at risk and in need of cancellation of part or all of their loans.

14. The broadly stated goals and objectives in the case of Papua New Guinea (PNG) made it impossible to assess ADB's contributions. Similarly, the ADB program in Bangladesh was diffuse and unfocused and effectiveness of the program was rated as modest.

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<sup>3</sup> Appendix 6 (Basis for Evaluation of Key Factors) of Nepal CAPE indicated that design relevance ratings are defined as: 1 = no relevance to country strategy; 2 = meets basic strategy requirements, such as economic growth, but without focus on poverty eradication; 3 = generally conforms to strategy and addresses crosscutting issues; 4 = fully fits strategy, including a focus on poverty reduction, and takes into account policy and crosscutting issues; 5 = proactively focuses on major strategy elements.

15. The CAPE Lao PDR rated the effectiveness of ADB's operations as satisfactory but it varied by the sector. The CAPE rated the energy and transport sectors, the two major sectors in the country with more than half of total lending, as highly effective. The transport sector produced 2,000 kilometers of national and provincial roads. Outcomes during 1994–2004 included a total of 7% of the country's road network; reduction in travel time between Vientiane and Luangprabang from 2–3 days to 8 hours; and traffic improvement, which increased by 22% per year. In the energy sector, four hydropower plants were commissioned producing 355 megawatts. Outcomes in 1991–2004 included increasing energy generation capacity by 2,067 gigawatt-hours per year, creating 70% of the country's total electricity generation capacity. This also resulted in an increase in foreign exchange earnings from energy exports by \$520 million, and the provision of electricity connections to 70,646 households.

#### **4. Efficiency**

16. Out of the eleven, only the CAPE Cambodia reported a rather efficient portfolio performance. Most projects were completed as planned with minimum delays and full utilization of project facilities. In the Agriculture Sector Program, counterpart funds were used efficiently as they were earmarked for continued implementation of the reform measures after loan closing. Aside from this, three education projects generated high internal and external efficiency and two physical infrastructure projects had high economic internal rates of return and were prepared without Project Performance Technical Assistance (PPTA), which saved time and money.

17. CAPEs for Indonesia, Lao PDR, Mongolia, Nepal, and PNG all reported many delays in implementation and problems due to lack of counterpart funds. In Indonesia, the change in country situation (crisis and decentralization) weakened efficiency performance of the country portfolio, which then suffered from underutilization of funds and administrative problems. The Lao PDR, on the other hand, experienced poor project design resulting in underachievement of outputs and outcomes in the agriculture and natural resources, and water supply sector projects. The CAPE Nepal found many of the poor performing projects as having been approved in the later part of the portfolio (out of 24 projects, six were approved from 1998 onwards). It noted that delays occurred mostly with energy and water supply projects.

#### **5. Sustainability**

18. A relative weakness of ADB's assistance was the sustainability of project and program outcomes. In almost all CAPEs reviewed, questions were raised about the likelihood of sustainability of interventions even at the sector level. For example, in the case of Bangladesh, individual interventions in the education sector were found to be successful in achieving the desired outputs and benefited millions of children and illiterate adults. But the CAPE considered it unlikely that there would be adequate resources in the recurrent budget to sustain the program.

19. Other countries, such as Cambodia, Lao PDR, Nepal, and PNG, also experienced lack of counterpart funds or government allocation. In Cambodia and Lao PDR, there has been a growing concern regarding an increasing share of the "unallocated" category in the government budget, which reduced the allocation to priority sectors and made budget development less transparent.

20. The lack of sustainability of results was sometimes exacerbated by lack of revenue generating capacity of projects undertaken. In Indonesia, most of the completed projects in

financial, physical and social infrastructure, and urban development sectors were to some extent sustainable. But community and rural development projects were less sustainable.

21. The CAPE Sri Lanka reported that the sustainability of program outcomes in Sri Lanka was affected by (i) difficulties in maintenance of infrastructure and facilities; (ii) repeated displacement of resettled communities; (iii) local capacity constraints in management, operational logistics, and human resources; and (iv) challenges facing partnerships and trust in a politically sensitive environment.

## **6. Institutional Impact**

22. The need for institution building has been an important theme in ADB operations and is echoed in many national development strategies. Six of the 11 CAPEs paid particular attention to this aspect. Most were of the view that ADB has had only some limited success in improving institutional performance of executing agencies (EAs) in the ADF countries in the 2000s so far.

23. The Bangladesh water resources sector had a greater degree of beneficiary participation from the early 1990s. Local councils had become more involved in the operation and maintenance (O&M) of smaller schemes. However, the CAPE reported that a fundamental reform of the institutional framework was yet to be undertaken. This had been delayed in part by governance issues, an unfocused advisory technical assistance (ADTA) program, and the failure of development partners to work more cooperatively in promoting reform. In Cambodia, capacity-building ADTA was found to be more focused on individual staff than on institutional development and skill transfers. This diminished the potential institutional impact.

## **7. End Rating**

24. For five of the CAPEs reviewed (Bhutan, Cambodia, Lao PDR, Mongolia and Uzbekistan), an overall rating of 'successful' or 'satisfactory' was given to ADB's strategic and country-level performance. This was done in spite of some question marks on sustainability and institutional weaknesses in some cases.

25. CAPEs for many larger clients, such as Bangladesh, Indonesia, Pakistan, and Sri Lanka however reflected an overall rating of 'partly successful' or 'partly satisfactory' as there were serious issues affecting the portfolio that needed attention. In Sri Lanka, even though ADB's assistance programs were consistent with the declared strategies in the past, there was still a need to reassess the sector and crosscutting interventions for future development assistance, and to identify factors that have enabled or deterred its performance.

26. CAPEs often observed that ADB tends to do well at the project start-up or during project preparation and approval. In almost all countries, ADB's country assistance programs and operational strategies have been found relevant to the country's needs. However, the ratings start to become more varied when evaluating effectiveness or the achievement of outputs and outcomes. The varied ratings were not helped by sometimes excessively broadly stated objectives of the projects and programs, which made it difficult to position the outcomes. Ratings were jeopardized further when assessing country program efficiency and sustainability. Issues most often encountered were the lack of (timely) government funding, poor project design, and external factors in the country—such as conflict in the case of Sri Lanka, and crisis and decentralization in Indonesia and Pakistan.

### C. Evaluation of Performance of ADB in CAPEs

27. Seven out of the 11 CAPEs rated ADB's performance as partly satisfactory. A common observation was that in resident mission offices, staff members are stretched in trying to keep the program functioning. The CAPE Pakistan, for instance, mentioned that “staff resources overall are stretched too thinly, located in the wrong place, with insufficient solid sector expertise.” This was further aggravated by the fact that many professional staff spent much of their time on the many administrative tasks required by ADB's elaborate businesses processes.

28. On the positive side, the CAPEs for Bhutan, Cambodia, Lao PDR, and Sri Lanka all reported satisfactory ADB performance. In Cambodia, ADB was judged to have been expeditious in project preparation and approval, flexible in adjusting financing plans to accommodate local budget constraints, and facilitated project implementation through frequent review missions, regular meetings with EAs and annual joint country portfolio review missions conducted by the ADB resident mission and the World Bank since 2001.

29. In the Lao PDR, ADB performance was judged as satisfactory in some key sectors. In transport and energy, ADB performance was noteworthy in focus, project continuity, and staffing. In urban development, ADB assistance included policy dialogue and helped raise awareness of the need for a separate, legal, self-financing, urban administrative system.

### D. Assessment of Thematic Performance in CAPEs

30. This appendix studied the analysis of ADB performance in the CAPEs in terms of a number of themes of importance to ADF, namely (i) participation, (ii) poverty targeting, (iii) governance, (iv) gender equality, (v) regional cooperation, (vi) capacity development, (vii) private sector involvement, and (viii) environment. Since most CAPEs did not explicitly rate ADB's performance in terms of these themes, the ratings had to be decided by the study team as based on whatever discussions reflected in the CAPEs. The results of the assessments are summarized in Table 3 and discussed further below.

**Table 3: Quality of Adherence to some ADB and ADF Themes as per CAPEs**

| CAPE                 | BAN<br>(2003) | BHU<br>(2005) | CAM<br>(2004) | INO<br>(2005) | LAO<br>(2006) | MON<br>(2002) | NEP<br>(2004) | PAK<br>(2007) | PNG<br>(2003) | SRI<br>(2007) | UZB<br>(2006) |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Participation        | [S]           | –             | –             | –             | –             | –             | [S]           | [PS]          | –             | –             | –             |
| Targeting the Poor   | [PS]          | [S]           | [S]           | [PS]          | –             | [PS]          | [S]           | [PS]          | [PS]          | [S]           | [PS]          |
| Governance           | [PS]          | S             | PS-S          | S             | PS            | –             | [PS]          | PS            | [PS]          | PS            | [PS]          |
| Gender Development   | PS-S          | [S]           | [S]           | [S]           | S             | –             | [S*]          | [S]           | –             | [S]           | [PS]          |
| Regional Cooperation | –             | [S]           | S             | –             | S             | –             | –             | [S]           | –             | [S]           | [S]           |
| Capacity Development | –             | [S]           | PS            | PS            | PS            | [PS]          | [PS]          | [PS]          | [PS]          | [PS]          | –             |
| Private Sector       | [PS]          | [PS]          | S             | [PS]          | –             | [PS]          | –             | [PS]          | [PS]          | –             | [PS]          |
| Environment          | [PS]          | [PS]          | –             | PS            | PS            | PS            | –             | [PS]          | [PS]          | –             | [PS]          |

– = minimal discussion, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, INO = Indonesia, LAO = Lao People's Democratic Republic, MON = Mongolia, NEP = Nepal, NR = No Rating/Discussion, PAK = Pakistan, PNG = Papua New Guinea, PS = Partly Successful, SRI = Sri Lanka, S = Successful, UZB = Uzbekistan.

Note: Ratings in brackets were derived based on discussion from CAPE reports, ratings were provided only when there were no specific ratings given.

Source: ADB Country Assistance Program Evaluation Reports.

## 1. Participation

31. Participation was discussed explicitly in only three of the 11 CAPEs studied for this exercise (Bangladesh, Nepal and Pakistan), and this appendix rates the performance as satisfactory in the two cases of Bangladesh and Nepal, and partly satisfactory in Pakistan.

32. Involvement of beneficiaries in project preparation and implementation has been known to contribute to project success in certain sectors. In two of the three CAPEs mentioned, increased participation was reported to have indeed resulted in greater achievement of outputs and outcomes. In the case of Nepal, where project designs included beneficiary initiative and participation, projects that showed good levels of participation led to efficient implementation and sustainability. This was evident in the irrigation, water supply and sanitation, and livestock and rural credit projects, specifically in the Rural Infrastructure Development Project and in the Kathmandu Urban Development Project. Beneficiaries took on responsibilities such as O&M at their own cost and improved their skills through the training components of some projects. Nongovernment organizations (NGO) and project staff members proved to be important catalysts.

33. Findings from the CAPE Bangladesh showed that projects were successful in involving the community and the private sector in the education and energy sectors, respectively. However, the involvement was limited in the education sector where more participation was needed for the operation/management of schools.

34. The CAPE Pakistan observed that, despite following a community participation or demand-responsive approach, outcomes still fell short of the targets, i.e. number of households connected, hours of daily supply, water quality, and sustainability. The CAPE attributed the result to possible flaws in the community participation approach and inadequate implementation. ADB participation, through the resident mission's involvement in project design, was also not sufficient due to the lack of manpower.

## 2. Targeting the Poor

35. Ten of the 11 CAPEs discussed poverty targeting explicitly. In four (Bhutan, Cambodia, Nepal and Sri Lanka) the assessment was positive. In the other seven it was more critical.

36. The CAPE Bhutan noted that poverty reduction has become either the primary or secondary objective of 43% of the projects in its portfolio. Loans were concentrated on infrastructure such as road network, rural electrification, small and medium enterprise (SME) development, and urban infrastructure. These were viewed as supporting the Government in reducing poverty. A Poverty Partnership Agreement between the Government and ADB was signed in 2001 with the Government later adopting an Integrated Rural Development Program which provides agricultural support services, improved rural access, and targeted food aid programs. In Cambodia, programs lending assistance under the human resources and social development and agricultural growth objectives contributed to a 40% increase in primary school enrollment in the poorest 300 communes, and to 30% increase in household incomes of rural poor as a result of access to rural roads.

37. Similarly, project lending in Nepal resulted in significant development and poverty impacts. The CAPE Nepal presented as an example the Kali Gandaki "A" Hydro Project that added 144 megawatts to the country's electricity grid and expanded irrigation on several thousand hectares which also provided employment opportunities to the community.

38. However, some CAPEs noted that, despite targeting of the poor, some programs unintentionally had put the poor population in worse condition. The CAPE Bangladesh highlighted the Foodgrain Procurement Program which benefited large farmers, millers, and traders but had inadvertently adversely affected the poorest consumers as their access to food was further reduced.

39. The CAPE Indonesia reported that ADB projects were more concentrated in West and Central Java where poverty incidence was relatively lower as compared to Eastern Java where the highest number of poor people reside. Furthermore, the large sub-class of absolute poor was not reached by many project interventions as they focused on the productive poor. The 2002 CSP introduced more geographic focus based on poverty intensity, financial resources of the local governments, and level of human capital development.

40. In many cases, external factors made it difficult to assess the impact of projects targeting the poor. The CAPE PNG explained that poverty trends started to get worse as a result of external factors such as (fluctuations in) international commodity prices and law and order. The CAPE Mongolia noted that the Asian and Russian crises had adversely affected the country and made it difficult to gauge the impact of the ADB poverty reduction strategy. The CAPE Pakistan observed that in the country's energy sector, corruption and poor financial performance of utilities affected mostly the poor consumers, mitigating positive impacts from dedicated poverty targeted ADB projects.

### **3. Governance**

41. Good governance has been included in ADB country strategies since the mid-1990s and the importance ADB attaches to this crosscutting theme has continued to increase over the years. It is viewed as essential to the attainment of progress in relation to other cross-cutting issues such as environment, private sector development, gender equity, and poverty reduction. Ten of the 11 CAPEs discussed aspects of governance, but only two (Bhutan and Indonesia) assessed it as having met with some success sufficient enough to highlight.

42. According to the CAPE Bhutan, the Government transitioned from an isolated kingdom with absolute power to a decentralized form of government over the past decades. To improve the public administration and local governance system, the Government established District Development Committees in 1981 and Block Development Committees in 1991. Since, there has been greater participation in the governance process by the people while the Government continues to mobilize and manage resources and extend technical support. When corrupt practices surfaced, corrective actions were swift and severe. The decentralization of the public sector and the implementation of local development planning contributed positively to the general perception of a government process based on participation, transparency, accountability, information flow, and good governance. ADB contributed to strengthen governance in the country through law and development activities which proved to have positive strategic impacts.

43. In Indonesia, the experience was not as successful although ADB initiated significant efforts to address corruption and improve governance. The CAPE highlighted that assistance to these concerns was only provided during the transition period—after the crisis of 1997. Before and during the crisis, ADB and other development partners did not focus on governance concerns despite the perception that corruption was rampant in the country. During the transition period, ADB provided assistance in many ways to help reduce corruption and increase good governance. In ADB's Indonesian country governance assessment report, ADB was found

to have taken a leadership role in helping the Government coordinate external development partners' support in corporate governance reform. However, according to the CAPE, reforms for effective civil service management have not been initiated. The education levels and professionalism of the civil service are poor. Widespread corruption inhibits the reform process. The Government has begun a review of necessary civil service reform to convert the bureaucracy into a responsive, efficient, and performance-oriented service. However, progress on this difficult agenda has been limited, and will require time and support from other development partners. Nonetheless, based on ADB's initiatives to help reduce corruption and increase good governance - which have shown interim positive outcomes—the CAPE Indonesia assessed the strategic thrust on governance and anticorruption as effective. But due to the systemic nature of the underlying problems and the time needed for reform, an assessment of the sustainability of outcomes and their impacts was viewed as premature.

44. In some CAPEs, the discussions did not center on ADB's role in improving governance, and then referred to governance factors to explain why ADB had had limited success in certain sectors and areas. For instance, the CAPE PNG highlighted that frequent changes in government had resulted in inconsistencies in policy implementation and in implementation of policy reforms. Late, and sometimes, inadequate appointment of counterpart staff indicated gaps in commitment and ownership. This had hampered project implementation and capacity building; it also affected project accounting, monitoring, and reporting.

45. In Uzbekistan, the transition from a centrally planned to a market economy entailed a fundamental change in the system of governance. However, the CAPE noted that ADB activity had been limited to the sector level, in corporate governance and recent interventions in customs operations.

#### **4. Gender Development**

46. Many CAPEs regarded the theme of gender development in ADB's operations as having been addressed relatively better than other themes. Only few CAPEs vented any specific criticisms in this area. Assistance in gender development was mostly focused on the health and education sectors, and in some cases also agriculture, rural infrastructure, and rural credit.

47. The CAPE Bhutan noted that the Health Care Reform Program had addressed gender concerns, along with a series of other projects in the health sector. The Health Care Reform program, completed in 2002, had provided support for the country's core health program and vulnerable groups, particularly women and children. It included reform measures to strengthen gender equity in training and career opportunities by increasing the number of female health workers, breaking down barriers to women's access to health care, and thereby improving the health status of women and children. The emphasis on reproductive health services, including the establishment of more emergency obstetrical care facilities at district hospitals, also reduced maternal mortality.

48. The CAPE Cambodia highlighted that ADB was the first funding agency to assist in gender matters, providing three ADTAs and one PPTA. Based on the technical assistance (TA) outputs, the Ministry of Women's and Veterans' Affairs had succeeded in mainstreaming gender in the country's national plans, including the National Poverty Reduction Strategy and the Second Socio-Economic Development Plan, linked to the budgetary framework in a medium-term expenditure framework. But gender mainstreaming in line ministries was not yet fully achieved except in the Ministry of Agriculture, Forestry and Fisheries and in the Ministry of Education, Youth, and Sports.

49. The CAPE Indonesia noted that ADB had been leading a gender assessment for Indonesia in collaboration with many external development partners and other stakeholders. The draft reviewed by the CAPE outlined strategies to advance gender equality during the next 3–5 years, mostly through capacity building. The CAPE assessment of ADB's gender work highlighted some examples of projects which had enhanced the status of women. Under the Coastal Community Development and Fisheries Resource Management Project, women appeared to have achieved a degree of autonomy and economic independence through project activities. Women's groups mobilized under the Community Empowerment for Rural Development Project in Kapuas, Central Kalimantan were noted to have benefited materially and organizationally through women's craft activities, marketing, and an enhanced role in community decision making. The CAPE also noted that under the decentralized regime, ADB tries to bring gender into the mainstream of its operations. It provided a TA aimed at (i) promoting gender-sensitive policy making, (ii) strengthening institutions such as the State Ministry on the Role of Women, and (iii) improving collection of gender disaggregated data. However, such efforts were insufficient to achieve the required institutional and cultural changes.

50. The CAPE Lao PDR paid attention to the Basic Education for Girls Project in 1998 which had increased enrollment of girls, most of whom ethnic minorities in project provinces. Because of this project and two health projects, the CAPE considered ADB's operations in gender development and ethnic minority concerns significant (satisfactory).

51. The CAPE for the Nepal program reported progress in promoting girls' education especially in primary education. The ratio of girls to boys increased from 56% in 1990–1991 to 79% in 2000–2001. Sector loans were also found to be strong on positive gender impact and on capacity building.

52. The CAPE Pakistan found ADB's focus on girls' education and women's health highly relevant in terms of need, but operations much less effective than hoped for. Agriculture projects, particularly those in the rural development and "other" categories, had had success with gender affirmative activities which included the formation of community groups as a means of involving women, training in pest control and animal husbandry specifically directed towards women, and the use of female extension workers. The CAPE observed that ADB's advocacy on gender issues had been more successful than its investment projects.

53. The CAPE Sri Lanka noted that the Government's egalitarian approach to the provision of education and health services had enabled women to attain a favorable gender development status among South Asian countries. After ADB's 1998 Gender and Development Policy, country strategies for Sri Lanka provided for preferential access by women to skills training, extension services in agriculture, market information, and microfinance/credit. Gender mainstreaming approaches had integrated gender equity considerations in ADB operations. Projects focusing on the conflict-affected North and East had also integrated gender-related interventions as this became needed due to increased vulnerability of women as a result of the resurgence of conflict. The Tsunami-Affected Areas Rebuilding Project and the North East Community Restoration and Development Project II reflected gender-inclusive features. Overall, ADB's gender assistance in the country was found to be responsive to issues faced by women and that over time, efforts such as improving the level of women's education, increasing their access to productive resources and credit, and providing them with basic infrastructure and social services would contribute positively to poverty reduction and women's empowerment.

54. The CAPE Uzbekistan found no special attention to gender in the overall program in Uzbekistan. ADB projects in the education sector nevertheless succeeded in removing gender stereotypes from textbooks. Teachers are predominantly women, especially in rural areas. And because of their inheritance from the former Soviet Union, there was gender equality in terms of access to education, health care, and employment. Literacy rates were high and social protection benefits were provided equally to men and women.

55. Despite considerable progress in many member countries, major obstacles are still encountered such as high fertility rate, high maternal mortality ratio, high infant and child mortality rates and gender gap in adult literacy. In Bhutan, participation of women in economic activities had not yet been adequately addressed even though their law provides women with equal status and freedom as men. In Sri Lanka, women still faced unequal access to productive assets and resources, job discrimination, and wage disparities. The majority of women are trapped in low skill, low-income jobs, mainly as unpaid family workers in agriculture or as factory workers. In Uzbekistan, new forms of vulnerability emerged during the transition, such as strained budgets for health and education and reduced access to basic social services. Traditional Uzbek families are large, with women still having more responsibility for children and the home.

## **5. Regional Cooperation**

56. Regional cooperation was discussed in six CAPEs, and this appendix rates all of the programs as having done satisfactorily. ADB assistance in support of regional cooperation was mainly in the transport sector. In Bhutan, the Government was participating in a dialogue on multimodal transport and communications through the ADB-assisted South Asia Subregional Economic Cooperation, which includes other countries such as Bangladesh, India, and Nepal. Regional links and cooperation with neighboring countries provided Bhutan increased access to overseas markets. According to the CAPE Lao PDR, road links made a significant contribution to stimulate trade with neighboring countries and improve accessibility within the center of the country. The North-South Corridor under the Northern Economic Corridor Project improved transport linkages with PRC and spurred new agriculture and commercial ventures in Luangnamtha Province. The recent Mekong Tourism Development Project can expect to generate more tourism-related income.

57. Energy projects have also strengthened ties under the Greater Mekong Subregion (GMS) program. Two hydropower projects (the Theun-Hinboun Hydropower Company, Ltd. and the Nam Leuk Hydropower Project) in the Lao PDR are exporting electricity to Thailand, combined export earnings amounted to \$439 million in 1998–2004 and the Xeset Hydropower Project and the Nam Song Hydropower Development Project, although not officially part of the GMS program, have also contributed electricity exports to Thailand amounting to \$81 million in 1991–2004.

58. The CAPE Cambodia noted that the GMS strategic framework for 2001–2010 was endorsed by the GMS ministers during the 10<sup>th</sup> GMS Ministerial Conference in 2001. The framework stresses a more multisectoral and holistic approach to increase synergies across sectors, with five strategic thrusts: (i) strengthening infrastructure linkages through a multisectoral approach, (ii) facilitating cross-border trade and investments, (iii) enhancing private sector participation and its competitiveness, (iv) human resource development, and (v) promoting sustainable use of shared natural resources with environmental protection. The CAPE Cambodia concluded that the non-lending programs under the GMS program can be considered as effective given the satisfactory progress made so far.

59. According to CAPE Sri Lanka, the country benefited from TA grants provided by ADB to support activities of the (i) South Asia Association for Regional Cooperation; (ii) South Asia Subregional Economic Cooperation; (iii) South Asia Cooperative Environment Program; and (iv) Bay of Bengal Initiative for Multisectoral, Technical, and Economic Cooperation, which is expected to lead to the establishment of an efficient regional transport and logistics network. Sri Lanka joined the South Asia Subregional Economic Cooperation's Tourism Working Group in 2005 as a result of earlier TA grants. To further support tourism development in the region, ADB provided assistance for human resource development, capacity development, and preparation of the South Asia Subregional Economic Cooperation Tourism Development Project. However, due to the resurgence of conflict in Sri Lanka, promoting tourism has been difficult.

60. Regional cooperation in Uzbekistan has been thru the Central Asian Regional Economic Cooperation (CAREC) group. The CAPE made observations regarding the regional assistance in which the country has participated in: (i) the relationship of regional TA projects to country program priorities is often minimal as regional TA projects often reflect the interests of ADB or the officer designing the regional TA project rather than country priorities which often results in a lack of interest on the part of the country and little follow up; (ii) the "drop in" nature of some of the interventions can result in the timing of the intervention being inappropriate; (iii) regional TA projects that provide discretionary funding to be released upon the advice of the Resident Mission office have been successful; and (iv) there were interventions of a sub-regional nature which were not a defined priority of CAREC such as the two education regional TA projects, which unsuccessfully tried to develop a portal for a regional cooperation network.

61. For Pakistan, despite indications in the CSP 2002–2006 that regional cooperation would be focused on the transport and energy sectors, no lending program has yet been in effect. And there has only been two TAs provided in support of regional cooperation over the past 20 years. However, the number of regional TAs focusing on regional cooperation involving Pakistan has increased significantly since 2002.

62. And in PNG, despite having ADB's regional strategy for the Pacific as framework for the country strategy, actual country strategies or operational programs did not feature any opportunities for strengthening regional cooperation.

63. Overall, regional cooperation initiatives supported by ADB have been significant in the GMS region, especially in terms of providing road links that promote trade and tourism. The South Asia region has also been making significant steps to promote tourism, optimize energy supply and demand, improve environmental quality and establish an efficient transport network within the region. While in others such as the CAREC, further refinements are needed. Country situations also figure into the success or failure of regional cooperation activities. In the case of Sri Lanka, even though South Asia regional programs are taking off, resurgence of conflict in the country prevented them from fully participating, especially in reaping benefits from tourism-related regional activities.

## **6. Capacity Development**

64. Although capacity building has been a core element of ADB's interventions, only a few CAPEs felt sufficiently confident to report good results in this area from ADF operations. The CAPE Bhutan assessed that most ADTAs have been directed at capacity building while many of the loans have included capacity building components. ADB was most successful in building capacity in the energy sector, which was evident in the Bhutan Power Corporation and

the Bhutan Electricity Authority during the sector restructuring. ADB was also successful in building institutional capacity in the financial, transport, and social infrastructure sectors. However, the level of institutional development achieved as a result of the capacity development efforts was found to be modest to moderate for both lending and non-lending activities. In CAPE Nepal, assessment showed that the nonlending program helped strengthen several key institutions and build national support for the implementation of policy and institutional reforms. However, in one key subsector, rural finance, much remains to be done to resolve a wide range of institutional and policy issues.

65. The CAPE Lao PDR assessed that assistance in this area had contributed to enhancing the capacity of government and quasi-government agencies, although it also observed that overall capacity remained limited. Positive signs of improved capacity of EAs were seen from successful completion of projects in the education, energy, health, irrigation, transport, and urban development sectors. Other agencies such as the Electricité du Laos, Vientiane Urban Development Administrative Authorities, several provincial water supply authorities, and irrigation water users associations showed improvement in their capacity to operate and maintain project-supplied infrastructures. Capacity development was most successful with adequate and continued support from ADB as well as with government ownership. Nevertheless, the CAPE rated ADB operations as modest or partly satisfactory in terms of institutional capacity development.

66. The CAPE Cambodia judged the capacity building and institutional strengthening efforts less effective as the majority of the stand-alone capacity building ADTAs focused on improving individual technical skills.

67. The CAPE Indonesia findings showed that ADB has provided a lot of advice on capacity development for governance, decentralization, and service delivery. However, conceptual guidelines for designing capacity development strategies have only been in effect since 2004. The CAPE gave ADB's strategic thrust in terms of decentralization and capacity building a partly effective rating.

68. In Mongolia, capacity building for service improvement was broad and involved nationwide training programs and setting up of accreditation and license boards. Performance indicators were seen to be improving although at a cost. Implementation modalities such as the use of local consultants and extensive training were useful and appropriate in Mongolia. However, the CAPE found that capacity building in policy making was slow and experience in building sector management capacities was mixed. The CAPE noted that limited institutional diagnostics had led to addressing narrow problems rather than understanding and trying to address institutional performance, as measured in institutional performance criteria.

69. According to the CAPE Pakistan, ADB provided capacity building components to most of its loans as well as advisory TAs to achieve better development outcomes. However, the issue increasingly was viewed as a lack of expressed capacity. Latent or potential capacity has built up significantly over the years as more highly qualified people have been put in place, and many supportive laws and regulations have been enacted. An observation made by the CAPE team was that projects deliver fewer "soft" outputs (including capacity development) than physical outputs. Another frequent observation was the reluctance of the Government to recruit international consultants that have been provided for; and the extremely delayed implementation of some TA loans, which hinders the intended synchronization of capacity development elements of projects with consequent negative effects on project, program, sector, or institutional performance. Some have observed that a lack of expressed capacity can be

resolved largely by technical solutions. In reality, some important issues in what might be termed “political economy” factors significantly influence the expression of capacity. The sector assessments carried out for the CAPE frequently refer to a lack of rigorous analytical underpinning for ADB’s sector strategies, programs, and projects. One element of this is the absence of an explicit consideration of the incentives that encourage the expression of capacity, and the consequences of this for ADB’s operations. The CAPE Pakistan judges ADB’s contribution to the institutional, legal, and regulatory framework as having been significant and successful but less successful in improving individual and organizational performance.

70. The CAPE PNG concluded that the emphasis of the capacity building efforts was more on project implementation than sector management. There was excessive reliance on consultants. In the absence of a capacity building strategy, sector initiatives took place in isolation, without learning from each other’s experience. CAPE findings for Sri Lanka showed that weak capacity had constrained implementation and limited absorption of development assistance. ADB carried out several capacity development interventions at the institutional and beneficiary levels. In the education sector, ADB provided support through investment projects, mainly by (i) improving school management, curricula, physical infrastructure, and equipment; (ii) providing education materials; and (iii) promoting information and communication technology in schools through computer learning centers, which helped build school networks and partnerships with private enterprises. In the transport sector, capacity development activities were pursued as components of projects or ADTA grants. Four ADTA grants in the roads subsector sought to strengthen the capacity of various departments within the Road Development Authority for planning, road maintenance budgeting and expenditure control, technical audit, and environmental and social monitoring. Further efforts promoted private sector participation in road contracting: established a trust fund for road maintenance, and supported sector policy formulation, interagency cooperation, and partnerships. In the water supply and sanitation sector, capacity development initially focused on the National Water Supply and Drainage Board, mainly through training in project management and financial management. Subsequently, capacity development included actions aimed at strengthening beneficiary participation and capacity of local authorities to manage water supply systems. These efforts have shown promising results, but institutional issues such as water supply regulation, independent tariff setting, and private sector participation continue to impede improvement in organizational effectiveness.

## **7. Private Sector**

71. The findings of the eight CAPEs that reported on private sector development are that such operations in countries with ADF-funded projects have been only partly successful in involving the private sector as generator of investment and employment in the economy. ADB has made contributions in providing lines of credit to SMEs.

72. ADB’s efforts in Bangladesh had concentrated in the areas of institutional and regulatory reform, notably in the banking sector and capital markets, to promote increased investor confidence and security; and provision of loan finance, or equity, in support of specific private investment projects or lines of credit to be made available to qualifying SMEs. In Bhutan, ADB has been able to provide three loans worth \$10 million to support the private sector by addressing issues in the financial sector. Despite the private sector being a relatively weak aspect in ADB’s assistance to the country, some positive impacts have been the deepening and strengthening of the financial sector, improvement of financial regulations, provision of training for skilled workers and professionals, expansion of credit availability through establishment of commercial credit lines and improvement of infrastructure.

73. The CAPE Bhutan argued that fundamental challenges still need to be addressed such as ensuring that credit is channeled to profitable enterprises and that financing is provided to entrepreneurs operating in the informal sector. Financial institutions have been reluctant to venture into SME and micro-lending. Other challenges are government-related such as in Bangladesh where attempt to privatize the manufacturing sector was unsuccessful due to strong resistance by vested interests within the state-owned enterprises. In PNG, programs in the agriculture sector were aimed to assist farmers. The problem was that these were channeled through government agencies, which proved to be ineffective in reaching and supporting private entrepreneurs. The strategy was changed and now aims to test using private sector agents, such as individual expert farmers, NGOs, and community-based organization as partners in implementing projects. However, experience with private sector participation in the health sector was not promising due to the limited capacities of NGOs involved.

74. The CAPE Mongolia noted that the private sector was a major player in the productive and service sectors. But tax and social insurance policies need to be reviewed as there were indications that these are encouraging the expansion of the informal rather than the formal private sector.

75. In some countries, internal and external conflicts affected the development of the private sector. The CAPE Cambodia explained that the prolonged period of war and internal conflicts destroyed the public sector institutions and the private sector's capacity and confidence. The lack of proper legal and regulatory framework resulted in high transaction costs, which then led to low private sector investment and threatened competitiveness of the country.

76. Private sector development in Cambodia was rated as effective to date in achieving the expected outcomes under the Financial Sector Program Loan, assuming that private sector development is considered integrated with the Financial Sector Program Loan. The latter is aimed at promoting various financial reforms conducive to private sector development, and separately through a loan for tourism, the \$15.6 million GMS: Mekong Tourism Development project approved in 2002. The nonlending component consisted of three ADTAs worth \$0.9 million consisting of two ADTAs to strengthen the Ministry of Tourism's capacity in tourism planning and another ADTA (Private Sector Assessment) which produced a situational analysis of SME development, a framework for designing a SME program loan, and a SME strategy for Cambodia.

77. Before the crisis, the private sector in Indonesia accounted for 60%–70% of GDP, but after the crisis this fell to 30% and then rose to 40% in 2003. Foreign direct investments dropped; many investors left the country and new ones stayed away. This resulted in the closure of about half of the industrial estates. The CAPE Indonesia stated that ADB's private sector portfolio amounted to \$11.6 million (10% of the original portfolio) due to write-off, restructuring, debt-for-equity swaps, and discounted market sales. To recover investments, ADB invested significant staff and management time in the headquarters and resident mission offices.

## **8. Environment**

78. Environmental considerations have started to become a regular item in ADB's operational strategy in Indonesia as early as 1994 and they were brought further into the mainstream in 2002 when the Environment Policy was issued. The latter tied the strategy with the development of transparent, market-oriented, and participatory systems and expanding

livelihood options for those dependent on natural resources. Eight CAPEs assessed environment issues, and this appendix viewed the progress in all eight corresponding countries as partly satisfactory.

79. In Mongolia, an earlier country operational strategy (2000) was less explicit about environmental goals, and only suggested to strengthen the regulatory framework. The following year, a country environmental analysis was prepared which influenced the current TA pipeline as well as guide the forthcoming CSP at the time of CAPE assessment.

80. Despite such progress, there were other countries where CAPEs found ADB intervention in this area weak or minimal although supported with TAs. In Bangladesh, ADB's assistance program had insufficient focus on the environment issue in its formulation and implementation. In Bhutan, the environment was not a major strategic focus in its operations and ADB is not a leading donor in the field, although it has provided support in the drafting of environmental protection controls through two TA grants. The CAPE PNG noted that ADB assistance had been limited to the provision of TA for institutional strengthening and a recommendation that environmental issues should be integrated in PNG's operational program. The Cambodia CAPE viewed the two ADTAs for the Ministry of Environment targeted to improve environmental management as less effective.

81. TA has been provided to strengthen the environmental impact assessment (EIA) capacity of implementing agencies (IAs) in the Lao PDR but institutionalizing EIA in these agencies was not achieved. EIA capacities proved also difficult to develop in IAs in Mongolia due to lack of technical skills, institutional coordination, and compliance incentives. EIA provision was not closely integrated with other environmental laws and regulations. This created ambiguity and required frequent regulatory amendments.

82. Substantial assistance has been provided to Indonesia for environmental and natural resources management. However, environment and natural resources management projects were spread over many regions. The CAPE found that several ADB projects highlighted environmental considerations and factored them into decision making, particularly at the community level. Decentralization increased community involvement which then resulted in greater awareness for sustainable environmental management. Despite such contributions, however, not all activities have been implemented to achieve the desired impacts as some projects suffered from cancellation of components, absence of an integrated approach, lack of sustainability beyond project implementation, weak ownership, and lack of institutional capacity for enforcement of regulations. Because of the absence of clear outcomes and the diffused focus, the CAPE assessed the effectiveness of ADB's environmental thrust as partly efficacious. In the same way, ADB's Environment and Social Program in the Lao PDR also suffered from setbacks. The program included a complex multi-sector program loan aimed to support the Government's policy reform agenda for improved environmental management and social safeguards as well as implement transport and energy sector planning and establish an Environment Fund. However, the program loan suffered from a two-year delay due to the many conditionalities. Outcomes are yet to be achieved. The CAPE rated the performance of ADB as modest or partly satisfactory, because of the underachievement of outcomes and negative environmental and social impacts by other hydropower projects.

83. Overall, this section concludes that ADB has made some significant steps in including environmental concerns in the country operational strategies, mostly in terms of improving the capacity of IAs to undertake EIA. There has also been a growing awareness among member countries about the importance of environmental protection and this is slowly being incorporated

in their government programs. However, the timing is still early as many of these programs are ongoing and actual outcomes are yet to be achieved. Failure to achieve outcomes is usually a result of the lack of an integrated approach and failure to institutionalize EIA capacities.

## E. Evaluation of Sector Performance in CAPEs

**Table 4: Sector Assessment Ratings in CAPEs**

|  | BAN  | BHU | CAM | INO | LAO | MON  | NEP | PAK | PNG  | SRI | UZB  |
|--|------|-----|-----|-----|-----|------|-----|-----|------|-----|------|
| <b>Agriculture and Natural Resources</b> | [HS] | [S] | S   | PS  | PS  | [PS] | [S] | PS  | [PS] | PS  | [S]  |
| <b>Infrastructure</b>                    |      |     |     |     |     |      |     |     |      |     |      |
| Energy                                   | [S]  | [S] | [S] | S   | S   | [S]  | [S] | S   | –    | PS  | US   |
| Transport & Comm.                        | [S]  | [S] | [S] | HS  | HS  | [S]  | [S] | S   | [S]  | S   | US   |
| Urban Dev./Housing                       | [PS] | [S] | –   | –   | S   | [PS] | –   | –   | –    | –   | –    |
| <b>Social Infrastructure</b>             |      |     |     |     |     |      |     |     |      |     |      |
| Health Nutrition & SP                    | [PS] | [S] | [S] | S   | S   | –    | –   | US  | [PS] | –   | –    |
| Education                                | [S]  | [S] | HS  | S   | S   | [PS] | [S] | PS  | –    | S   | [S]  |
| Water Supply/Sanitation                  | [S]  | –   | [S] | S   | PS  | –    | [S] | US  | –    | S   | [S]  |
| <b>Finance</b>                           |      |     |     |     |     |      |     |     |      |     |      |
| Finance & Industry                       | [PS] | [S] | [S] | HS  | PS  | [S]  | –   | PS  | [PS] | –   | [PS] |
| LEMPP                                    | –    | –   | –   | S   | –   | –    | –   | PS  | –    | –   | –    |

– = no discussion, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, CAPE = Country Assistance Program Evaluation, HS = highly successful, INO = Indonesia, LAO = Lao People's Democratic Republic, LEMPP = Law, Economic Management and Public Policy, MON = Mongolia, NEP = Nepal, PAK = Pakistan, PNG = Papua New Guinea, PS = partly successful, SP = Social Protection, SRI = Sri Lanka, S = successful, US = unsuccessful, UZB = Uzbekistan.

Notes: Ratings in brackets were derived based on discussion from CAPE reports, ratings were added only when there were no specific ratings given. Bhutan ratings were taken from a CAPE summary table with numerical ratings. Except for those on Bhutan and PNG, the CAPEs included a sector assessment but not all indicated a final rating for the sector.

Source: OED Country Assistance and Program Evaluation Reports produced in the period 2002–2007.

84. Notwithstanding the importance of country differences to success ratings of projects, CAPEs found that portfolio success had a strong sector bias (Table 3). Sectors in which ADB has performed best were the transport and communication, energy, and education sectors. Out of 10 CAPEs that analyzed the performance of the transport and communication sector, nine rated it as successful or highly successful, and in the energy sector, 10 out of 11 rated performance as successful or highly successful.

85. CAPEs for Indonesia and Lao PDR rated the performance of ADB's program in transport and communication as highly successful. For Indonesia, the rating was mainly due the high success rate (87.5%) of projects rated by Project Completion Reports (PCRs) and Project Performance Audit Reports (PPARs). The program in Lao PDR achieved substantial outcomes such as increased road network coverage, increased traffic counts, lower travel time and lower bus passenger fares. Key factors underlying the good performance in the road subsector are (i) continuity in terms of staff involved in the project; (ii) good project design building on

preceding ones such as the backbone of the country's road network, then regionally targeted to connect to major provinces in the North, Northwest, and South; and (iii) building/upgrading of critical parts of the road network. In Bhutan, Cambodia, and Sri Lanka, road projects resulted in reduced travel time and transport costs for passengers at the same time provided broad social and economic benefits to the poor. In Bhutan and Sri Lanka, institutional and capacity development are undertaken to sustain and improve implementation of various transport projects. In Pakistan, ADB supported the expansion of the rural road network, rehabilitated national and provincial roads and implemented province-specific projects that combined investment components with a national policy program. For Mongolia, ADB has taken the lead in civil aviation reform by unbundling air traffic regulation and improving commercialization within the sector. Projects have also resulted in improved safety and air traffic control systems. ADB has also upgraded roads linking Mongolia to the Russian Federation, which expanded economic activities in the area. In PNG, support was provided thru expansion of the port in Lae and investments in maritime navigation aids to improve coastal transport services.

86. Operations in **transport and communication** in the ADB's young program in Uzbekistan were rated as unsuccessful, mainly as a result of the cancellation of a road project because of Government disagreements with the policy conditions related to its implementation and concerns that the anticipated cross border traffic may not develop as envisaged. Likewise, the energy sector operations were rated unsuccessful due to the cancellation of a regional power transmission modernization project which encountered difficulties in signing regional power trade agreements. The CAPE Uzbekistan noted that such agreements are not driven solely by technical factors; instead, broader political/economic relationships between countries influence such agreements.

87. ADB's support to the **energy sector** was generally rated successful by all CAPEs except that for Uzbekistan. The CAPEs Pakistan and Bangladesh highlighted that the support had succeeded in involving private participation and promoting economic growth. The CAPE Pakistan viewed energy operations as successful in (i) the use of indigenous energy sources; (ii) establishment of a regulatory agency supported by ADB; (iii) restructuring of the Water and Power Development Authority; (iv) privatization of the Karachi Electricity Supply Company; and (v) resolution of the indebtedness between the Government, and utilities through ADB policy operations. CAPEs for Bhutan and Nepal highlighted the improved access of the rural population to electricity. Rural electrification in Bhutan resulted in the standardization of plant and equipment for the Bhutan Power Corporation, which in turn made the sector more efficient in procuring plant and materials, O&M, training of staff and reducing inventories. CAPEs for Cambodia, Indonesia, Lao PDR, Mongolia, and Pakistan discussed improvements of generating capacity, system reliability, and household's access to electricity. In Cambodia, a 5-megawatt generating plant was installed together with a technical training center, and upgraded the management, financial, and technical skills of staff. In the Lao PDR, the increase in generating capacity led to the exporting of energy to Thailand. In addition to this, ADB was able to provide electricity connections to half a million people and contributed to 36% of the country's electricity connections. In Mongolia, the improved system reliability resulted in reduced energy imports from the Russian Federation while technical improvements have reduced generating costs. These improvements gave way to structural reforms such as unbundling, commercialization, and eventual privatization.

88. ADB education interventions were successful in providing technical and vocational education training, aside from increasing students' access to basic education. The former directly benefited poorer students and helped improve their chances of acquiring jobs. The CAPE Bhutan discussed the Technical Education and Vocational Training project which

enhanced the quality of the Royal Bhutan Polytechnic training program and increased the program's output from 45 graduates in 1991 to 82 in 2001, despite problems with insurgents. ADB was seen as successful in upgrading the National Technical Training Authority as an autonomous institution for overall leadership and quality improvement. ADB's interventions in technical and vocational education training in the Region have attempted to remedy the acute shortage of trained personnel and are helping develop local skills to support the efficiency and productivity of public and private agencies.

89. PCRs and PPARs have rated most of the basic education projects and programs as successful. The CAPE Lao PDR assessed that the ongoing Basic Education (Girls) Project in the Lao PDR had generated favorable outcomes such as increased access to and quality of primary education in terms of reduced dropout and repetition rates. In Nepal, the Technical Education and Vocational Training Project and the Secondary Education Development Project had been properly designed and efficiently implemented. The CAPEs for Cambodia, Sri Lanka and Uzbekistan assessed that success in the basic education sector was driven by the long-term commitment to provide assistance as well as coordination of lending and non-lending programs with other development partners. Long-term commitment resulted in the improved quality and efficiency of education in Cambodia through the increase in grade 6 and grade 9 pass rates and decline in grade 1 and grade 6 dropout and repetition rates. Similarly, Uzbekistan was noted for remarkable achievements such as reduced dropouts at the basic level, an equitable textbook rental scheme, and significant sector reforms.

90. The CAPE Indonesia highlighted the 90% success rating of projects in the education sector, based on PCRs and PPARs for 10 projects. The projects' focus ranged from basic education to specialized vocational and technical education to Madrasah Aliyahs religion-based education system projects which benefited many of the poorer students.

91. The CAPEs for Mongolia and Pakistan rated ADB's education assistance as partly successful. Based on initial outcomes assessed by the CAPE Mongolia, ADB's Education Sector Development Program required the Government to prepare a policy for technical and vocational education, which the education sector strategy responded to. The strategy pointed to the need for the "systematic study of the current situation and projections of future needs [of the private sector labor market] in order to be able to tailor the [technical and vocational education] system to the jobs of the future." At the same time, ADB was cautious about engaging in technical and vocational education, as it is an expensive form of training where returns materialize only if the private productive sector is sufficiently involved in the provision of training and guarantees the absorption of trainees. The CAPE Pakistan attributed the lower success in the sector to poor ADB performance. Most of the assistance had gone through multisector and multi province projects and programs. ADB was viewed as having limited ability to support complex multi-sector policy operations involving provincial and other local governments.

92. The CAPEs for Bangladesh, Bhutan, Cambodia, Nepal and Uzbekistan rated operations in the **agriculture and natural resources sector** overall as successful, but in the other six countries for which CAPEs were issued, operations were rated as partly successful. In Bangladesh, ADB's program was highly relevant as it has been consistent with (i) the changing policy priorities which gave way to the need for diversification (horticulture) and greater emphasis on poverty reduction (participatory livestock), and (ii) a social forestry strategy better designed to meet the needs of both the environment and the landless poor than that previously pursued by the Government. In Bhutan, projects directed at irrigation activities were seen as generally supported poverty reduction and rural household income improvements as the irrigation facilities helped raise living standards in predominantly poor villages. Livestock

interventions have generally been among the less successful ones, but the CAPE Bhutan viewed that ADB's livestock interventions had helped farmers improve their cattle breeds, thereby increasing their incomes and living standards. The ADB supported Master Plan for Forestry Development was seen as particularly important to the development and sustainability of the Government's programmed activities. A number of agricultural interventions appropriately targeted institutional capacity building of Bhutan's Ministry of Agriculture at a time when it had shortages of trained and skilled human resources to plan and manage projects in the line departments.

93. The CAPE Cambodia assessed the delivery of sector outputs in Cambodia as satisfactory because it was able to assist the country in the transition to a market-oriented economy. One of the major reforms in the sector was the revision of the Land Law which has provided a legal basis for land reform. This is expected to facilitate not only agriculture production and productivity, but also long-term investments in the country. ADB assistance in the revision of the Land Law has been appreciated by various stakeholder groups.

94. The CAPE Nepal gave irrigation projects high marks for beneficiary involvement, project innovativeness, poverty impact, design efficiency, economic impact, and even adequate governance. The marks were largely due to the identification and refinement of a successful development model based on the rehabilitation and upgrading of farmer-managed irrigation schemes that entailed a high degree of end-user involvement. The Third Livestock Development Project in Nepal was highly rated as it achieved a large measure of beneficiary involvement through the formation of user groups, commercialized the sector and its services, provided a high degree of institution building for NGOs and community-based organizations, and successfully promoted private sector initiatives in marketing. Agriculture sector projects in Nepal were viewed as having proactive design relevance and effective implementation, and noted for positive impact on the economy as a whole and the rural poor, gender equity, and environmental sustainability.

95. CAPEs for Indonesia, Lao PDR, Mongolia, Pakistan, PNG and Sri Lanka rated ADB's interventions in the agriculture and natural resources sector as partly successful. Problems were reported with project design leading to cancellation of components, and delays were often caused by issues such as lack of counterpart funds, compensation for land acquisition, and consultant recruitment. Other reasons cited were the lack of focus/selectivity in subsector assistance, and institutional issues and problems with political economy.

96. In other sectors such as water supply, flood protection, urban development and housing, and health and nutrition, fewer CAPEs were able to report successful ADB assistance. Bangladesh operations in the urban and health sectors were rated partly successful. Pakistan also suffered from poor results with its low achievement of outputs and was rated by the CAPE as unsuccessful in both health and water supply sector operations.

97. The CAPE Bangladesh however noted that interventions in the water resources sector have been commensurate with government priorities by mainly shifting from large-scale flood protection drainage and irrigation systems to small-scale rapid-yielding programs in support of tubewell irrigation development. The CAPE noticed greater beneficiary participation from the early 1990s onwards, with local councils becoming more involved in the operation and management of smaller schemes. Projects in Cambodia have also been able to deliver useful outputs in this area, including installation of water supply transmission mains, rehabilitation of a water distribution system, upgrading of drainage canals and a pumping station, increased access to safe water and improved sanitation, and provision of capacity building to the Phnom

Penh Water Supply Authority. The CAPE Nepal highlighted that millions of people were provided with access to fresh and safe water, eliminating countless hours of unproductive labor, usually by women; preventing significant loss of life and productivity due to disease; and enhancing social cohesion through participation in water users groups. This success was based on the development of a model that, as in irrigation projects, involved the beneficiaries. Throughout the history of these projects, a steadily increasing institutional sophistication and refinement resulted in a high degree of capacity building within the public sector and by the end users. This ultimately encompassed such critical issues as water quality, sharing, and ownership. Most recently, this model was expanded from purely rural areas to small towns. The CAPE Sri Lanka assessed that ADB's water supply program had improved the sustainability of service delivery, and improved sector performance through investments in sector reform and institutional development. The CAPE Uzbekistan saw ADB's main contribution as the provision of financing rather than that great efforts were made in capacity development and reform. Some broader achievements were nevertheless noted such as: (i) strengthening the institutional capacity of the Uzbek Agency of Communal Services, and (ii) strengthening the accounting systems and financial discipline in three local water utilities.

98. In terms of ADB's health sector programs, several CAPEs noted the benefits derived from an increased number of health centers, reduced infant and child mortality rates, and increased coverage of fully immunized children. The CAPE Bhutan discussed the Health Care Reform Program's positive contribution to sustainability of long-term financing of health services. The CAPE Indonesia regarded that ADB's health care projects were well-formulated that had made sure beneficiaries were consulted to better understand their needs and problems. In Cambodia, development of training courses in basic management had appropriately supplemented the provision of health centers. The CAPE Lao PDR reported that increased access to health care services in part due to ADB projects had substantially reduced the outbreak of common diseases such as malaria and diarrhea.

99. CAPES for Bangladesh and PNG discussed many problems with ADB's health and nutrition interventions, and the CAPE Pakistan rated the program as unsuccessful. Poor performance was viewed as due to low achievement of policy and capacity building outputs, especially in Pakistan. Public access to social services in Pakistan had not improved due to lack of staff, missing equipment and medical supplies, and expensive hospital costs.

100. For the urban development/housing sector, issues were related to poor project design and lack of effective monitoring or follow-through of plans.

101. In the water supply and sanitation sector, the Lao PDR projects were not able to meet appraised target outcomes while Pakistan projects suffered from delayed output delivery due to financial and management weakness of IAs.

102. For the finance and industry sector, external factors such as unfavorable exchange rate movements and law and order problems affected implementation of projects. In Bangladesh, the lack of government interest, investor confidence and timing of the program proved to be weaknesses in ADB's interventions to the sector. While in Pakistan and PNG, assistance to the development finance institutions was not sustained. This was due to law and order problems that made operation of financial service a high-risk business.