Validation Report

Reference Number: PVR-444
Project Number: 30500-013
Loan Number: 2069
December 2015

Uzbekistan: Amu Zang Irrigation Rehabilitation Project

Independent Evaluation Department
Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
ASBIO – Amu–Surkhan Basin Irrigation Organization
EIRR – economic internal rate of return
ha – hectares
I&D – irrigation and drainage
MAWR – Ministry of Agriculture and Water Resources
MEU – monitoring and evaluation unit
O&M – operation and maintenance
PCR – project completion report
PPER – project performance evaluation report
PSC – project steering committee
RRP – report and recommendation of the President
t – ton
TA – technical assistance
WUA – water users’ association

NOTE

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

Key Words

adb, asian development bank, backyard plots, cooperative farm, inter-farm drainage, inter-farm irrigation, irrigated agriculture, on-farm irrigation and drainage, peasant farm, private farm, pump station, sediment control, validation, water delivery fee, water infrastructure facility

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## I. PROJECT DESCRIPTION

### A. Rationale

1. Uzbekistan’s crop farms are highly dependent on irrigation. Irrigated agriculture accounts for about a third of its gross domestic product and 60% of its export revenues, and employs 45% of the labor force.\(^1\) Since gaining independence in 1991, Uzbekistan’s agriculture sector had been marked by declining production and productivity of cotton, its main cash and export crop being grown in 42% of the total cultivated area of 4.8 million hectares (ha). Cotton accounts for 40% of the country’s export revenues. The production of wheat, on the other hand, grew

\(^1\) ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Uzbekistan for the Amu Zang Irrigation Rehabilitation Project*. Manila.
between 1991 and 2001 from 0.6 million to 4.7 million tons as the government pursued food security as a strategic policy. Much of the increase in production originated from land areas that were previously devoted to the production of cotton. Because of low cotton prices in the international market in recent years, farm producers had to endure mounting farm losses, accumulating debts, and declining incomes. Restrictive pricing and procurement policies initiated by the state and governed the trading of both crops had created strong disincentives to improve farm productivity and efficiency. These had the combined net effect of weakening the livelihood of people in the rural areas.

2. Underlying the waning performance of the agriculture sector was the diminished attention given to the country’s irrigation and drainage (I&D) systems, which were developed from the 1960s to the 1970s. At appraisal, this critical support infrastructure had already reached the end of its useful life—funds for operation and maintenance (O&M) and rehabilitation and the technical adequacy of the government to operate the systems at acceptable standards became increasingly insufficient. To stimulate growth in the rural communities, which is heavily dependent on irrigation water, and to check adverse environmental consequences of land degradation, I&D infrastructure had to be rehabilitated through public and private investments. The poor state of agricultural support services, which continued to constrain the growth of private and smallholder farms, also needed attention. In Surkhandarya province where the Amu Zang irrigation system is located, the system’s failing pumping stations and irrigation canals had threatened the livelihood of some 400,000 people living in a command area of 96,800 ha in five districts. If the system, which was installed in 1973, were not rehabilitated, it would be capable of only irrigating not more than 50% of its service area. With poverty in the province estimated at 31.4% compared with the national average of 27.5%, the government as well as the Asian Development Bank (ADB) recognized that improved I&D systems were crucial for breaking the vicious cycle of deteriorating irrigation services, falling income, and land degradation.

B. Expected Impact

3. The expected impact of the project was to maintain and improve agricultural productivity and farm income on a sustainable basis. Four indicators and associated targets were to be realized within 5 years after project completion: (i) yields for cotton to increase from 2.8 tons/ha to 3.4 tons/ha, and wheat yields from 3.1 tons/ha to 3.9 tons/ha; (ii) cropping intensity to increase from 110% to 123% within 5 years after completion; (iii) increase in cotton production from 114,000 tons to 136,000 tons and wheat production from 128,000 tons to 165,000 tons; and (iv) increased farmers’ income by 20% within 5 years from project completion.

C. Expected Outcomes

4. The project envisaged two outcomes: (i) increased reliability, efficiency, and sustainability of water supply for the Amu Zang irrigation system; and (ii) facilitated and accelerated agricultural reforms in the project area and beyond. A total of 13 performance indicators were identified (report and recommendation of the President [RRP], Appendix 1).

D. Outputs

5. The key outputs were as follows: (i) rehabilitated and improved Amu Zang irrigation system, (ii) improved practices in the management of the Amu Zang irrigation system, (iii) improved incentives in the project area as a result of reduced government quota system on cotton and wheat, (iv) improved access to key agricultural inputs and modern water-saving and soil-improvement technologies by private farms in the project area, (v) sustainable national cost-
recovery and O&M policy developed and implemented and national capacities strengthened, and (vi) water delivery fees introduced in the project districts and replicated in the province.

E. Provision of Inputs

6. ADB extended a loan of $73.20 million, equivalent to 65% of total project cost, to finance both foreign and local currency cost components. The project disbursed the full loan amount after a 1-year extension of the loan effectiveness date, four loan reallocations, and two extensions of the loan closing dates, aggregating to a total of 4.25 years. The actual contributions of the borrower and the beneficiaries amounted to $35.98 million and $3.78 million compared with the $37.00 million and $2.40 million estimated at appraisal, respectively. Actual project expenditures totaled $112.96 million compared with the appraised amount of $112.60 million. The Japan Special Fund provided a parallel technical assistance (TA) grant of $0.50 million to support the implementation of policy and institutional reforms in the water sector at the national, basin, and provincial levels (project completion report [PCR], para. 44).

F. Implementation Arrangements

7. The main executing agency was the Ministry of Agriculture and Water Resources (MAWR). To provide policy guidance and interministerial coordination at the national and provincial levels, a project steering committee (PSC) was to be formed and lodged at the MAWR. The PSC would be made up of representatives from the MAWR, Cabinet of Ministers, Ministry of Economy, Ministry of Finance, State Committee on Land Resources, and State Committee for Nature Protection. A project management office would also be created and based at the MAWR to provide technical secretariat support to the PSC and liaison services. Except for replacing the PSC with the Inter-Ministerial Council in 2009, the PCR stated that all recommended management structures were followed through project implementation, and were sufficient to deliver the expected outputs and generally achieve the project’s expected outcomes. Of the 27 loan covenants, 23 were fully complied with. However, the borrower failed to develop the water delivery fees based on the cost-recovery approach. It only partly complied with the loan covenant on implementing the comprehensive management cost-recovery policy, lowering cotton and wheat quotas in the project area even with government-approved resolutions, and maximizing women’s participation in project activities.

8. To help achieve the project outputs, ADB provided technical assistance to promote several policy and institutional reform measures at the national, basin, and provincial levels. The first TA component at the national level provided assistance to MAWR to (i) enhance its policy-development capacity; (ii) develop key policy and strategy papers on cost recovery, water delivery fees, and water users’ association (WUA) development; and (iii) advise the government on broader options for institutional and policy reforms. The second TA component consisted of assistance to the Amu–Surkhan Basin Irrigation Organization (ASBIO) and the Surkhandarya Province Agriculture and Water Department to (i) develop detailed functional procedures of the newly established ASBIO; and (ii) strengthen the capacity of ASBIO and the Surkhandarya Province Agriculture and Water Department to develop basin water management plans, implement the cost-recovery policy at the basin level, and promote WUA development. The TA only partially accomplished the expected outcome as the envisioned establishment of a national-level-support unit to WUA got delayed and attention was focused instead to reforms at the basin and WUA levels.
9. The Amu Zang Irrigation Rehabilitation Project was classified as category B under ADB’s environment assessment. An initial environmental examination was prepared with its attendant site environmental management plans subsequently being incorporated in the bidding documents and civil work contracts. The project monitoring and evaluation unit carried out environmental monitoring. No adverse effect on the environment was recorded at completion. The PCR did not indicate any land acquisition and resettlement-related issue.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

10. The PCR rated the project relevant. This was ADB’s first major venture in the agriculture sector of Uzbekistan and design faults were clearly seen in underestimating the levels of effort needed in time and financial and technical requirements. In particular, there were deficiencies in sequencing of the policy agenda, and determining the capacity development required and the investment needed, reflecting a naive understanding of the country context. Understanding the limitation of the enabling environment was important in promulgating a water-recovery fee for a user-pay system, in decentralizing management to the water users’ associations, and in rehabilitating the pumping stations. Further, the project was designed according to a very optimistic schedule where major rehabilitation works were calendared without properly taking into account the seasonality of agricultural activities. Some of the ex ante indicators did not allow for an empirical measurement of the proposed outputs. For example, the indicators on water outputs on water conservation and soil improvements were more reflective of inputs necessary, such as the establishment of agriculture service centers, and not of achievements. In the case of O&M policy, there were no measures of any budgetary increase for O&M. The achievement of the policy was restricted to procedures for undertaking O&M, which are necessary but insufficient for O&M to be comprehensive.

11. The project’s impact and outcomes remained consistent with the government’s development strategy, ADB’s lending strategy for Uzbekistan, and ADB’s strategic objectives at the time of approval and evaluation. The projects’ logical framework was also consistent and appropriately addressed the constraints facing the Amu Zang Irrigation System and ASBIO. The project was consistent with the government’s welfare-improving strategies for 2008–2010 and 2013–2015, which aim to rehabilitate and improve basic I&D infrastructure as well as to institute reforms that promote the reorganization and improvement of the irrigation management system. These documents outlined the following key result areas for the agriculture sector: (i) increased farm production and improved agricultural productivity from higher cropping intensities, and (ii) better crop diversification practices aided by the rehabilitation and effective use of irrigation systems. The project was consistent with ADB’s water policy. The project was in step with ADB’s country operational strategy and country strategy and program update, which both identified the agriculture sector as a key area for ADB assistance. The project remained consistent with ADB’s country partnership strategy when it invested heavily in civil works and equipment to rehabilitate I&D, implement institutional and policy reforms, carry out institutional strengthening, prepare beneficiaries socially for mobilization and participation in critical project interventions, and empower women. These underscored the project’s relevance to the poverty reduction and

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agricultural development strategies at the project formulation and loan closing stages. This validation assesses the project relevant.

B. Effectiveness in Achieving Project Outcomes and Outputs

12. The PCR rated the project less than effective. Of the 13 targets to measure the outcomes for a reliable, efficient and sustainable system, and a facilitated and accelerated reform agenda, 9 were achieved. Notable achievements were recorded on the first outcome, which focused on infrastructure development and which accounted for about 75% of the total project resources invested. These included establishing pumps, institutionalizing partnerships with the WUAs, transferring management responsibility of the systems to them, and enhancing support to the private farms. However, the planned improvement of main canals and key hydraulic structures was only partly achieved even with a contract extension of almost 2 years. Due to the poor performance and organization of works, less than 30% of the projected rehabilitation was completed, and the government took over the unfinished portion of the contract and unused funds diverted to pump station rehabilitation.

13. Further, the performance targets for indicators relating to the second outcome—the recovery of O&M costs of the Amu Zang irrigation system and development of a national cost-recovery policy, which was supported by additional TA—were not realized. When outcomes are not delivered during project implementation, this validation looks at the likely achievement of outcomes in the future based on the outputs delivered to date. The output targets relating to this outcome achievement were also not achieved. Procurement quotas for cotton and wheat—which give farmers higher returns for marketing cotton and above-quota wheat, and which should have been applied starting with the 2004 cropping season—were not reduced in the project area even with government-issued resolutions. The government instead raised procurement prices for these two crops in 2013 at rates exceeding the year 1 target. While the TA completed the guide on improved operational procedures for WUA development, it failed to prepare the national cost-recovery policy and implementation plan because support from government policy makers was deemed insufficient. A concomitant effect was the failure to develop and introduce a water-delivery-fee system in the project districts by the end of year 4, and replicated in the entire province by the end of year 6. This also negatively affected the establishment of a viable O&M system. As a result of the latter issues, this second expected outcome remained largely unaccomplished. The project design emphasized the importance of both project outcomes as they ensure that the physical infrastructure or "hard support" is complemented by the "soft support" to bring about an environment that consist of legal, regulatory, and policy support with institutional strengthening. With only one of the two outcomes achieved, this validation concurs with the PCR's less than effective rating.

C. Efficiency of Resource Use in Achieving Outcomes and Outputs

14. The PCR rated the project efficient. Ex ante and ex post efficiency tests focused on the costs and benefits of water supplied to the Amu Zang irrigation system, which were applied to the incremental capital and O&M costs and revenues, yielding an economic internal rate of return (EIRR) of 19.5%. At completion, the EIRR was recalculated using 2013 data on cropping patterns and yields for cotton and wheat by farm size before and after rehabilitation. This yielded a lower EIRR of 15.3% but still above the 12.0% economic cost of capital. The lower EIRR was attributed to delayed project completion. Cost variations by expenditure

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7 Procurement prices for cotton were raised by 92.3% from $222.0/ton in 2005 to $430.0/ton in 2013 and for wheat by 127.0% from $79.4/ton in 2005 to $169.4/ton in 2013.
category were the result of escalating costs of construction materials and equipment for civil works and equipment, bigger beneficiary contributions to on-farm O&M as the actual number of small-scale O&M activities outpaced those at appraisal, increased costs of consulting services and project management due to the extended implementation schedule and reduced expenditures for activities relating to water management capacity and private farm development. Under both regimes, benefits were estimated mainly from incremental crop income and increased cropping intensity. Sensitivity test results showed stronger vulnerability to decreases in crop yields rather than higher input and lower output prices.

15. However, this validation finds that the assumptions and methodology used in the economic analysis (PCR, Appendix 7) may have underestimated the consequences of the lack of a cost-recovery plan. Without an effective cost-recovery mechanism future benefit streams could be lower; it is not evident in the PCR that this has been accounted for in the EIRR recalculation. Experience has shown that when O&M costs cannot be covered by a cost-recovery scheme, the burden falls on the government to fund regular O&M. However, when faced with fiscal constraints, governments give low priority to operation and maintenance and so assets deteriorate faster and productivity falls. In this case, the negative consequences of an improperly and irregularly maintained irrigation scheme were not factored in the EIRR calculations as the EIRR projections maintain a consistent benefit from 2018 to 2030, which this validation considers unlikely. Based on the recalculated EIRR estimate but considering the absence of a cost-recovery mechanism, this validation assesses the project borderline efficient.

D. Preliminary Assessment of Sustainability

16. The PCR rated the project likely sustainable. Sustainability was recognized as major priority of the RRP. The project was part of a broader government and donor effort to reform the agricultural sector. This included policy/price and institutional reforms for a more market based system and investments to improve the reliability and efficiency of water. Thus sustainability was imbedded in the project objectives and outputs. O&M and failure to implement the cost recovery reforms were identified as key project risks. This approach was consistent with ADB’s water policy which promotes, among other things, basin management principles, developing and strengthening the capacity of national water management institutions and WUAs, as well as developing sustainable O&M policies by introducing water delivery fees and greater participation of beneficiaries in maintaining and managing infrastructure.  

17. The planned rehabilitation of the three major pumping stations and the establishment of the sediment control facility were undertaken successfully thereby ensuring that the volume of water delivered matched the demand at a much lower cost. The PCR notes that the anticipated cropping intensity and production increases will likely be achieved provided the system remains fully operational. However the energy requirements for pumping water remain significant and expensive.

18. The financial analysis in the PCR shows that if energy costs are included in the calculation of net farm income, the private farms cannot turn viable, and although the dekhan (peasant) farms may still be viable with energy costs included, the overall net income picture is negative ($7 million loss for the private farmers (78000 ha) and dekhan (peasant) farms (11000 ha)) which provides some indication that at a basic level, the operation is not viable.

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and the government loses when buying the produce and furnishing the energy for the pumping on subsidized basis. However the government has committed to continue the provision of subsidized pumping to support agriculture in the area.

19. The key outputs for cost recovery and moving to a greater share of farmers in the funding of inter-farm O&M of the system were not achieved. The intended gradual liberalization that would ensure higher prices for the farmers was also not achieved. Administrative controls over production remain. The TA was unable to prepare or get approved a national cost recovery policy and framework, the procurement quotas of the government on cotton and wheat for farmers were not reduced. The PCR’s design and monitoring framework shows that a key indicator on sustainability, on O&M costs needing to be increasingly recovered from farmers, was not implemented.

20. Intra-farm sustainability of operations was to rely on WUAs. The PCR states that on-farm and small inter-farm infrastructure is fully maintained by WUAs, while medium and large scale inter-farm infrastructure is maintained by the government. While it is reasonable to assume the government would subsidize this given the high cost of electricity and given that it establishes the farm prices, this subsidy was not envisioned by the project. Moreover, the validation doubts the capacity and reach of the WUAs. There is little evidence of the current capacity from the very low level identified at design. Fifty three WUAs were supported, with 1,636 members. This does not seem sufficient to provide sustained services to thousands of farms. Within the WUAs, women’s participation in various participatory irrigation management and skills transfer training, and technology transfer activities, among others, gained ground, thus, increasing their confidence and enabling them to play important roles in the operation of the WUAs.

21. The section does not discuss environmental sustainability. The improved drainage was an important aspect of the project investments. A rising ground water table that is a couple of meters below the surface in some areas may lead to greater soil salinity and water logging that may reduce future yields.

22. While recognizing the commitment of the government to continue subsidizing energy costs for irrigation in the absence of a free market mechanism in cotton and wheat production, the lack of progress against the project objectives leads the validation to assess the project less than likely to be sustainable.9

E. Impact

23. The PCR rated the impact of the project significant. The Amu Zang Irrigation Rehabilitation Project had the potential to make significant impacts on the socioeconomic condition of the 700,000 people in the five target districts. Repair and rehabilitation of crumbling I&D infrastructure, which now directly supports crop production, is bound to make a difference in people’s livelihoods. The average farmer’s net income per ha increased by 58% during 2003–2013 compared with the 20% increment envisioned at appraisal. Incremental income resulted from the sale of surplus fruit, vegetables, and livestock as water became increasingly available, and opportunities increased from off-farm employment in agricultural processing and marketing

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9 The operations department disagrees with IED’s rating. It continues to regard the project outcome as likely sustainable on the ground that the government has made a firm commitment to finance the bulk of the cost of energy for pumping, and have done so in the past. It sees the Amu Zang production system as viable and cotton production as profitable for the government in spite of high cost and energy subsidy. IED has however not seen this argument clearly worded and substantiated in the PCR. The project’s ambition was also different, and favored gradual transition to a different production system.
of farm inputs. The PCR stated that wheat yield substantially increased to 5.0 tons/ha in 2013 from 3.1 tons/ha to 3.9 tons/ha at appraisal.

24. The yield for cotton, however, was lower at the end of the project (2.7 tons/ha) than at project appraisal (2.8 tons/ha) for the same degree of effort, although the PCR was optimistic that this yield would increase. Wheat production was 23.0% better than targeted, however, it is not clear how much this increase was attributed to, or contributed by the project outcomes, or a result of other measures and incentives to increase wheat production because of food security. The expected favorable impact on poverty, however, could also not be determined because the poverty reduction target of 25.0% from 31.4% could not be assessed in the absence of disaggregated data by farm type and household. The increase in net income was largely attributable to increased volume rather than price and it was unclear as to what extent the price would be sustained without the government’s support for guaranteed purchase quotas. On gender empowerment, the project was driven to provide women with greater opportunities to avail of training and yet gender targets were not met and only 27.0% of women were represented in the 57 water consumers associations instead of the targeted 30.0%. The PCR, nonetheless, reported government welfare–enhancing initiatives in 2011, which already reduced rural poverty to 18.5%. This validation assesses impact moderate.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

25. The PCR gave a satisfactory rating for the MAWR’s performance. However, the borrower did not comply with policy- and institutional reform–related loan covenants, and the government vacillated in making the decisions that had been pre-agreed upon. On the other hand, this validation notes the MAWR’s commitment to complete the project primarily by providing counterpart funds and deploying staff, complying with procurement procedures, maintaining and effectively managing separate accounts for the project, and its appropriate financial management and timely submission of progress reports. The borrower closely monitored and guided the project through a high-level inter-ministerial committee and promptly coordinated with ADB to resolve crucial implementation issues, particularly relating to procurement, which entailed renegotiations and changes in scope, settlement of disputes with contractors, and ensuring an uninterruptible water supply to farmers. Therefore, this validation views the performance of the borrower and MAWR satisfactory.

B. Performance of the Asian Development Bank

26. The PCR rated ADB’s performance satisfactory. This validation is of the view that ADB could have demonstrated better application of learning from similar projects in other countries. In particular, at a policy level, a coordinated response from the development organizations working in this sector could have supported policy reform better. Further, there should have been a comprehensive review of project outcome and output targets to ensure their validity as funds were reallocated. In addition, the PCR’s lessons reflected many poor decisions during design, which complicated the project and most likely contributed to the delays and the less than effective rating. Most of these would have been within ADB’s control to design differently. Nevertheless, ADB monitored project performance at regular intervals to track and review project progress closely. It deployed four project officers and four project analysts, who closely engaged with MAWR for the timely launching of review missions, review and approval of bidding documents and dispute settlement, and steered the project toward the direction
envisaged at appraisal. ADB was responsive to government requests for timely approval of loan reallocations and extensions of loan closing date. In general, given that this was ADB’s first major intervention in this sector, ADB’s efforts helped push the agenda for reform. This validation views the performance of ADB satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

27. The PCR rated the project successful (see table). This validation, however, assesses the project less than successful based on the ratings of the four core criteria of relevance, effectiveness, efficiency, and sustainability. The project invested heavily in irrigation and drainage rehabilitation, organization and capacity building, participatory planning and development, and project management support to build strong partnerships between the concerned water management agencies, the agriculture service center, and the project beneficiaries. These catalyzed farmer beneficiaries and women to participate in capacity-building activities and promote the organization of WUAs to manage the operations of the irrigation systems strengthened by the project. However, the (i) smaller-than-expected delivery of outputs, and the (ii) challenges to sustainability brought about by a lack of user pay system overshadowed a project that was relevant in its design in tackling the sector constraints.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>PCR</th>
<th>IED Review</th>
<th>Reason for Disagreement and/or Comments</th>
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<tbody>
<tr>
<td>Relevance</td>
<td>Relevant</td>
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<td></td>
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<tr>
<td>Effectiveness in achieving outcome</td>
<td>Less than effective</td>
<td>Less than effective</td>
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<tr>
<td>Efficiency in achieving outcome and outputs</td>
<td>Efficient</td>
<td>Efficient</td>
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<tr>
<td>Preliminary assessment of sustainability</td>
<td>Likely sustainable</td>
<td>Less than likely sustainable</td>
<td>Critical to sustainability is the lack of a comprehensive cost-recovery system that is key to being able to support effective operations and maintenance of infrastructure investments and for the management of the Water Users’ Association (paras. 16–22).</td>
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<tr>
<td>Overall assessment</td>
<td>Successful</td>
<td>Less than successful</td>
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<tr>
<td>Impact</td>
<td>Significant</td>
<td>Moderate</td>
<td>Cotton yields were lower at the end of the project than at appraisal. It is not clear whether the increased wheat production was attributed to the project or to other measures and incentives to increase food production. A quantitative assessment of the poverty reduction target could not be undertaken without disaggregated data by farm type and household (paras. 23–24).</td>
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<td>Borrower and executing agency</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<td>Performance of ADB</td>
<td>Satisfactory</td>
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<td>Quality of PCR</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Refer to para. 31.</td>
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ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, the Independent Evaluation Department views the PCR’s 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

28. This validation largely concurs with the lessons highlighted in the PCR, the critical one being the importance of securing government commitment to carrying out the appropriate legislative and policy measures that would ensure sustainability of project interventions.

C. Recommendations for Follow-Up

29. This validation also subscribes to the project-related recommendations of the PCR. Post-project monitoring and evaluation must be institutionalized within MAWR to monitor O&M of project-funded facilities, status of implementation of policy reforms and capacity development of water users, and completion of remaining rehabilitation works. For irrigation systems transferred to the WUAs, the WUAs should be bound by a covenant requiring them to allocate funds for the systems’ O&M, the duration of which should be mutually agreed with the MAWR. The general recommendations offered in the PCR were well thought of and were grounded on events that transpired during implementation. As collection of water recovery fees remains difficult due to the complicated financial system obtained in the area and partly due to the poor financial status of farmers, schemes that properly value farmers’ labor as equity contribution in lieu of cash payments for irrigation water could be worth exploring.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

30. Benchmark data relating to basic economic and social conditions to provide a profile of beneficiaries and to generate information on number, income levels, and ethnicity of beneficiaries participating in institutional and district-based training programs, current cropping intensities, and cropping patterns were collected. The borrower established and adequately staffed a monitoring and evaluation unit (MEU) which formulated indicators for monitoring socioeconomic and environmental impacts. The MEU, though marked by frequent staff turnover, also regularly reported on the project’s physical progress and financial status. The PCR’s analysis of the project based on a “with” and “without” project scenario across a wide range of economic and technical monitoring variables was substantially facilitated by the pre-project data gathered by the MEU. The capability of the MEU to conduct a comprehensive project performance management system was not properly elucidated in the PCR.

B. Comments on Project Completion Report Quality

31. The PCR candidly assessed the project based on evidence from the ground. The financial and economic reevaluation in Appendix 7 was informative although there were issues with respect to the assumptions and the methodology used in the economic analysis (para. 15). Nevertheless, the PCR covered all the criteria in a relatively comprehensive manner and was candid about the achievements and non-achievements of the project. The listed lessons and recommendations are drawn from the report’s findings. Overall, this validation finds the quality of the PCR satisfactory.

C. Data Sources for Validation

32. The RRP, the PCR, loan review mission reports, and project processing documents were used as data sources for this validation.
D. Recommendation for Independent Evaluation Department Follow-Up

33. A follow up project performance evaluation report (PPER) by the Independent Evaluation Department within 2 years is warranted. This could, among others, further examine whether the government stuck to the commitment to complete the unfinished rehabilitation work. The PPER could also investigate the possible use and value of farm labor as equity contribution of farmers in lieu of cash payments or payments using farm produce for irrigation fees given the farmers’ financial difficulties. An assessment of the performance of the WUAs and the terms and conditions governing the transfer of facilities may also be an important topic of the PPER. Conditions for the transfer of operation and maintenance of irrigation systems to the WUAs may then be revisited, and how this would affect sustainability, based on this review. While classified as a category B project, an environmental impact assessment appropriate to a project with water sustainability as an objective could be considered.