



Validation Report

Reference Number: PVR-409
Project Number: 34121
Loan Number: 2079
July 2015

Papua New Guinea: Community Water Transport Project

Independent Evaluation Department
Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CWTTF	–	Community Water Transport Trust Fund
DOT	–	Department of Transport
EIRR	–	economic internal rate of return
IED	–	Independent Evaluation Department
NMSA	–	National Maritime Safety Authority
PCR	–	project completion report
PMU	–	project management unit
PNG	–	Papua New Guinea
PPMS	–	project performance management system
RRP	–	report and recommendation of the President
RTIDD	–	Rural Transport Infrastructure Development Division

NOTE

In this report, “\$” refers to US dollars.

Key Words

adb, asian development bank, lessons, maritime transport, papua new guinea, performance evaluation, png, project completion report, rural development, trust funds, validation, water transport

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PROJECT BASIC DATA

Project Number:	34121	PCR Circulation Date:	Aug 2014	
Loan Number:	2079	PCR Validation Date:	Jul 2015	
Project Name:	Community Water Transport Project			
Country:	Papua New Guinea		Approved (\$ million)	Actual (\$ million)
Sector:	Transport	Total Project Costs:	28.1	33.1
ADB Financing: (\$ million)	ADF: 19.0	Loan:	19.0	19.1
		Borrower:	5.2	10.3
	OCR: 0.00	Beneficiaries:	0.0	0.0
		Others:	0.0	0.0
Cofinancier:	OPEC Fund	Total Cofinancing:	3.9	3.7
Approval Date:	24 Mar 2004	Effectiveness Date:	29 Aug 2004	23 Nov 2004
Signing Date:	31 May 2004	Closing Date:	30 Jun 2012	20 Jan 2014
Project Officers:	T.G.Tarp T.G.Tarp S. van der Tak A. Lee C. Andrews J. Peththawadu M. A. Ingratubun	Location: ADB headquarters PNG Resident Mission PNG Resident Mission PNG Resident Mission PNG Resident Mission PNG Resident Mission PNG Resident Mission	From: Apr 2004 Feb 2006 Apr 2006 Sep 2006 Nov 2009 May 2011 Jan 2014	To: Jan 2006 Mar 2006 Aug 2006 Oct 2009 Apr 2011 Jan 2013 Jan 2014
Initial Reviewers:	P. Choynowski, Consultant F. D. De Guzman, Senior Evaluation Officer, IED2	Peer Reviewer:	T. Yokota, Senior Evaluation Specialist, IED2	
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ADB = Asian Development Bank; ADF = Asian Development Fund; IED2 = Independent Evaluation Department, Division 2; OCR = ordinary capital resources; PCR = project completion report; PNG = Papua New Guinea.

I. PROJECT DESCRIPTION

A. Rationale

1. According to the report and recommendation of the President (RRP),¹ living standards in the remote maritime and river-based communities of Papua New Guinea (PNG) were deteriorating. Incidence of poverty was increasing. One cause of poverty in these communities was poor water transport that resulted in inadequate supplies and food staples and limited access to education and health services. The high cost of transport meant that communities could only trade occasionally in primary goods and in small quantities. Marine infrastructure was deficient in many coastal and river areas, with wharves and jetties nonexistent or in poor condition, resulting in a reduction of economical and safe water transport. The Maritime

¹ ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Papua New Guinea for the Community Water Transport Project*. Manila.

Transport Division of the Department of Transport (DOT) was not able to deliver maritime safety services, which had deteriorated to a point where about 70% of navigation aids in PNG were nonoperational. Deterioration in maritime transport services led to vessel operators limiting voyage routes and schedules. Also, the Maritime Transport Division was not able to financially support the development of safe and efficient water transport services. Increasing costs, depreciating local currency, subsequent declining incomes, and increasing poverty in remote areas led to a reduction in the coverage of private shipping operations.

2. The government's objective of reducing poverty in maritime and river-based communities was reflected in the Medium Term Development Strategy, 1997–2002; draft poverty reduction strategy; and the National Transport Development Plan, 2001–2010. The government's plan was to provide viable and effective maritime transport sector services to remote and disadvantaged communities. To improve women's and children's health, the government's National Health Plan emphasized the need to improve access to health centers by providing public transport in remote areas. The country assistance strategy of the Asian Development Bank (ADB) for PNG centered on service delivery improvement, particularly in rural areas, and on public sector reforms.

B. Expected Impact

3. The project's expected impact was the reduction of poverty among the marginalized maritime and river-based communities through enhanced access to markets and social services. The performance targets were to (i) reduce by 50% the number of people whose income was less than \$1 a day; (ii) improve diet through diversification of food—from the two staple items (fish and sago) to five (fish, sago, egg, rice, and meat) in each meal for all project communities; (iii) reduce by 50% the number of people without sustainable access to clean water supply; (iv) reduce deaths from preventable causes by 15%, and malaria and gastroenteric diseases by 50%; (v) improve immunization rates by 25%; (vi) increase AIDS awareness; (vii) reduce the proportion of the population exhibiting clinical symptoms of nutritional deficiency by 50%; (viii) improve educational attainment in primary school-age children with number of graduates increasing by 50%; and (ix) increase the share of grade 6 students continuing to high school by 50% (project completion report [PCR], Appendix 1).²

C. Objectives or Expected Outcome

4. The project had six expected outcomes. The first was the provision of affordable water transport services to marginalized communities thus improving access to markets—to be measured by a 50% reduction in the cost of passenger travel and freight to target communities. The second was the creation of linkages between remote maritime and river-based communities and rural development programs thus improving access to medical services (i.e., travel cost to the nearest aid post reduced by 50%, and medical staff at aid posts in communities retained). The third targeted outcome was an improvement in vessel efficiency and safety and a reversal in the reduced operations of shipping services to marginally viable routes. The corresponding outcome indicators were (i) reduced to zero loss in the value of goods at unloading and/or loading at the sites of restored infrastructure, (ii) reduced unloading and/or loading time for vessel calls by 75% at the sites of restored infrastructure, and (iii) reduced cost of shipping operations in the country by 20%.

² ADB. 2014. *Completion Report: Community Water Transport Project in Papua New Guinea*. Manila.

5. The fourth planned outcome was developing a safety mentality among community water transport users and operators. The target indicator for this outcome was the increased use of safety equipment in small crafts—100% for new boats and 50% for existing fleet. The fifth targeted outcome was reduced incidence of small-craft distress, loss of life, and value of goods. The corresponding outcome indicator was enhanced regularity of vessel calls with the support of radio communications to 1 day from radio call. The last envisaged outcome was the establishment of an accountable agency for the sector. The National Maritime Safety Authority (NMSA) is to have tools, staff, funding, and systems to effectively regulate and manage the sector's operations. The performance indicators were (i) having a program-based budget, (ii) vessel surveys were carried out, (iii) protection of the Seas Levy already in place and revenue generated, (iv) navigation aids dues are generating revenue, (v) hydrographic office already established and operational, (vi) 90% of navigation aids operating in place of the current 30%, and (vii) vessel travel time improved by 30%.

D. Outputs

6. The project had six outputs. The first was the establishment of a Community Water Transport Trust Fund (CWTTF) and the development of a route franchise scheme. The trust fund was to provide an impetus for the delivery of transport services to poor and disadvantaged remote communities. It was to provide incremental resources for the government to fulfill its social obligation to support water transport to maritime and river-based communities. The identified route franchise schemes were to be tendered under a staged program commencing with remote community water transport routes. These routes were identified as priority routes, based on the expected poverty reduction impact, potential for inducing local economic activity, and likelihood of reducing or eliminating the subsidy over a period of time. Further areas will be identified and routes detailed under the subsequent phases of the project. The second output was the restoration of small maritime and river transport infrastructure to enhance vessel efficiency and safety. This component was to restore 40 maritime transport infrastructure elements, including piers, pontoons, jetties, landing ramps, and small wharves; and to develop facilities that reduced the need for unsafe cargo lightering off the side of the vessel.

7. The third was improvement of small-craft safety to reduce accidents and loss of life and goods. It was to (i) introduce formal marine accident reporting and investigation by NMSA; (ii) prepare pro-forma small-craft safety guidelines with a focus on establishing minimum safety standards; (iii) develop a boat registration system for unregulated motorized boats (below 10 meters in length); (iv) develop a system for licensing boat operators; (v) determine and mandate essential safety equipment for new and existing boats; and (vi) establish a countrywide marine radio network to ensure minimum communications standards for all coastal areas and river communities, including extension of radio coverage by fitting existing radio towers with repeaters and automatic message forwarding to the main stations; (vii) develop a public information dissemination campaign on small-craft safety using; (viii) revise, republish, and disseminate the "Basic Boating Safety in PNG Waters" in English, Motu and Pidgin, and develop curricula for introduction of a maritime safety subject in elementary schools; (ix) design and support awareness seminars on maintenance, operation, and safety of small craft, and training of appropriate local government and community officials; and (x) carry out community-wide safety training on small-craft safety precaution, vessel inspection checklists, procedures for distress at sea, and other safety measures.

8. The fourth output was capacity and skills development of communities for harnessing rural development opportunities and capturing related benefits. To maximize the use of water transport provided under the project, community extension services were to be provided in

order to develop the capacity of remote communities to benefit from rural development opportunities. This component was to (i) identify and generate local-level awareness of new social and economic development opportunities available to very poor communities in light of improved transport services or reduced transport costs; (ii) build capacity for community-level participation in cross-sector planning activities; (iii) identify mechanisms to encourage communities to take up new economic opportunities; (iv) support community efforts to maximize local production opportunities; (v) support improved access to, and awareness of, preventive health care, including HIV/AIDS prevention and awareness programs; and (vi) identify and support communities in developing and implementing micro-scale projects that directly reduce poverty and are directly linked to the new transport services. Women's participation was to be encouraged under the community development programs.

9. The fifth was geared toward the implementation of the maritime sector restructuring program and NMSA. This component was to equip NMSA with facilities, instruments, and systems that would allow it to operate effectively and be free of land claims. The component was to finance the following: (i) establishment costs of NMSA, including offices, communications facilities, and management information systems; (ii) staff retrenchment, recruitment, and training; and (iii) clearance of accumulated land claims. The last output pertained to project management services. The Water Transport Franchise Unit was to be the project management unit (PMU) under the auspices of NMSA, once it was established.

E. Provision of Inputs

10. The total cost of the project at the time of approval was \$28.1 million, of which the foreign exchange cost (including interest during construction) was \$18.5 million (66%) and the local currency cost (including taxes and duties) was \$9.6 million (34%). ADB was to provide a loan that is equivalent to SDR12.83 million (about \$19.0 million) from the ADB Special Funds resources (RRP, para 38).

11. Actual total project cost was \$33.1 million, \$4.9 million higher than the appraisal estimate. The higher project cost was attributed to the government's decision to change the infrastructure component scope—from rehabilitation of piers, pontoons, jetties, landing ramps, and small wharves serving the first-phase water transport franchise services to the provision of new concrete jetties at locations selected by provincial governments and not necessarily served by an existing franchise route. The government funded the additional project costs.

12. The project was classified as Category B under the ADB environmental categorization requirements. At appraisal, an initial environmental examination was prepared for 21 identified subproject sites. The project completion report (PCR) did not discuss the project's environmental impact. However, it indicated that the four environment-related covenants were complied with. These included the absence of significant adverse effects on the environment from the proposed civil works under each subproject and the conformity of all civil works with the ADB environmental guidelines (PCR, Appendix 12). At appraisal, the project impact for involuntary resettlement and indigenous peoples was both classified as Category C (limited or no impact). The PCR indicated that the project did not involve relocation of households (PCR, Appendix 12, Status of Covenants, Sch.6, para. 12[v]).

13. International and domestic consulting services were required for (i) project administration, (ii) community development, (iii) small-craft safety, and (iv) civil engineering and supervision. Project administration was estimated to require 312 domestic and 113 international consultant person-months, community development will need 108 domestic and 40 international

consultant person-months, the small-craft safety component will require 100 domestic and 50 international consultant person-months, and civil engineering will need 40 domestic and 20 international consultant person-months. The PCR did not provide data on the numbers of consultants that were recruited. There was no advisory technical assistance associated with this project.

F. Implementation Arrangements

14. The DOT was to be the executing agency for technical activities until the PMU was transferred to NMSA, which then became the new executing agency. The secretary of the DOT was to be the project director, with the deputy secretary for technical services as the direct supervisor of project activities. The PMU was to be headed by a project manager and supported by a financial administrative officer, community liaison officer(s), and an engineer. A steering committee for the project was to comprise industry and community representatives, and representatives of the Department of National Planning and Rural Development, the Department of Treasury, the Department of Finance, DOT, Department of Provincial and Local Level Governments, Department of Health, Department of Education, Department of Agriculture and Livestock, and external agencies supporting rural development. Project implementation was to start in May 2004 and to end in December 2011.

15. The PMU was to compile and analyze data to facilitate project performance monitoring and evaluation. The information was to be forwarded to ADB and the government for assessing the macroeconomic impact and sector development goals of the project. The activities were to include the following: (i) benchmarking—to provide the DOT management with objective reference points for impact evaluation, (ii) benefit monitoring—to ensure that project benefits accrued to target beneficiaries and that the poverty rate was reduced for remote coastal and inland communities, and (iii) post-project performance evaluation—to assess the overall effectiveness of the project.

16. Implementation arrangements were as expected at appraisal with the DOT designated as the executing agency and with the PMU as the implementing agency. The executing agency function was not transferred to NMSA because of NMSA's limited capacity. The steering committee was established. The project implementation period was 1.5 years longer than envisaged at appraisal and the loan closing date was extended by 1 year—to 30 June 2013. Consultants were recruited, although with substantial delay. Out of 48 loan covenants, 44 were fully complied with, one was complied with but some elements still ongoing, one was partly complied with, one was not complied with, and one was no longer applicable. The covenant for the tax exemption of the CWTF was not complied with.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

17. The PCR rated the project *relevant* at appraisal and at completion in terms of (i) project design, (ii) ADB policies and strategies to reduce poverty of the marginalized and remote maritime and river-based communities, and (iii) in promoting effective sector governance through the establishment of NMSA. The project was consistent with the country's development objectives. The project implemented the government's strategic plan to provide viable and effective maritime transport sector services to remote and disadvantaged

communities.³ It was also consistent with the government's National Health Plan that emphasized the need for improving access to health centers by women and children by providing public transport in remote areas. This validation assesses that the project was consistent with the ADB 2006 country strategy and program. It also addressed the poverty reduction objective of ADB in PNG by improving the access of remote communities to markets and services.

18. The PCR noted that lessons learned from previous PNG projects were not adequately incorporated in the project design to minimize implementation delays, particularly delays in loan effectiveness and the recruitment of consultants (PCR, para. 40). It also noted that the project preparatory technical assistance⁴ did not adequately identify the level of shipping company interest in providing community water transport franchise routes and the availability of suitable vessels to serve the selected routes. The PCR indicated that the technical assistance and the RRP were optimistic on the outcomes and outputs of the CWTTF, the route franchise scheme component, and the remote water transport infrastructure restoration component of the project. This validation is of the view that these weaknesses in project design did not substantially affect the relevance of the project. Design weaknesses were mainly attributed to the time lag between the completion of the project preparatory technical assistance and the preparation of the RRP.⁵ On the whole, this validation assesses the project *relevant*.

B. Effectiveness in Achieving Project Outcome and Outputs

19. The PCR rated the project *less effective* in achieving expected outcomes. It indicated that the two major components of the project—the CWTTF and route franchise scheme component, and the remote water transport infrastructure restoration component—which accounted for 63% of final project costs, were ineffective. The CWTTF was established and a bank was appointed as the trust fund manager. However, the bank ceased the managing role on 31 December 2012, citing lack of a PNG client portfolio. The interest income that was expected at appraisal did not materialize because of global interest rate issues. As a result, the government invested these funds in 6-month foreign currency accounts in the local capital market, but this was not in line with the trust deed, which required funds to be invested in international capital markets. A replacement trust fund manager was not appointed at the time of the PCR preparation.

20. At appraisal, it was anticipated that there would be 28 franchise routes operational by 2010, compared with two routes operating in June 2013. The CWTTF was to earn sufficient dividends to fund the first phase of seven route franchises after the first year. However, the PCR indicated that the interest earnings, which were lower than expected, and the franchise route subsidies, which were higher than expected, could only support a single route franchise. It was also anticipated that 40 transport infrastructure sites would be restored by December 2005, compared with the three new jetties completed by June 2013. Only one franchise route was subsidized, compared with the 28 expected at appraisal, because of the lower-than-expected interest earnings. The PCR indicated that this was the result of a shift from restoring existing

³ The government's macroeconomic and sector policies were established in the Medium Term Development Strategy, 1997–2002; the draft poverty reduction strategy; and the National Transport Development Plan, 2001–2010.

⁴ ADB. 2002. *Community Water Transport Project: Papua New Guinea*. Manila.

⁵ The project preparatory technical assistance predated the project RRP by 2 years, the project commencement by 3 years, and the mobilization of project management consultants by 6 years. The time lags affected the relevance of the shipping sector's situation assessment, and cost estimates in particular (PCR, para. 10).

facilities to building new jetties, and the higher construction costs than those anticipated at appraisal, based on civil works rates at the time.

21. The other project components—small-craft safety, community development to optimize the use of transport, and project management—were rated effective. The establishment of the NMSA component was rated effective because ongoing institutional support and equipment was provided under the project. On these bases, this validation assesses the project *less than effective*.

C. Efficiency of Resource Use in Achieving Outcome and Outputs

22. The PCR rated the project *inefficient*. At appraisal, the project was estimated to be implemented over 6 years and 7 months, and to close on 31 December 2011. The project implementation actually took 9 years and 5 months (PCR, para. 28). The PCR indicated that limited preparatory tasks were completed during the first year. Further delays were encountered in finalizing the CWTTF deed of trust. Until the project management consultants were mobilized in February 2008, only a little progress occurred in project implementation. After the 4-year delay in project implementation, progress in most project components proceeded in a timely manner, while the remote water transport infrastructure restoration project component, encountered continuing design, tender, and contracting delays.

23. The PCR reported that the recalculated economic internal rates of return (EIRR) for the two existing franchise routes were 7.5% and 0.8%, which were lower than the 33.3% and 13.0% estimated during appraisal, and below the benchmark discount rate of 12.0%. The three completed jetties recorded negative EIRRs. The expected benefits of improved cargo handling efficiency, enhanced safety of improved cargo, enhanced safety of lightering, and reduced cargo damage did not materialize because vessels were unlikely to use these jetties. Based on these observations, this validation assesses the project *inefficient*.

D. Preliminary Assessment of Sustainability

24. The PCR rated the sustainability of the project *likely*. It indicated that the sustainability of the CWTTF is likely, although the government still needs to appoint an international fund manager as the trust deed requires. It also indicated that investment options for the CWTTF and the trust deed requirements need to be reexamined to maximize income potential. The PCR also indicated that the sustainability of further water transport franchise routes based on the project model is likely, given that project management is now the responsibility of the Rural Transport Infrastructure Development Division (RTIDD), and with the expected government funding of franchise subsidies for additional routes. Likewise, the sustainability of the small-craft safety and the community development to optimize use of transport project components is considered likely because of the activities of the RTIDD. The remote water transport infrastructure restoration component's sustainability is also likely because the government agreed to fund an additional 160 provincial jetties with 14–15 works to be built in each maritime province.

25. This validation notes that the PCR did not fully expound on the reasons behind its rating on sustainability. Although the CWTTF will likely continue to operate, it does not generate sufficient income to finance route franchises, as expected. The PCR did not explain why the sustainability of further water transport franchise routes under the RTIDD will be likely. There was no assessment of the resources that it can access, or its institutional capacity. Similarly, the PCR did not explain what activities of the RTIDD could ensure the sustainability

of the small-craft safety and the community development to optimize the use of the transport project components. The government's agreement to fund an additional 160 provincial jetties is not an adequate reason to conclude that the sustainability of the remote water transport infrastructure restoration component is likely. Additional investment and financing and the operation of existing facilities are separate issues—the former is not related to sustainability. In this validation's view, sustainability is assessed *less than likely sustainable*.⁶

E. Impact

26. The PCR rated the impact of the project *moderate*. The PCR noted that the discontinued Sepik River franchise route exceeded the targeted passengers per voyage (actual is 77 versus the target of 68), as did the Huon/Oro route (actual is 271 versus the target of 265), while the continuing routes—New Britain (actual is 272 versus the target of 347) and New Ireland (actual is 76 versus the target of 78)—were below target. The proportion of passengers wearing life jackets in small boats fell short of expectations by project completion (actual is 7.8% in New Ireland and 1.6% in New Britain compared with target for both of 50.0%). However, this is likely to increase as NMSA gradually implements the Small Crafts Safety Act. The proportion of lives saved in total number of people involved in the distress incident for which rescue operations were undertaken was 91%, exceeding the target of 90% (347 lives saved and 36 dead or missing). The NMSA revenue target of K2.9 million in 2005 was exceeded, with actual revenue of K4.1 million, and reaching K22 million in 2011. The target for operating navigation aids was to increase this to 90% by the end of 2011, which registered an actual figure of 94% by June 2012. This validation assesses the project impact *moderate*.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

27. The PCR rated the performance of the borrower and the executing agency *satisfactory*. It noted that the performance of the PMU was satisfactory and the transfer of the unit to the RTIDD indicated commitment to developing river and coastal community water transport services. The steering committee met regularly every quarter and its performance was satisfactory. However, the PCR indicated that delays in finalizing the CWTF deed of trust, funding the trust, and the appointment of the trust fund manager could have been minimized through more advanced action by the executing agency. It also indicated that although the National Executive Council was largely responsible for the delays in recruiting the international project management consultants, delays could have been minimized if recruitment was conducted earlier and a timely tender evaluation was undertaken. In balance, this validation considers the performance of the borrower and the executing agency *satisfactory*.

B. Performance of the Asian Development Bank

28. The PCR rated the overall performance of ADB *satisfactory*. It indicated that initially, ADB performance was not satisfactory as there was no inception mission undertaken and the first ADB mission in June 2005 after loan effectiveness was a special loan administration mission. The PCR noted that ADB undertook eight review missions to monitor, supervise, and administer the project. These provided advice on technical issues; procurement procedures; bid document preparation, documentation and evaluation; civil works quality assurance; and

⁶ The regional department disagrees with the downgrade of the PCR rating.

loan administration. ADB responded adequately to (i) requests to reallocate loan proceeds, including those related to the cofinancing loans and additional government project cost contributions; (ii) requests to approve contract variations to facilitate completion of the civil works program; and (iii) issues raised through review mission memoranda of understanding. Throughout the project, ADB worked to resolve procurement and contracting delays (PCR, para 37).

29. The PCR did not discuss the performance of ADB in project preparation and project design. In this validation's view, the project was not adequately prepared and designed, which led to major shortcomings in achieving outcomes and outputs, leading to the project's *partly successful* rating. In this validation's view, ADB performance is considered *less than satisfactory*.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

30. The PCR rated the project *partly successful*. This validation also rates the project *less than successful*. However, this validation considers the project *less than likely sustainable*, which is a rung lower than the PCR rating. This validation notes that although the CWTTF will likely continue to operate, it does not generate sufficient income to finance route franchises, as was originally envisaged.

Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness in achieving outcome and outputs	Less effective	Less than effective	
Efficiency in achieving outcome and outputs	Inefficient	Inefficient	
Preliminary assessment of sustainability	Likely sustainable	Less than likely sustainable	Funds were insufficient to support more than one franchise (para. 25).
Overall assessment	Partly successful	Less than successful	
Impact	Moderate	Moderate	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Less than satisfactory	ADB inadequately prepared and designed the project (para. 29).
Quality of PCR		Less than satisfactory	Refer to para. 35.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, IED views the PCR rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Source: ADB Independent Evaluation Department.

B. Lessons

31. The PCR identified three lessons. First, the project demonstrated that subsidized community water transport services can be a viable delivery mechanism to improve access of remote maritime and river-based communities to social services, increase community earnings, and reduce poverty. Second, future projects need to plan for a timely and advanced procurement of consultants and advanced commitment to institutional and financing arrangements. Also, where trust funds are part of a project design, institutional and operating rules need to be agreed and trust deeds formulated and agreed or signed prior to loan approval. Advance appointment of fund managers should be considered. Third, future projects should examine the relevance, design, and cost implications and determine the project scope and design resource needs, avoiding the need for changes in scope. This validation does not concur with the first lesson because the project did not demonstrate that subsidized community water transport services can be a viable delivery mechanism to improve access of remote maritime and river-based communities to social services, increase community earnings, and reduce poverty. This validation finds the other two lessons appropriate and has no other lesson to offer.

C. Recommendations for Follow-Up

32. The PCR suggested eight recommendations. First, the RTIDD needs to continue to monitor the project performance target indicators so that income and poverty impacts of these services can be evaluated. Second, the RTIDD needs to ensure that the Sepik River jetty civil works contracts are completed. It also needs to monitor vessel use of these jetties to establish relevance and find more appropriate designs for future jetty construction programs. Third, ADB needs to monitor the reappointment of a fund manager for the CWTTF. Fourth, the government should consider providing additional capital to the CWTTF, expanding existing routes, and implementing additional franchise routes in coastal provinces.

33. Fifth, the government should consider extending the franchise duration from the present 3-year term to a 5-year term with the possibility of an additional 5-year extension based on performance to allow shipping operators to recover their capital investment. Sixth, an effective benefit monitoring and evaluation system should be in place in future projects to form the basis for more effective project completion reporting. Seventh, ADB should consider scheduling a procurement clinic mission that reviews and assists the executing agency with procurement processes following the ADB inception mission. Eighth, ADB review missions should update project performance target indicators during each mission to monitor closely executing agency compliance. Given the lack of project success, this validation does not concur with the fourth recommendation that the government should consider providing additional capital to the CWTTF, expand existing routes, and implement additional franchise routes in coastal provinces. This validation supports the other recommendations and has no other recommendation to offer.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation and Utilization

34. A project performance management system (PPMS) was covenanted under the project loan agreement and complied with, according to the PCR. The PCR did not discuss the design, implementation, and utilization of the PPMS and, therefore, no assessment of the PPMS can be made. However, the PCR recommended that an “effective benefit monitoring

and evaluation system, including the collection of detailed information on project performance variables, should be in place in future projects of this nature, as this would form the basis for more effective project completion reporting.” This implies that the PPMS was not effective.

B. Comments on Project Completion Report Quality

35. The major shortcoming of the PCR was the inadequate discussion of project outcomes and outputs. However, this may be a result of the poorly implemented PPMS. The PCR also provided insufficient evidence of sustainability of the project components. These resulted in a downgrade in the rating for the sustainability criterion. The methodology used to shadow price benefits and costs for recalculating EIRRs was inappropriate. There was also no discussion or assessment of the PPMS or the change of scope in the rehabilitation of infrastructure component. Lessons identified and recommendations were adequate. Therefore, this validation rates the PCR quality *less than satisfactory*.

C. Data Sources for Validation

36. Data sources included the RRP, PCR, and loan review mission reports.

D. Recommendation for Independent Evaluation Department Follow-Up

37. The PCR suggested that the most appropriate timing of a project performance evaluation report would be 5 years after the loan closure—by 2018. This would allow time for the project benefits to emerge in the remote maritime and river-based communities. However, given the lack of project success, this validation recommends that a project performance evaluation be undertaken immediately in 2016.