

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: MKAE

<b>TA No. and Name</b> TA 5771-REG: Poverty Reduction and Environmental Management in Remote GMS Watersheds			<b>Amount Approved:</b> \$1,000,000	
			<b>Revised Amount:</b> -	
<b>Executing Agencies:</b> Phase I: Government of Finland Phase II: AWFN, AWD		<b>Source of Funding:</b> Japan Special Fund	<b>TA Amount Undisbursed</b> \$19,389	<b>TA Amount Utilized</b> \$980,611
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b> 31 Dec 1997	<b>Signing</b> NA	<b>Fielding of Consultants</b> Jun 1998	<b>Original</b> 30 Jun 2000	<b>Actual</b> 31 Mar 2001
			<b>Closing Date</b>	
			<b>Original</b> 30 Jun 2000	<b>Actual</b> Jun 2003 <sup>a</sup>
<b>Description</b>				
Poverty is most prevalent in rural areas of the Greater Mekong Subregion (GMS); and rural poor generally lack the resources to modify their traditional ways, even when increasing population pressures and other factors make them unsustainable. Thus the TA presumes a close relationship between prevailing poverty and environmental degradation in remote rural areas. Because the GMS governments generally do not have well-defined policies for watershed management, the TA was designed to improve and harmonize national watershed management policies, to support coordinated efforts to combat deforestation, and to prepare potential investment proposals for several priority watersheds that would simultaneously reduce poverty and protect the environment of remote rural communities.				
<b>Objectives and Scope</b>				
The TA objectives were to: (i) help the GMS governments develop a framework of mutually consistent policies, strategies, standards and guidelines to reverse trends in deforestation and environmental degradation; (ii) and prepare one feasibility and two pre-feasibility studies for investment projects to reduce poverty and protect the environment in 3 priority watersheds. Implementation was planned for 30 months during 1998-2000. The TA total cost was estimated at \$3.8 million, of which the Government of Finland provided \$2.2 million in parallel cofinancing for Phase I, and ADB contributed \$1.0 million for Phase II, and the GMS governments contributed \$600,000, mostly in kind. This Completion Report focuses more on Phase II, for which the funds were provided by JSF, and AWFN was the executing agency.				
<u>Phase I</u> activities included: (i) recommending improvements to national strategies, policies and guidelines for watershed management; (ii) developing ways to strengthen watershed management institutions; (iii) evaluating the adequacy of national protected area systems on a regional scale; (iv) recommending controls on the regional trade in wood; and (v) identifying and ranking priority watersheds as candidates for investment projects.				
<u>Phase II</u> activities included: (i) screening priority watersheds identified during Phase I; (ii) rapid rural appraisals for top priority watersheds; and (iii) a feasibility study for an investment project in one watershed, and pre-feasibility studies in two watersheds. At the beginning of Phase II, it was agreed to change the TOR to undertake similar pre-feasibility studies in three critical watersheds identified during Phase I: Luishahe in Yunnan, Nam Ou in Lao PDR, and Se San in Cambodia and Viet Nam.				
<b>Evaluation of Inputs</b>				
This was the first Regional TA to include the preparation of feasibility studies for investment projects, along with various other regional studies and capacity building. The RETA was divided into 2 phases – Phase I to implement various regional studies and select the investment project sites; and Phase II to prepare the actual feasibility studies for the investment projects. Phase I was implemented during June 1998 – July 1999 (14 months as planned), and Phase II during February 2000 – January 2001 (12 months as planned), and the Final Report was delivered in March 2001. TA implementation was originally planned for 30 months, and the consultants were fielded in June 1998, so the completion date should have been December 2000. The delay in TA completion to March 2001 was due primarily to a longer than planned hiatus between Phases I and II (about 6 months instead of 2).				
The TA budget included \$2.2 million in parallel cofinancing from the Government of Finland for Phase I, and \$1.0 million from JSF for Phase II. Some difficulties arose because Phase I was executed by the cofinancier, while Phase II was executed by ADB, and different consultants were engaged for each phase. Specifically, ADB was not able to exert any direct control over the Phase I consultant to ensure that their outputs would meet the basic requirements for Phase II. One useful aspect of the TA design was the provision for the Phase I Team Leader to work with the Phase II consultant for several months to facilitate the transition. ADB's performance as the Executing Agency for Phase II is rated as satisfactory.				
The consultants for both phases generally performed well. However, it was disappointing that the Phase I consultant deviated from the TOR and expanded the investment project preparatory work to include 6 watersheds instead of 3,				

<sup>a</sup> Awaiting submission of consultant's final claim.

thus limiting their ability to do a thorough job on any of the watersheds. (The change was encouraged by the Steering Committee that comprised representatives of all 6 GMS countries, and who had previously agreed that feasibility studies would be done in only 3 countries.) As a result, the TOR for Phase II was modified to adjust to the shortcomings of the Phase I outputs, and while the Phase II project preparatory work on 3 watersheds was well done, follow-up PPTAs would be required to complete the investment projects.

For Phase II, ADB/AWFN was the executing agency, the GMS Working Group on Environment (WGE) was the implementing agency, and IUCN was contracted as a regional facilitator. These arrangements reinforced the regional aspect of the studies and the project proposals. AWFN performed well as the executing agency, monitoring and guiding progress by staying in close contact with the Consultant and WGE. The WGE supported the TA and provided important guidance from the national and regional perspective, and IUCN also performed satisfactorily as the regional facilitator.

Meetings and Workshops: Phase I: Inception, 9-12 Jun 1998, Vientiane; Midterm, 3-5 Feb 1999, Vientiane; Final, 9-10 Jun 1999, Vientiane; GMS WGE, 8 Oct 1999. Phase II: GMS WGE, 1-2 Jun 2000, Luang Prabang; Midterm, 1-7 May 2000, Kunming; NGOs, 2-3 Oct 2000, Bangkok; Donors, 31 Jan-1 Feb 2001, Vientiane.

### **Evaluation of Outputs**

Phase I provided some useful outputs, including a comprehensive *Timber Trade and Wood Flow Study* comprising six country reports and a regional report that described and analyzed the highly controversial timber trade in the GMS; and a *Report on Biodiversity and Protected Areas* also comprising six country reports and a regional report. However, the farming systems analysis, social analysis and other studies were insufficient as the basis for the feasibility studies during Phase II; thus Phase II was constrained by having to make up for earlier deficiencies. The 3 primary watersheds (Nam Ou, Luishahe and Se San) are all characterized by populations that comprise about 70-98% ethnic minorities.

Ultimately, the Phase II outputs included substantial feasibility studies for rural development projects in 3 critical GMS watersheds – Nam Ou in Lao PDR, Luishahe in Yunnan Province, and Se San in Cambodia and Viet Nam. The proposed projects include the provision of basic community infrastructure and rural roads, livelihood systems development, and community development and environmental management. Among the other useful Phase II outputs is an interesting paper analyzing the *Linkages Between Poverty and Environmental Degradation*. The analysis shows that while the poor in rural areas may be responsible for some local environmental damage, their overall consumption of resources is very small compared to the more affluent and urban sectors of society that are ultimately responsible for much more environmental damage.

### **Overall Assessment and Rating**

A number of important technical studies were prepared during both Phases I and II, and three feasibility studies for investment projects were completed during Phase II. The TA also enhanced regional cooperation especially among the government agencies represented on the GMS WGE. On this basis the TA is rated as successful.

### **Major Lessons Learned**

Significant difficulties were encountered during Phase II because the implementation of the parallel cofinanced Phase I, over which ADB exerted very little control, deviated from the overall TA plan and resulted in outputs that were not fully adequate in preparation for Phase II. An important contributing factor was the insistence of the SRC that language clearly limiting the study area to just three of the six GMS countries (Yunnan Province of P.R. China, Lao PDR and Viet Nam) be removed from the TA Paper, although the GMS WGE had endorsed the restriction. As a result, early in Phase I the three excluded countries prevailed upon the consultant to have studies done in their territory as well, resulting in budget and personnel constraints that limited the overall quality of the work and the outputs from Phase I. Ultimately, in preparation for Phase II, it was necessary to again get the GMS WGE to agree to focus on only 3 watersheds for feasibility studies.

The important lessons include: (i) the TA Paper should always be as clear as possible concerning the activities and expected outputs of the TA; and (ii) when there is parallel cofinancing, there needs to be an agreement and very clear procedure for all parties to approve of significant changes to the TA design, especially in the early stages.

### **Recommendations and Follow-Up Actions**

The feasibility studies were made available to the libraries of the relevant country teams and ADB Resident Missions for future reference. The feasibility studies for (Nam Ou in Lao PDR and Luishahe in Yunnan Province) are suitable for follow-up PPTAs. Further work on the Se San watershed in Cambodia and Viet Nam should be delayed pending the resolution of local water management issues in the watershed. MKAE has programmed a PPTA for "Nam Ou River Basin Development" in 2004, with a project loan to follow in 2005.