



# Validation Report

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Reference Number: PVR-250  
Project Number: 32193  
Loan Number: 1782  
November 2013

## Bangladesh: Northwest Crop Diversification Project

Independent Evaluation Department  
**Asian Development Bank**

## ABBREVIATIONS

|       |   |  |
|-------|---|--|
| ADB   | – | Asian Development Bank                       |
| DAE   | – | Department of Agricultural Extension         |
| DAM   | – | Department of Agricultural Marketing         |
| ha    | – | hectares                                     |
| HTDC  | – | horticulture training and development center |
| HVC   | – | high-value crop                              |
| NGO   | – | nongovernment organization                   |
| PCR   | – | project completion report                    |
| PMU   | – | project management unit                      |
| PPER  | – | project performance evaluation report        |
| RAKUB | – | Rajshahi Krishi Unnayan Bank                 |
| RRP   | – | report and recommendation of the President   |

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

adaptive research, agribusiness credit line, agricultural extension, asian development bank, credit operation, empowerment, farmers' field school, farmers' group, gender awareness, gender equality, high-value crop, marketing support, small-scale farmers, supervised credit.

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## PROJECT BASIC DATA

|                                       |  |  |  |                               |
|---------------------------------------|--|--|--|-------------------------------|
| <b>Project Number:</b>                | 32193  | <b>PCR Circulation Date:</b>                       | 23 Dec 2011                                  |                               |
| <b>Loan Number:</b>                   | 1782   | <b>PCR Validation Date:</b>                        | Nov 2013                                     |                               |
| <b>Project Name:</b>                  | <b>Northwest Crop Diversification Project</b>                                  |  |  |                               |
| <b>Country:</b>                       | Bangladesh   |  | <b>Approved</b><br>(\$ million)              | <b>Actual</b><br>(\$ million) |
| <b>Sector:</b>                        | Agriculture and natural resources  | <b>Total Project Costs:</b>                        | 66.20  | 68.21                         |
| <b>ADB Financing:</b><br>(\$ million) | <b>ADF:</b> 46.30  | <b>Loan:</b><br>(SDR equivalent, million)          | 46.30  | 44.22                         |
|                                       |  | <b>Borrower:</b>                                   | 35.70  | 29.37                         |
|                                       | <b>OCR:</b> 0.00   | <b>Beneficiaries:</b>                              | 9.60   | 6.18                          |
|                                       |  | <b>Others:</b>                                     | 10.30  | 17.82                         |
| <b>Cofinancier:</b>                   |  | <b>Total Cofinancing:</b>                          | 0.00   | 0.00                          |
| <b>Approval Date:</b>                 | 21 Nov 2000  | <b>Effectiveness Date:</b>                         | 18 Mar 2001                                  | 9 Aug 2001                    |
| <b>Signing Date:</b>                  | 18 Dec 2000  | <b>Closing Date:</b>                               | 31 Dec 2008                                  | 12 Jan 2010                   |
| <b>Project Officers:</b>              | P. Dayal<br>A. Tayya<br>A.K. Saha  | <b>Location:</b><br>ADB headquarters<br>BRM<br>BRM | <b>From:</b><br>Dec 2000                     | <b>To:</b><br>Jun 2002        |
|                                       |  |  | Jul 2002                                     | Feb 2004                      |
|                                       |  |  | Mar 2004                                     | Dec 2010                      |
| <b>Validators:</b>                    | E. Lopez-Dee,<br>Consultant<br>F. D. De Guzman,<br>Evaluation<br>Officer, IED2 | <b>Peer Reviewer:</b>                              | Andrew Brubaker, Evaluation Specialist, IED1 |                               |
| <b>Quality Reviewer:</b>              | C. Kim, Principal Evaluation Specialist, IED2                                  | <b>Director:</b>                                   | W. Kolkma, IED1                              |                               |

ADB = Asian Development Bank, ADF = Asian Development Fund, BRM = Bangladesh Resident Mission, IED1/2 = Independent Evaluation Department (Division 1/2), OCR = ordinary capital resources, PCR = project completion report, SDR = special drawing rights.

## I. PROJECT DESCRIPTION

### A. Rationale

1. At the time of appraisal, the poverty level in Bangladesh was at 46.5%. The country was highly dependent on the agriculture sector, which accounted for about a third of its gross domestic product and employed 60% of the labor force. The sector was basically food crop-based where rice was cultivated in 76% of the planted areas. A trend toward increasing production of high-value crops (HVCs), such as fruits and vegetables and fodder crops for the country's growing livestock industry, has been observed.

2. The country's Rajshahi administrative division or northwest region was an agriculture-based economy dominated by a large number of smallholders traditionally engaged in rice cultivation. The contribution of the other economic sectors such as trade, services, and industries to the region's gross domestic product was not significant. As such, employment opportunities

from these sectors were scarce, thus exacerbating the poverty problem in the region. However, with the region being physically connected to the rest of the country via the Jamuna bridge and its inherent suitability for the production of crops other than rice, its agricultural development was expected to be accelerated. The Rajshahi division's physical comparative advantage for the cultivation of HVCs offered vast potentials for investment in agriculture that could increase farm household incomes. Investments to spur agricultural development through crop diversification were required in intensifying adaptive research and extension; and in encouraging wider participation of the private sector and nongovernment organizations (NGOs) in credit extension and financial intermediation, provision of agricultural support services, production technology transfer, and market information dissemination. With crop diversification widely adopted in the region, farm incomes were expected to be enhanced from the greater value of production of HVCs per unit area.

## **B. Expected Impact**

3. The expected impact as indicated in the project framework was to raise farm incomes, alleviate poverty, and stimulate the region's economy by tapping the potential for HVC production.<sup>1</sup> The performance target set was a 30% increase in incomes of participating small-scale farmers (owning between 0.2 and 1.2 hectares [ha]).

## **C. Objective or Expected Outcome**

4. The project's envisaged outcomes were as follows: (i) production and marketing of HVCs among small-scale farmers are promoted, and (ii) capacities and partnerships of NGOs and the public sector are built to enable them to provide training and credit for small-scale farmers. For outcomes in item (i), indicators included an (a) overall increase in the production of HVCs, (b) overall increase in the volume of HVCs reaching local markets, and (c) increased level of agro-processing. For outcome in item (ii), a single performance target was identified—functioning training, extension, and credit programs for small-scale farmers in place and operating by 2008.

## **D. Components and Outputs**

5. The project impact and outcomes were to be achieved through the following components: (i) farmers' training and extension, (ii) farmer mobilization and credit support, (iii) adaptive research, (iv) marketing support, (v) pilot agribusiness credit line, and (vi) support for project management. Farmers' training and extension on HVC production and marketing was to be extended to the staff of the Department of Agricultural Extension (DAE) and participating NGOs. For about 200,000 interested farmers, training was to be conducted in horticulture training development centers (HTDCs) and village-based venues. The project also aimed to finance the expansion, capacity-building activities, and equipment requirements of these centers. Farmer mobilization and credit support targeted the involvement of four major NGOs. These NGOs were to facilitate the organization of farmers' groups for training and as recipients of supervised short-term credit. Onlending to farmers by these NGOs were to be in conformity with their existing lending practices and procedures.

6. Adaptive researches on appropriate HVC varieties and technologies by the various research agencies were also to be funded. These researches were to be enhanced by farm

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<sup>1</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Northwest Crop Diversification Project*. Manila.

trials and demonstrations in collaboration with participating farmers. Farmers' needs for up-to-date market information were also to be addressed through strengthening of the capacity of the Department of Agricultural Marketing (DAM). The renovation and upgrading of 60 primary village markets was also targeted. Also planned to be constructed were 16 large growers' markets.

7. A pilot credit line through the Rajshahi Krishi Unnayan Bank (RAKUB) for onlending to agribusiness enterprises that were planning to venture into cold storage, feed mills, packing and packaging, seed processing and storage, and specialized transport for HVCs was to be established. A project management unit (PMU) to supervise overall implementation and monitoring was to be set up, and provided with the necessary equipment and technical backstopping by domestic and international consultants. The PMU was conceived to draw technical support from the project implementation unit created in each implementing agency.

## **E. Provision of Inputs**

8. The Asian Development Bank (ADB) extended a loan of \$46.3 million to finance both foreign and local currency cost components of the project. Final disbursements reached \$44.2 million after a single loan closing date extension. The borrower's actual contribution, including beneficiary financing, amounted to \$24.0 million compared with the \$19.9 million pegged at appraisal. Project expenditures reached \$68.2 million exceeding the estimated \$66.2 million at appraisal due to increases in the project administration cost that resulted from the loan extension granted to the borrower, and the greater demand for credit.

9. Inputs provided were as follows: (i) \$7.90 million for training and extension or almost 46% less than the appraised amount; (ii) \$43.69 million for farmers' mobilization and credit, which was 69% higher than at appraisal; (iii) \$5.42 million for marketing support or 37% lower than the projected expenditure; (iv) \$0.07 million for adaptive research or just a tenth of what was budgeted at appraisal; (v) \$0.85 million for pilot agribusiness credit or 50% of the appraised amount; and (vi) \$8.78 million for project management support, which was 166% more than the estimated amount. International and domestic consultants were recruited but at levels below the appraisal estimates due to recruitment delays—103 person-months out of 114 person-months of international consultants and 351 person-months out of 429 person-months of domestic consultants.

## **F. Implementation Arrangements**

10. The overall executing agency for the project was the DAE of the Ministry of Agriculture where the project steering committee and the PMU were lodged. The Bangladesh Bank was designated as the focal point for the project's credit component. These implementation arrangements proposed at appraisal were followed throughout project implementation. As planned, the PMU assumed the coordinating role for all project administrative and support services. Of the 36 loan covenants, 32 were complied with. The loan covenants on ensuring the financial sustainability of HTDCs, markets constructed and/or upgraded with project funds have improved market management and financing procedures, and full utilization of agribusiness credit package by RAKUB borrowers were only partly complied with by the borrower. One covenant that did not require any action from the borrower was on the planning and possible implementation of a loan amnesty program for crop production and agribusiness credit. The findings presented in the project completion report (PCR)<sup>2</sup> revealed that these partial

<sup>2</sup> ADB. 2011. *Completion Report: Northwest Crop Diversification Project in Bangladesh*. Manila.

compliances did not cause any adverse impact on the outcomes and impact of the project. The PCR further explicitly reported no major problems in the recruitment and performance of consultants and in the procurement of goods and services. This validation endorses the PCR findings and observes that the overall performance of the consulting firm, training institutions, and services and goods procured under the project was generally satisfactory despite a few delays.

## II. EVALUATION OF PERFORMANCE AND RATINGS

### A. Relevance of Design and Formulation

11. The PCR rated the project *highly relevant* because it accelerated economic growth in the northwest region of Bangladesh as envisaged. In particular, the project created opportunities to produce HVCs, making it possible for small-scale farmers to increase their incomes without compromising food and nutrition security. The resulting forward and backward linkage effects helped alleviate rural poverty as more employment opportunities and higher income became more available from cultivating HVCs and post-harvest handling activities. The project was strongly aligned with the National Agricultural Policy of Bangladesh as enunciated in 1999, especially on ensuring food and nutritional security through intensified promotion and production of HVCs, and rice as well, through improved productivity. It was consistent with the government's Outline Perspective Plan of Bangladesh for 2010–2012 where the government's commitment to provide needs-based technical, financial, and marketing assistance to farmers and effectively link them with public agencies and NGOs was emphasized. The project also was in line with ADB's country assistance strategy for Bangladesh, which had an overarching poverty reduction and food security objectives.<sup>3</sup> The project invested heavily in farmers' mobilization and training, supervised credit provision, and marketing support, all of which underscored the project's relevance to the poverty reduction and agricultural development strategies at the project formulation stage and to the country's perspective plan at the loan closing date.

12. Several design flaws at appraisal and subsequent deviations from the output targets, scope, and activities were noted during implementation but these did not drastically diminish the relevance of the project. For instance, the market support component was deemed weak because stakeholder consultation was lacking during site selection and the DAM's capacity to manage the funded markets was not thoroughly assessed. Also, the design of the markets did not consider the social and cultural idiosyncrasies of the target beneficiaries. The pilot agribusiness component apparently did not undertake a thorough study that could have allowed the project to identify viable agribusiness ventures. Due diligence studies of the technical capacities and internal procedures and processes of partner government agencies like DAM, and the NGOs such as RAKUB, were not properly observed. These weaknesses, which arose from a few unrealistic assumptions and insufficient risks assessment, did not justify a *highly relevant* rating. While these flaws and subsequent changes in scope did not adversely affect the targeted impact and outcomes of the project, they nevertheless indicated weaknesses in project design. Thus, this validation rates the project *relevant*.

### B. Effectiveness in Achieving Project Outcome

13. The PCR considered the project *effective* in achieving its envisaged outcomes. The implementation of the six project components was limited to 16 districts and 60 administrative

<sup>3</sup> ADB. 1999. *Bangladesh Country Operational Strategy: Responding to the Challenge of Poverty*. Manila.

subdistricts of the northwest region of the country. The PCR credited the project with the overall increase in the production of HVCs. The project accelerated the shift in cropping pattern from traditional mono-cropping to intercropping or combined planting of traditional crops with HVCs in some 153,331 ha compared with 40,000 ha at appraisal, increased cropping intensity from 213% to 240%, reduced postharvest losses by about 4% in some crops, and decreased marketing costs for various crops ranging from 1.6% to 5.2%.

14. There was also a marked increase in the level of agro-processing activities. The PCR indicated that farmers were able to learn improved postharvest handling practices, which helped reduce postharvest losses at 7.5%–23.0%, compared with a national average of 30%. More project farmers (about 25%) were grading their products with improved packaging system. Also, the adaptive research component of the project produced the results envisioned at appraisal. The Bangladesh Agriculture Research Institute was engaged to implement this component based on the assessed needs of participating farmers. At project completion, it had established 22 of the 24 adaptive research projects on production, postharvest operations, processing, and marketing of HVCs. The results were made available to farmers through 42,600 field demonstration trials from 2002 to 2009. Given these, the envisaged outcome of promoting the production and marketing of HVCs among small-scale farmers was achieved.

15. The DAM was mandated to implement the marketing support component of the project. Under this component, 76 markets on government property were built as planned, consisting of 15 wholesale markets, 60 growers' markets in 60 subdistricts, and a central market in the capital city in lieu of the failed plan to construct a wholesale market in one district due to land ownership dispute.<sup>4</sup> Each market was supervised by a market management committee composed of representatives from the DAM and other stakeholders, with 1,180 of its members trained in market operations and market development.

16. At completion, this component was deemed to have only partially achieved its objective. Only five of the 15 wholesale markets and 29 of the 60 growers' markets remained operational as DAM was constrained by manpower and other technical resource inadequacy. Other concerns raised in the PCR were the hasty organization of the farmers' marketing groups and inadequate consultations with local stakeholders in market site selection. Sociological and cultural concerns of farmers in marketing HVCs were likewise not adequately addressed. Results of the survey on the level of satisfaction of project farmers carried out by the PCR mission showed moderate satisfaction with most aspects of the markets and least satisfaction with the market sites, and storing and cooling provisions. Nonetheless, the PCR indicated that overall increase in the volume of HVCs reaching local markets was largely achieved. It reported that the market volume of HVCs increased significantly with 97% of the produce sold at the market during the period 2003–2007. Combined with the results above (paras. 13–14), the envisaged outcome of promoting the production and marketing of HVCs among small-scale farmers was achieved.

17. The project was also able to attain its targeted outcome of building NGO and public sector capacities and partnerships in the areas of training and credit support. At completion, 12,415 small farmer's groups or 150% more than the appraisal target, and involved 240,430 farmers operating on 153,331 ha had been formed on the initiative of the four partner NGOs, thereby making them eligible for supervised credit support. From April 2004 to December 2009, the total number of loans approved for 258,577 borrowers, compared with 160,000 at appraisal,

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<sup>4</sup> Six refrigerated trucks, 1 open truck, and 2 vans were procured to jumpstart the marketing operations of 490 farmers' marketing groups with 9,800 member-leaders belonging to the small farmers' groups.

reached 514,182 while the corresponding credit funds disbursed totaled Tk2.51 billion. Records from the partner NGOs showed that the recovery rate of the disbursed loans was almost 100% with no unrealized dues. From these loan repayments, a revolving fund had been established to allow the credit operation to continue beyond project completion.

18. A particular target at appraisal was to upgrade HTDCs at both the district and subdistrict levels, formulate training courses and modules, and conduct training for DAE and NGO staff, and for farmer-participants. At the time of PCR preparation, eight pre-identified training centers were upgraded while the subdistrict training facilities under the DAE were provided with needs-based support and 30 crop production training modules. A total of 326,020 farmer-beneficiaries, 63% more than the target and half of them women, received training on HVC production. Some 5,300 technical staff from DAE, DAM, and NGOs participated in several training of trainers programs related to HVC production, marketing, postharvest handling, processing, and even computer skills development. In addition, 71 project-related personnel undertook overseas study tours.

19. The RAKUB implemented the onlending aspect of the agribusiness credit fund from the Bangladesh Bank to basically spur agribusiness and entrepreneurship development in the region. Total loans approved for the 14 agribusiness enterprises amounted to Tk70.88 million of which Tk60.38 was disbursed. At completion, 12 out of the 14 were in operation although they were classified as underperforming. With six borrowers already defaulting in its amortizations and one already written-off, total recovery of the credit fund was extremely doubtful. The PCR advanced several reasons for the unsatisfactory performance of this component. While the loan amount per borrower was appropriate for small- and medium-sized enterprises, the availability of qualified and experienced borrowers was not that adequate. From the start, the project borrowers had inadequate working capital for operations and maintenance, thus preventing them from operating at full capacity. The RAKUB was constrained to extend working capital loans to the borrowers because the latter had insufficient collateral. It was also deemed to be wanting in initiative and drive probably because the selection field was limited.

20. The targeted outcomes were achieved and continued to generate positive results. Performance targets at the end of the project for indicators relating to increase in the production of HVCs, increase in volumes of HVCs reaching local markets, and functioning training, extension, and credit programs for small-scale farmers were realized. Thus, this validation rates the project *effective*.

### **C. Efficiency of Resource Use in Achieving Outcome and Outputs**

21. The PCR rated the project *highly efficient*. The economic internal rate of return (EIRR) for the whole project was reestimated at 55% where all investment costs from ADB, the government, and the beneficiaries were ranged against the incremental economic cash flows from HVC production. The latter were derived from individual crop budgets, incorporated into farm models using the most prevalent cropping practices and then aggregated. This was higher than the appraisal estimate of 30.7%. Benefit valuation did not consider value appreciation of land used for HVC production and other intangibles, like health improvements for women and children, income distribution effects of technology generation, and dissemination and benefits generated by linking farmers with extension and research. This validation finds the assumptions and methodology used in the economic analysis, as presented in Appendix 10 of the PCR, plausible and appropriate.

22. Nonetheless, the project encountered some start-up and implementation delays in training and extension, farmer mobilization, credit delivery, adaptive research, procurement, and hiring of consultants. Of more serious concerns to the project were the delays in project management support and pilot agribusiness credit line, which essentially triggered the 1-year project extension necessary to successfully complete the planned activities. The project also experienced a minor overrun in project management cost (para. 8). Regardless of these minor inefficiencies, the project yielded an extremely high EIRR. Given these circumstances, the validation rates the project *highly efficient*.

#### **D. Preliminary Assessment of Sustainability**

23. Group management training for farmers, technology transfer via field trial demonstrations with project farmers' participation, and credit made available for the use of smallholders were facilitated during implementation—all these could have not taken place without the capacity-building activities that were undertaken by the executing and implementing agencies, and the partner NGOs. The PCR observed that these activities paved the way for a smooth working relationship between these entities and the farmers, which remained healthy at project completion. Women's participation in various skills training and technology transfer activities have allowed these women to gain confidence and thereafter play important roles in HVC production and postharvest operations traditionally assumed by their male counterparts. The small-farmer supervised credit operations of the project registered a near 100% recovery. The revolving fund created from loan repayments had already revolved a number of times due to the high demand. That the project beneficiaries had requested the government to adjust upward the fund's ceiling was a clear indication of the credit operations' usefulness to them. Hence, this validation subscribes to the *likely sustainable* rating in the PCR.

#### **E. Impact**

24. The PCR did not provide a rating for impact. The project had a positive overall impact on farm incomes. The socioeconomic survey conducted in 2008 for the PCR revealed that increases in income from HVC production and marketing ranged from 21% to 56% for 0.5 ha farms depending on the cropping patterns adopted, as compared with farmers not covered by the project. The average net income increase for these farms stood at Tk16,794 per year. Increases in the net income of vegetable and maize growers stood at 20.1% and 25.7%, respectively, and were substantially higher than those of farmers not covered by the project. Results of the second benefit monitoring and evaluation survey conducted in 2008 also showed that project farmers increased their income by 57% over the baseline year 2003.<sup>5</sup> On employment benefits for hired and family workers, HVC cultivation generated incremental paid employment equivalent to 153 person-days per ha per year. Other positive results attributable to the project included increased values of land under HVC cultivation ranging from 25% to 100%;<sup>6</sup> faster acquisition, purchase, or lease of land by project farmers; improved quality of household asset portfolio; better quality of houses; and presence of hygienic facilities. The other notable intangible benefits generated by the project were the increased participation of women in a number of HVC value-adding activities due to their heavy involvement in group formation, production training and extension activities, stronger collaboration between NGOs and farmers developed, and improved access by farmers to research and extension services from the government. Based on these evidences, project impact is rated *substantial*.

<sup>5</sup> Rural Development Academy, Bogra. 2008. *The Second Benefit Monitoring and Evaluation Survey Report*. Bangladesh.

<sup>6</sup> Based on results of focus group discussions with NGOs.

### III. OTHER PERFORMANCE ASSESSMENTS

#### A. Performance of the Borrower and Executing Agency

25. The PCR rated the performance of the borrower and the executing agency *satisfactory*. The PCR noted the government's commitment to complete the project primarily through the provision of counterpart funds and deployment of staff. It closely monitored and steered the progress of the project through a high-level, inter-ministry committee and acted promptly to resolve implementation issues. As the lead executing agency, the DAE seconded qualified and committed staff and delivered the required support to the PMU. The Bangladesh Bank, as the focal entity for the credit components, ensured that its credit funds not only flowed smoothly to the partner NGOs then to the ultimate borrowers but also utilized these funds for their intended purposes. The DAE, PMU, and Bangladesh Bank demonstrated managerial competence and ability to meet ADB requirements by keeping the project on track. The same, however, did not hold true for the DAM and RAKUB. This validation rates the performance of the borrower and executing agency *satisfactory*.

#### B. Performance of the Asian Development Bank

26. The PCR rated ADB's performance *satisfactory*. It carried out 1 inception mission, 12 review missions, 1 midterm review mission, 1 special review mission, and 1 project completion review mission. All these were undertaken at regular intervals so that project progress could be reviewed closely. ADB was responsive to government requests for facilitation and early resolution of implementation issues as it interacted closely with all project stakeholders. This validation has a similar rating to that of the PCR.

#### C. Others

27. There was no recorded adverse effect on the environment. The PCR did not indicate any resettlement-related issue.

### IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

#### A. Overall Assessment and Ratings

28. The PCR rated the project *successful*. This validation has also the same rating (see table). The project was relevant to the government's strategies and policies, and to ADB's operational strategy for Bangladesh. The project invested heavily in farmers' mobilization and training; training and research infrastructure; extension and marketing support; and in developing strong partnerships among the concerned government agencies, NGOs, and project beneficiaries. In turn, these helped catalyzed farmers and supervised credit providers to participate in capacity-building activities and promoted the production of HVCs with strong small-farmer credit and marketing support. As a result, the project achieved its purpose of increasing farm incomes, alleviating rural poverty, and stimulating the region's economy for HVC production.

### Overall Ratings

| Criteria                                    | PCR                | IED Review        | Reason for Disagreement and/or Comments   |
|---|--------------------|-------------------|---|
| Relevance                                   | Highly relevant    | Relevant          | At least 7 design flaws and 2 changes in scope emerged during implementation. These were not anticipated at appraisal, indicating weakness in project design (para. 12).  |
| Effectiveness in achieving outcome          | Effective          | Effective         |   |
| Efficiency in achieving outcome and outputs | Highly efficient   | Highly efficient  |   |
| Preliminary assessment of sustainability    | Likely sustainable | Likely            |   |
| <b>Overall Assessment</b>                   | <b>Successful</b>  | <b>Successful</b> |   |
| Borrower and executing agency               | Satisfactory       | Satisfactory      |   |
| Performance of ADB                          | Satisfactory       | Satisfactory      |   |
| Impact                                      | Not rated          | Substantial       | Increases in income from HVC production and marketing ranged from 21% to 56% for 0.5 ha farms over non-project farmers. The average net income increase was Tk16,794/year. Net income increases were 20.1% for vegetable growers and 25.7% for maize growers, which were substantially higher than those of non-project farmers (para. 24). |
| Quality of PCR                              |                    | Satisfactory      | Refer to para. 32.  |

ADB = Asian Development Bank, HVC = high-value crop, IED = Independent Evaluation Department, PCR = project completion report, Tk = taka.

## B. Lessons

29. The PCR drew out six key lessons valuable to both the borrower and ADB operations. Implementation delays could not have occurred and loan extension could have been avoided if the following were undertaken early on during project preparation or implementation: (i) identification and deployment of qualified personnel, (ii) immediate settlement of land disputes, (iii) adequate consultations with local stakeholders in market site selection, (iv) a thorough needs assessment of project components, (v) design of post-project monitoring and evaluation systems to ensure sustainability of project impacts, and (vi) careful selection of partner NGOs. Thus, it is clear that proper due diligence and risk assessments were wanting in project design and as a consequence, the project (i) partnered with technically ill-equipped credit conduits and government agencies, (ii) implemented onlending with undercapitalized agribusiness enterprises, (iii) hastily constructed markets, and (iv) failed to ascertain the ownership status of market sites.

### **C. Recommendations for Follow-Up**

30. This validation agrees with the recommendations of the PCR. Post-project monitoring and evaluation must be institutionalized within the DAE to ensure sustainability of gains achieved by all project participants—government agencies, NGOs, and farmers. Schemes that should maximize the utility of the training centers and the markets after the project must be worked out. Technology dissemination must be continued and transformed as core activities of the DAE, with adequate funding. This validation also finds strong merit in adjusting upward the revolving fund ceiling for the smallholder credit facility noting the high demand for credit and high rate of recovery. The project performance evaluation report (PPER), if undertaken, should focus on the status and results of the recommended initiatives.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Evaluation Design, Implementation, and Utilization**

31. Following the project design, a baseline survey was conducted to generate information on the number of beneficiaries participating in institutional and village-based training programs, number of borrowers, repayment rates for all NGOs involved in relending, changes in cropping patterns, and income levels of participating farmers. With this information available, pre-project data could be consolidated and processed for the project performance management system that would periodically monitor and assess project impact and the achievement of project objectives. It was also designed to serve as basis for succeeding benefit monitoring and evaluations—to generate and analyze “with” and “without” project conditions across a wide range of economic and technical monitoring variables. The second benefit monitoring and evaluation survey measured the impact of the project on participating farms in terms of changes in farm income, crop productivity, and cropping patterns.

### **B. Comments on Project Completion Report Quality**

32. The preparation of the PCR is consistent with ADB Project Administration Instruction 6.07 particularly in assessing outcomes, impact, relevance, effectiveness, and efficiency. The enumerated lessons and recommendations are clearly drawn from the findings of the report. The report has a straightforward presentation and detailed analysis of the issues, outputs, and outcomes. The design and monitoring framework is clear in presenting the appraisal targets and actual performance. The financial and economic analysis in Appendix 10 was very thorough and instructive. The assumptions, project parameters, and methodology used were sufficient and up to standards. This validation also finds the quality of the PCR *satisfactory*.

### **C. Data Sources for Validation**

33. Sources for this validation were the report and recommendation of the President, PCR, back-to-office mission reports, and project processing documents.

### **D. Recommendation for Independent Evaluation Department Follow-Up**

34. The project was largely successful in attaining the desired impact. The Independent Evaluation Department may still consider conducting a PPER. Important focal points of the PPER could be the modalities for recovering the credit funds channeled to the RAKUB, continued and enlarged operation of the revolving fund for the small farmers’ supervised credit, and financial sustainability of the training centers.