Cook Islands: Avatiu Port Development Project

Independent Evaluation Department

Asian Development Bank
ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CIPA</td>
<td>Cook Islands Port Authority</td>
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<tr>
<td>EIRR</td>
<td>economic internal rate of return</td>
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<td>FIRR</td>
<td>financial internal rate of return</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<td>IMP</td>
<td>Preventive Infrastructure Master Plan</td>
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<td>m</td>
<td>meter</td>
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<td>PCR</td>
<td>project completion report</td>
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<td>RRP</td>
<td>report and recommendation of the President</td>
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NOTE

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

Key Words

adb, asian development bank, avatiu, cargo volumes, cipa, cook islands, cook islands port authority, cruise ships, cyclones, dredging, port, quay, rarotonga, rehabilitation, technical assistance, validation, wharf

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I. PROJECT DESCRIPTION

A. Rationale

1. During the project preparation stage, all international sea trade passed through Avatiu port in Rarotonga, the Cook Islands’ principal island. Since production of commodities was very limited in the Cook Islands, its economy heavily depended on importing commodities through Avatiu port. Tourism contributed to over 50% of the gross domestic product (GDP) and its competitiveness also depended on high quality and affordable imports through the port (Report and Recommendation of the President [RRP], para. 3).  

1 ADB. 2008. Report and Recommendation of the President to the Board of Directors: Proposed Loans to Cook Islands for the Avatiu Port Development Project. Manila.
2. Avatiu port needed urgent rehabilitation and realignment to cater to the needs of large container and fuel tanker vessels, as well as large cruise ships. The port suffered periodic damage from cyclones. The quay and the adjacent wharf deck were in a state of progressive deterioration due to structural limitations and poor construction. The port could not accommodate vessels above 4,000 tons and ships less than 90 meters (m) in length due to an inadequate channel width at the harbor entrance and a narrow turning basin within the harbor. Thus, there was a need to widen harbor entrance, dredge and enlarge the ship turning area, reconstruct and realign the quay, and repair the wharf deck to meet acceptable international safety standards and accommodate larger vessels, which were becoming more common in international maritime trade.

3. In 2007, the Government of the Cook Islands adopted a 20-year Preventive Infrastructure Master Plan (IMP), prepared under an Asian Development Bank (ADB) technical assistance, as an integral part of the National Sustainable Development Plan, 2007–2010. The IMP assessed the condition and management of existing infrastructure. It concluded that lack of investment in maintenance and rehabilitation resulted in the failure to meet existing demands, thus hindering economic development. The development of Avatiu port was identified as a high priority under the IMP due to the risk of serious deterioration and operational failure.

B. Expected Impact

4. The project’s expected impact was continued economic growth and well-being of the population, particularly the disadvantaged sector.

C. Objectives or Expected Outcome

5. The project’s envisaged outcome was a secure and efficient port infrastructure in Rarotonga, with constraints and safety risks removed.

D. Outputs

6. The project had four intended outputs. The first was the reconstruction of the quay and wharf to extend port life to 2040. The second output was the strengthening and realignment of the wharf deck to increase mooring bollard strength and the harbor’s turning diameter space, including installation of strengthened points for raising fenders. The third involved the dredging of the harbor’s international sections to permit vessels of draft up to 7.0 m to berth and turn. The last was the widening of the harbor entrance to improve clearances for large vessels.

E. Provision of Inputs

7. The project was approved on 20 November 2008 and became effective on 10 September 2009 (Target: 3 August 2009). A supplementary financing package to finance climate change measures was approved on 24 March 2011. The loans were scheduled to be closed on 31 December 2012 but were actually closed on 14 April 2014 with one extension.

8. At appraisal, the project cost was estimated at $18.2 million. ADB was to provide a blend of two loans totaling $15.5 million equivalent, comprising an ordinary capital resources loan (Loan 2472) of $8.6 million and a loan from the Asian Development Fund resources of $6.92


million (Loan 2473) to finance 85.2% of the total project cost. The remaining cost of $2.7 million equivalent was to be funded by the government.

9. The project completion report (PCR)\(^4\) indicated that during implementation, the estimated cost to implement the project rose significantly. The appraisal’s financing plan estimated a maximum of NZ$24.2 million for civil works, including 27.5% of contingencies. However, the accepted bid price was NZ$27.2 million, 12.4% more than the appraisal estimate in New Zealand dollars. In United States dollars, the cost of civil works increased by 27.8%, from $16.2 million to $20.7 million. The PCR noted that over half (55%) of the increase was attributable to exchange rate movements, while the remainder (45%) was attributable to cost underestimation that stemmed from volatility in the cost of construction materials, and the relative isolation of the project site (PCR, para. 13). A supplementary financing was provided from ADB to cover the additional cost of the civil works.\(^5\) The revised cost estimate was $24.64 million.

10. The PCR indicated that the actual project completion cost was $24.62 million equivalent, slightly below the revised cost estimate of $24.64 million.\(^6\) Of the total cost of $24.62 million equivalent, ADB financed $20.71 million equivalent and the government funded the remaining local costs of $3.91 million equivalent (PCR, para. 15).

11. The project was classified Category B under the ADB environmental categorization requirements. As envisaged at appraisal, the PCR indicated that the project had no adverse environmental impacts (PCR, para. 45). There were only two minor resettlement concerns for the project and both cases were fully resolved. The first involved the temporary relocation of Taio Shipping while civil works commenced on refurbishing the current shed. The second involved the Cook Islands Port Authority (CIPA) reaching a legal agreement with landowners to utilize 18,000 square meters of the Panama Dump Site for the storage of surplus dredged materials.\(^7\) At the Panama Dump Site, successful negotiations with landowners led to written and signed agreements that enabled the dredged material to be stockpiled for 2 years to a height of no more than 5 m, after which it was to be gradually removed over the following 2 years for community and other uses, thereby returning the land to its previous state. The PCR noted that no indigenous peoples and ethnic minority issues arose during project implementation.

12. At appraisal, a total of 92 person-months of consulting services were proposed, comprising 35 person-months of international and 57 person-months of national consulting services to support the CIPA in project implementation and provide the necessary capacity building. The actual total consultant inputs provided was 85 person-months, comprising 56 person-months of international and 29 person-months of national consultant services over the implementation period. The actual cost of consultant inputs was $1.41 million as against the $1.48 million estimated at appraisal. There was no advisory technical assistance associated with the project.

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\(^5\) The supplementary financing consisted of $4.70 million from the ADB ordinary capital resources and a grant from the Climate Change Fund for $0.80 million. A government contribution of $0.94 million was secured to fill the financing gap.

\(^6\) However, additional works for a new shed valued at about $1.0 million were undertaken using savings from the civil works of the port. Thus, the actual cost of the port civil works was $23.62 million.

\(^7\) Although the Government of the Cook Islands had requested that all fill material go to the Market reclamation site, the area provided at the Market was insufficient to accept all the dredged material. An alternative site for stockpiling was required and the Panama site was identified as suitable. The project in this context was in need of additional storage areas and proposed to give the material to the local Panama community at no cost (PCR, paras. 47–48).
F. Implementation Arrangements

13. The CIPA was the executing agency for the project. The PCR noted that as required under the loan, a project office was established within the CIPA that strengthened its administrative capacity to cater to the project’s ongoing operations, including management of port assets. The CIPA managed the project, assisted by a team of consultants during both the detailed design and construction phases. The board of the Cook Islands Investment Corporation was the steering committee for the project and was responsible for reviewing progress and kept the government aware of any issues or concerns, as well as proposed remedial actions. This validation holds a similar view with that of the PCR that implementation arrangements were as envisaged at appraisal.

14. The PCR indicated that 44 of the 46 covenants were complied with (PCR, para. 25). It also noted the late compliance on the covenant pertaining to community service obligations. The covenant on infrastructure asset management and investment in public infrastructure was being complied with at the time of PCR completion.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

15. The PCR rated the project highly relevant based on its consistency with the government’s development objectives and to the ADB strategy. The economy of the Cook Islands heavily depends on importing commodities through Avatiu port. Therefore, the rehabilitation and development of Avatiu port to meet the country’s growing needs were vital to economic development. This validation assesses that the project was consistent with the government’s development objectives and with the ADB strategy for the Cook Islands.

16. The RRP and the PCR both identified the need to rehabilitate the port infrastructure and to improve the port’s operational efficiency as binding constraints. This validation holds a similar view on the need to ease up or remove these binding constraints. However, this validation notes that the assessment during project preparation stage on improving port efficiency was weak and specific constraints were not identified.

17. In particular, this validation notes a weakness in the demand analysis during the appraisal period. The RRP did not identify the specific needs of the port from a user’s perspective. It is generally a worldwide trend that larger vessels are used for international shipping. However, shipping companies do not always use larger vessels where demands are limited. Although the PCR did not indicate how many large vessels have used the port, the number of large vessels appeared to be very limited. A specific needs survey of shipping companies could have been conducted at appraisal. The project dredged the port and widened

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9 Generally, ports have three physical functions, such as (i) sufficient waterway and ship turning basin, (ii) quay and wharf including loading and unloading facilities, and (iii) shipyards connected to land transport. Operational efficiency of ports, including loading and unloading cargos and custom clearance, are also important elements for improving the efficiency of the port.
10 The total cargo volume in 2014 was 66,252 tons according to the PCR. If fully loaded vessels with 6,000 deadweight tons unloaded all the cargos, around 11 vessels per year would be enough to carry the demanded cargos. Considering that many shipping routes are available, concentrated usage of large vessels for this market might be unrealistic.
11 The PCR stated that the largest vessel to date is one vessel with 5,234 deadweight tons, and a total of 36 vessels berthed in 2014, the largest being 116 m in length (PCR, Appendix 1, p. 17).
the port entrance to improve efficiency by accommodating larger vessels, but arrivals of large vessels were very limited.

18. This validation holds the view that there seemed to be weak, initial engineering assessment of the project design at appraisal. This became apparent during implementation when cruise ships were restricted to enter the port due to a height restriction imposed by the airport. Also, the ship turning area was reduced. Due to this weak initial assessment, a highly relevant rating could not be justified. This validation assesses the project relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

19. The project had four output performance targets, as follows: (i) quay and wharf reconstruction works completed by April 2012; (ii) new bollards and fenders installed on the inner international wharf by March 2012, and on the outer international wharf by January 2012; (iii) dredging works completed by December 2011; and (iv) widening works completed by December 2011.

20. The RRP presented the project with nine targeted outcome indicators. These are (i) compliance with international maritime structures standards by April 2012,\(^\text{12}\)(ii) reduction in average annual marine accidents in the harbor environs from 2 (2002–2007) to 0 by April 2013, (iii) increase in capacity to accommodate vessels up to 6,000 deadweight tons by April 2012, (iv) rise in the number of cruise ships berthing alongside—from 2 (2007) to 25 per year—by the end of 2012, (v) number of large vessels (>100 m in overall length) calling—at least 12 per year—by the end of 2012, (vi) systematic asset management planning and implementation, (vii) reduction in the cost of port services in real terms (baseline schedule of port tariffs for FY2009, (viii) earning of an operating profit of not less than 2% by the CIPA on average net revalued fixed assets in service at Avatiu port, and (ix) avoidance in the cost of repairs to the wharf due to catastrophic failures. This validation notes that the PCR did not include indicators (vi) and (ix) in its project framework. Also, the completion dates in a few outcome indicators were slightly adjusted (PCR, Appendix 1).

21. The PCR rated the project effective. It supported this rating by citing (i) the increased cargo volumes after project completion, (ii) nonoccurrence of accidents in the port since completion, and (iii) that cruise ships anchored offshore contributed to the economy. Also, the PCR discussed the extent to which envisaged impact was attained. This validation notes that aspects pertaining to project impact should be discussed under the impact section of the PCR and not under effectiveness. This validation also notes that cargo volumes increased in 2013 (62,573 tons) and 2014 (66,252 tons). These figures, however, were lower than in previous years (2009: 68,777 tons, 2010: 65,284 tons, and 2011: 68,050 tons).

22. In terms of outputs, the PCR indicated that the harbor was dredged to 8 m below chart datum alongside the berth, and to 7 m in the west side of the turning circle.\(^\text{13}\) It was envisaged that the turning circle would be expanded to 150 m to service larger cargo ships (up to 120 m in length). However, this could not be fully achieved because the turning circle was reduced to 135 m.\(^\text{14}\) The harbor entrance was widened as envisaged to 10 m and the two existing berths were demolished and replaced with a continuous quay of 270 m.

\(^\text{12}\) These are BS 6349 and AS 4997.

\(^\text{13}\) This was attributed to the need to remove a slipway at the southwest of the wharf and dredging became difficult for light wharf structure at the northeast corner of the wharf.

\(^\text{14}\) The circle was constrained by the area at the southwest of the wharf where the existing slipway had to be removed and by the northeast corner of the cruise ship lighter wharf. To achieve a 150 m diameter turning basin would have
23. The PCR indicated that the wharf deck was rebuilt to 30 m from the wharf face, except for the southern 18 m, where width was limited to 17 m. Cargo storage sheds were relocated. The wharf was climate-proofed by replacing the existing structure, which was extremely vulnerable to wave action and forces, with one that was fully resistant. This validation notes that a few outputs (i.e., quay and wharf reconstruction works) were achieved with some delays.

24. On the outcome achievement, four of the seven outcome targets presented in the PCR were achieved. These were (i) compliance with international maritime structures, (ii) absence of accidents, (iii) capacity to accommodate vessels up to 6,000 deadweight tons, and (iv) operating profit of not less than 2%. Outcome indicator (iv), which pertains to the increase in the number of cruise ships berthing alongside the wharf, was not achieved. Cruise ships were expected to enter the port, but the flight path into the Rarotonga International Airport imposes a height restriction that does not allow a large cruise ship to enter the port. As such, the PCR indicated that no cruise ships berthed along the wharf (PCR, Appendix 1, p. 16).

25. Outcome target (v) of at least 12 large vessels (>100 m in overall length) calling at the port appeared to have not been fully achieved. The PCR indicated that a total of 36 vessels berthed in 2014, the largest being 116 m in length, but there is no indication of the number of large vessels berthed. Lastly, in indicator (vii), it was not clear if the intended reduction in the port service cost in real terms (or to what extent) had been achieved. The PCR indicated that port tariffs fell in real terms during 2012–2014 (i.e., the first 3 years of the rehabilitated port’s operation). However, the PCR did not compare these figures with the baseline schedule of port tariffs for FY2009.

26. The project intended to have the following two objectives: (i) a safe and durable port should be established, and (ii) efficiency of the port should be improved by arrivals of large vessels and large cruise ships. This validation is of the view that a safe and durable port was almost established although there was no firm indication of its durability. Likewise, utilization of the refurbished port could not be maximized since only a small number of large vessels used the port. Investments, such as dredging, were made to increase the port’s capacity but the increased capacity had not been utilized sufficiently. In addition, the project intended to increase the arrivals of cruise ships and expected to increase economic benefits brought forth by disembarked tourists, but large cruise ships were restricted to enter the port.

27. On the whole, outputs were generally achieved, albeit there were a few short delays of the construction works and the ship turning area became narrower than the original design. The

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15 CIPA opted for reducing the turning basin diameter to 135 m and the dredge depth in the western side to 7 m.
16 The quay and wharf reconstruction works were completed 4 months later than the original schedule. This was due to the implementation schedule at appraisal, which was not realistic in terms of workflow of civil works. For example, dredging can start after the completion of the quay structure but the schedule at appraisal did not take account of it. Dredging and entrance widening works were completed 9 months later than scheduled.
17 A few small cruise ships entered the port but all larger ships were anchored offshore, with passengers coming ashore by ships tender. In 2013, only four cruise ships visited; in 2014, a total of 13 visited and discharged passengers. Cruise ship arrivals have not approached the 25 per year as envisaged at appraisal (and none have docked in the port).
18 The PCR indicated that cracks occurred on the wharf deck, and these were in need of attention. The analysis confirmed that the cracks resulted from secondary shrinkage and were not indicative of a structural problem. The PCR also indicated that port operations were not to be affected by the cracks (PCR, para. 43).
outcomes were partially achieved as increased capacity was not used sufficiently due mainly to lower-than-expected cargo volumes and the entrance restriction of large cruise ships. In fact, dredging is a generally costly civil work for port projects and the investment in dredging was not commensurate with the limited number of large vessels that docked on the port. Thus, this validation rates the project less than effective.\textsuperscript{19}

C. Efficiency of Resource Use in Achieving Outcomes and Outputs

28. The PCR rated the project efficient. It reestimated the economic internal rate of return (EIRR) at 12.7%, which slightly exceeded the social opportunity cost of capital, compared to the 15.9% EIRR calculated at appraisal and the 13.9% EIRR estimated at the supplementary financing stage.\textsuperscript{20} The PCR estimated the EIRR based on the following assumptions: (i) arrivals of 6,000-ton vessels will bring significant operating cost reduction compared with 4,000-ton vessels (PCR, Appendix 11, paras. 5–6), and (ii) 16 cruise ships would berth outside of the port (PCR, Appendix 11, para. 9), while 25 cruise ships were expected to enter the port (PCR, Appendix 11, para. 8).

29. This validation notes that the port was rehabilitated to accommodate 6,000-ton vessels. However, the port’s increased capacity did not automatically increase the number of 6,000-ton vessels. In fact, the PCR stated that only two vessels with over 4,000-tonnage arrived at the port at the time of PCR completion (PCR, Appendix 1). If large vessels do not use the port as expected, the expected fuel saving benefits will not be realized.

30. This validation also notes that the targeted earnings from disembarking passengers for cruise ships, which were included in the EIRR reestimation, may not materialize since cruise ship arrivals were below the 25 per year target envisaged at appraisal and none had docked in the port. Excluding this stream of benefits, the reestimated EIRR was reduced to 11.9%. Likewise, avoided emergency repair costs were included in the economic benefits stream, in cases when the quay and the wharf were damaged by cyclones. However, in a “without-the-project” scenario, it is highly unlikely that emergency repairs are done on an annual basis since cyclone occurrences may not happen yearly. The PCR indicated that the port was completed 4 months only behind schedule. The project was extended in order to undertake additional work made possible by using savings realized during implementation (para. 10). Given these observations, this validation rates the project less than efficient.

D. Preliminary Assessment of Sustainability

31. The PCR rated the project likely sustainable. It reestimated the financial internal rate of return (FIRR) at 4.7%, exceeding the weighted average cost of capital of 0.6%. This was lower than the FIRR estimated at appraisal (6.0%) and higher than the FIRR calculated at supplementary loan stage (4.2%).\textsuperscript{21}

32. This validation notes that port revenues were affected by cargo volumes handled at the port. Total cargo tonnages decreased by 9.0% in 2013 and by 3.7% in 2014, compared to the 2009 data. The decrease could be explained by lower or negative growth in GDP after the appraisal. It was noted at appraisal that there was a strong correlation between the cargo traffic

\textsuperscript{19} The regional department disagrees with the downgrade of the PCR rating.

\textsuperscript{20} EIRR fell at the supplementary financing stage because of the increase in construction costs.

\textsuperscript{21} The WACC at appraisal was estimated at 1.2% and the supplementary loan at 0.58%.
at the port and the GDP growth (RRP, Appendix 8, para. 15). This validation recognizes the risk of lower-than-expected revenues due to a possible slowdown in future GDP growth.

33. This validation notes that the FIRR methodology may need to be improved. Revenues from cruise ships berthed offshore could be excluded since additional income from cruise ships berthing alongside the wharf was not realized. Likewise, cargo volumes were expected to stagnate after 2011 in the “without-the-project” scenario, but were expected to increase after 2011 in the “with-project” situation. Since cargo volumes are strongly affected by the GDP growth, cargo volumes in the “without-the-project” could likely increase as well. Both the RRP and the PCR indicated that cargo volumes would stagnate due to frequent emergency repairs and rehabilitation work throughout the analysis period in a “without-the-project” scenario. This validation notes that (i) the PCR indicated a constant level of annual revenue throughout the project’s life and did not provide sufficient assumptions and justifications on the linkage between cyclone occurrences and cargo volumes, and (ii) high level of revenues after 2014 seems too optimistic.

34. The PCR did not provide an assessment on institutional sustainability. However, it indicated that while post-construction secondary shrinkage cracks were identified, the CIPA adequately managed to seal the cracks (footnote 18). The PCR indicated that sufficient maintenance funds were available from depreciation expenses. An examination of CIPA’s financial accounts from 2012 to 2013 indicated sufficient revenues to cover the port’s operation and maintenance cost (PCR, para. 43). However, there is no assurance that operation and maintenance funds are available after 2014. The results of the FIRR are doubtful. Based on these, this validation is of the view that the CIPA is likely to have a certain level of institutional capability, but it is skeptical that the project has sufficient financial sustainability. On the whole, this validation assesses the project less than likely sustainable.²²

E. Impact

35. The envisaged impact performance targets were (i) a sustained average annual GDP growth of more than 2.5%; (ii) an increase in international freight rates for cargoes delivered at Avatiu port by no more than 10% of their real value as of July 2008 and by 2016, apart from fuel cost-related increases; and (iii) lower socioeconomic groups do not face a disproportionate increase in the price of imported goods.

36. The PCR did not rate the impact of the project. It indicated that real GDP growth rate was 4.4% in 2012 and 3.2% in 2013. However, updated data showed that real GDP growth rates were –1.7% in 2013 and –1.2% in 2014. For 2015 and 2016, GDP growth rates at constant prices are expected be at 2.1% and –0.3%, respectively.²³ These indicate that the impact target of sustained average annual GDP growth rate of more than 2.5% was not attained.

37. Freight rates increased only by about 3.0% as of 2014. However, these rates were not based on real terms and were not comparable to the freight rate set in the impact indicator. Likewise, the 3.0% freight rate increase might not be wholly attributable to the project. Also, there were no available data that could indicate that lower socioeconomic groups did not face disproportionate increases in the price of imported goods. The consumer price index did not provide a distinction between imported and local goods and by socioeconomic groups. This

²² The regional department disagrees with the downgrade of the PCR rating.
validation is of the view that the contribution to the national economy was limited, although the port’s rehabilitation might contribute to the stable supply of goods. On the whole, this validation rates the project’s impact moderate.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

38. The PCR rated the performance of the borrower and the executing agency satisfactory. It noted that the CIPA appointed only one project manager throughout implementation, which ensured continuity. However, the PCR indicated difficulty in obtaining sufficient financial data in view of the controller’s lack of familiarity of the project. Based on these factors, this validation assesses the performance of the borrower and the executing agency satisfactory.

B. Performance of the Asian Development Bank

39. The PCR rated ADB performance satisfactory. The project was administered and supervised by the Pacific Subregional Office in Fiji. ADB conducted a fact-finding mission, an inception mission, five review missions, and three associated review missions. The midterm review mission was not fielded because the processing of supplementary financing took over the roles of a midterm review. The PCR noted that, overall, ADB was prompt in identifying potential problems and responding to issues identified during project implementation. On these bases, this validation assesses ADB performance satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

40. The PCR rated the project successful. This validation rates the project less than successful on account of lower ratings on all criteria. On relevance, weaknesses in demand analysis and in the assessment of engineering aspects reduced the project’s relevance. On effectiveness, although outputs were generally achieved, outcomes were partially achieved since the increased port capacity could not be utilized sufficiently. On efficiency, the PCR’s reestimated EIRR showed that the project was marginally viable and a few envisaged benefits may not occur. On sustainability, there is no assurance that operation and maintenance funds could be provided in the future. A few expected revenues may not be realized.

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<th>Criteria</th>
<th>PCR</th>
<th>IED Review</th>
<th>Reason for Disagreement and/or Comments</th>
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<tr>
<td>Relevance</td>
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<td>Relevant</td>
<td>Weaknesses in demand analysis and engineering assessment created shortfalls in the project design (para. 17).</td>
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<td>Effectiveness in achieving outcome</td>
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<td>Less than effective</td>
<td>Outputs were largely achieved. However, outcomes were only partially achieved (paras. 19–27).</td>
</tr>
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<td>Efficient</td>
<td>Less than efficient</td>
<td>The PCR’s recalculated EIRR indicated that the project was marginally viable and a few envisaged benefits may not materialize (paras. 28–30).</td>
</tr>
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<td>Criteria</td>
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<td>Reason for Disagreement and/or Comments</td>
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<tr>
<td>Preliminary assessment of sustainability</td>
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<td>Justifications for financial sustainability were weak (paras. 31–34).</td>
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<tr>
<td>Quality of PCR</td>
<td>Less than satisfactory</td>
<td>Satisfactory</td>
<td>See para. 45.</td>
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ADB = Asian Development Bank, EIRR = economic internal rate of return, IED = Independent Evaluation Department, PCR = project completion report.
Source: ADB Independent Evaluation Department.

B. Lessons

41. The PCR identified a few important lessons from the project. It indicated the need for adequate preparation at appraisal. A scenario was drawn where arrivals of larger vessels would contribute to reducing cargo delivery costs. However, cargo volumes did not substantially increase since appraisal because the actual GDP growth was lower than expected. The achievement of higher cargo volumes will largely depend on future GDP growth. The risk of achieving lower economic growth rates could have been examined carefully. Also, it may be worthwhile to conduct needs and engineering assessments during the project preparation stage. Arrivals of large vessels were expected due to port improvements. However, this could have been firmed up or confirmed through the conduct of a survey among shipping companies. Also, project preparation of infrastructure projects could require checking of a project’s physical feasibility (para. 17).

42. Likewise, there is a need to conduct a detailed cargo volume forecast for the port during project preparation stage. Appraisal documents for transport infrastructure projects normally indicate traffic forecast. In the PCR, recent data on actual cargo volumes were indicated. However, there was no analysis on the discrepancy between estimated and actual cargo volumes. If the cargo volume forecast were provided in the RRP, it could have facilitated the assessment on how the port’s infrastructure was utilized.

C. Recommendations for Follow-Up

43. The PCR recommended the need for ADB to monitor the availability and sufficiency of maintenance funds. It also recommended the need for ADB to conduct regular monitoring of loan covenants to ensure compliance, particularly those pertaining to asset management. This validation supports these recommendations. However, this validation notes that ownership of the project, CIPA’s capacity building, and more efficient usage of port facilities are also important.
V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

44. This validation notes that a project performance monitoring system was not included in the loan covenants. This could have improved the monitoring of project benefits. This validation also notes that there is scope for improving the quality of reporting in the main text and in the design and monitoring framework. For instance, the impact statement and indicators could have more direct linkages with the project since its contribution to economic growth and well-being of the population is limited.

B. Comments on Project Completion Report Quality

45. The PCR quality is rated less than satisfactory. The main shortcomings are the following: (i) it lacked substantive discussions and analyses on relevance and effectiveness; (ii) the quality of data could have been improved, especially on the number of large vessels’ arrival; (iii) the methodologies used in EIRR and FIRR recalculations were weak, with assumptions that were not realistic; and (iv) institutional sustainability was not sufficiently assessed.

C. Data Sources for Validation

46. The data sources used for this validation included the RRP, RRP for the supplementary financing, PCR, loan review mission reports, project preparatory technical assistance consultant’s report, PCR consultant’s report, the Preventive Infrastructure Master Plan, the ADB country partnership strategies, and the Annual Financial Report of CIPA for the year ended 30 June 2013.

D. Recommendation for Independent Evaluation Department Follow-Up

47. The PCR recommended that a project performance evaluation be conducted in 2017. Since the PCR did not provide sufficient information that is vital in assessing outcome achievements and sustainability, this validation recommends that a project performance evaluation report be conducted earlier, preferably in 2016.