

**MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM EVALUATION
ON THE AGRICULTURE AND NATURAL RESOURCES
IN THE LAO PEOPLE’S DEMOCRATIC REPUBLIC**

On 16 March 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management welcomes the Sector Assistance Program Evaluation (SAPE) for the Agriculture and Natural Resources (ANR) Sector in the Lao People’s Democratic Republic (PDR) undertaken by OED. The report is timely in its contribution to the ongoing work in preparation of the ADB Lao PDR Country Strategy and Program (CSP) for 2007–2011. We acknowledge the detailed research and extensive consultation that OED has undertaken in the course of preparing the SAPE. The report broadly represents the experience with ADB’s involvement in the ANR Sectors with many useful observations that provide guidance to staff to help improve performance of on-going and planned projects in Lao PDR.

General Comments on Methodology and Results

2. Management notes the methodological difficulties in drawing conclusions from a qualitative analysis of a portfolio comprising primarily six investment projects, but we believe the recommendations are generally valid with regard to ADB’s recent strategies to support the ANR sector, the performance of ADB’s sector assistance, the synergy between ADB assistance and other sources of support, and ADB’s management of its ANR sector assistance. However, we consider that the OED report is silent on one critical question: What would have happened to the ANR sectors in Lao PDR in the absence of ADB’s ANR operations? In this context, although the direct impacts of some projects studied have been less positive than expected, the SAPE does not give sufficient recognition to the indirect impacts of ADB investments which have subsequently catalyzed substantial investments in the sector. Management suggests that this fundamental question be asked in future sector assessments.

Specific Responses to OED Recommendations

3. OED made six recommendations for Management and Government consideration. Management’s response to OED’s recommendations is given in the following table.

OED Recommendations	Management Responses
(i) During CSP process, the Government and ADB should jointly reassess ADB’s future involvement in the ANR sector.	Management agrees. The Lao Country Team is preparing a revised strategy for support to the ANR sector for the new CSP expected to be presented to the Board for approval in late 2006. Management agrees with OED recommendation that ADB should assist governments to be strategic and selective

OED Recommendations	Management Responses
	when prioritizing development investments and activities in order to have maximum impact in the sector.
(ii) If the joint Government/ADB assessment concludes that ADB has a role to play in the ANR sector, prepare a suitable strategy that result in a higher probability of achieving development results.	Management agrees. Without preempting ongoing discussions with the Government of Lao PDR, the CSP proposes new sector analysis work and technical assistance to identify sound investments in the ANR sector and ADB's role in supporting the sector. The sector will focus on identifying ways and means of alleviating the binding constraints in promoting commercialized agriculture and increasing cross border trade, including investment in increased national research and development capacity in the ANR sector. Cost-effective assistance methodologies for improvement of rural livelihoods in areas remote from commercial opportunities will also be identified.
(iii) Within the next 12 months, ADB should assess its in-house capacity to service clients in the ANR sector in Lao PDR, and determine the extent to which it can offer expertise and knowledge with respect to the country's development strategies and priorities.	Management continually reviews capacity to service the portfolio and clients. Over the past six months, there has been a considerable redeployment and transfer of staff within Mekong Department, and engagement of new sector specialists, to address ANR issues in all Mekong region countries. Filling existing staff vacancies and providing for an appropriate skills mix, commensurate with the existing and emerging needs of Lao PDR, will strengthen MKRD's response and help ensure effective program delivery and implementation.
(iv) Within 12 months, ADB should improve its project administration capabilities and commit resources to match current ANR portfolio.	Management agrees. MKRD has instigated an increased focus on portfolio management in 2005, with all ongoing ANR projects reviewed in Lao PDR, and plans to increase both the frequency and duration of loan and TA review missions. Many of the project-specific issues identified in the SAPE are now being actively addressed. In this regard, the independent review and sharing of information by OED has assisted recent MKRD review missions in discussions with EAs and in resolving issues of common concern.
(v) Within 12 months, ADB and the Government will review the performance of ongoing projects such that mid-course actions can be taken to improve the probability of achieving development results. Review should include: (a) Examine options to increase economic efficiency of irrigation projects.	Management agrees. Ongoing irrigation projects are being carefully reviewed and the concerned EAs are being encouraged to examine development alternatives. ADB's Resident Mission

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<p>(b) Assess the development costs of community-managed irrigation schemes, re-examine the heavy reliance on contractors, and promote greater community engagement and self-reliance to find more cost-effective ways of delivering assistance.</p> <p>(c) Assess the existing policy and procedures for irrigation management transfer and rules for irrigation service fee.</p> <p>(d) Examine options to use the Smallholder Development Project more strategically to address commercial impediments and improve marketing of agricultural crops of other ADB financed ANR projects.</p> <p>(e) Analyze the piloting experience of ongoing projects and TAs, and develop a strategy to increase synergies among them.</p>	<p>in Lao PDR is also playing a pro-active role in responding to requests made by EAs, thereby providing more efficient on-ground support for enhancing efficiency of ANR projects.</p> <p>ADB will undertake a project closure mission for the previous community managed irrigation project in mid 2006 during which relevant lessons for the ongoing L2086 Northern Community Managed Irrigation Sector Project will be extracted and applied as appropriate.</p> <p>Project supervision work is ongoing and PCR and proposed sector work will continue to assist Lao PDR develop capacity/ institutional structures to implement effective measures.</p> <p>We believe this is a good proposal and needs to be borne in mind while preparing the new CSP and designing future ANR projects in Lao PDR. Economic, Thematic and Sector Work will also examine this issue carefully.</p> <p>Stronger portfolio management is aimed at increasing the synergy among ADB and other development partner investments and pilot projects. The preparation of the new CSP for Lao PDR will help provide stronger synergy within and among sectors/sub-sectors.</p>
<p>(vi) ADB should strengthen ex-ante project economic analysis of ANR projects in Lao PDR to recognize realistic assumptions and risks.</p>	<p>Economic analysis requires availability of accurate data, which in Lao PDR is not always possible. MKRD will continue to work with Lao PDR authorities and ADB's Economics and Research Department to strengthen the capability for undertaking robust economic assessments.</p>