

MANAGEMENT RESPONSE TO THE SECTOR ASSISTANCE PROGRAM FOR THE TRANSPORT SECTOR IN THE PACIFIC DEVELOPING MEMBER COUNTRIES (1995–2010)

On 17 November 2011, the Director General, Independent Evaluation Department, received the following response from the Managing Director general on behalf of Management.

I. General Comments

1. We appreciate the comprehensive Sector Assistance Program Evaluation (SAPE) for the transport sector in the Pacific. The SAPE provides a good overview of ADB's responses to developmental priorities in the transport sector during the review period (1995–2010), its performance, and areas for further actions.

2. We note that the overall rating for the transport sector is *successful*, comprising ratings of *partly successful* for the roads subsector and *successful* for maritime, aviation, and emergency projects and technical assistance. We also note that the ratings for strategic positioning, relevance, and effectiveness are higher than those for efficiency, sustainability, and development impact, all of which were positively affected by selectivity and coordination and negatively affected by shortcomings in country resources and capacity. We agree with these ratings, which confirm ADB's contribution to sector development in the Pacific region and point to lessons and recommendations for further improvement.

II. Comments on Specific Recommendations

3. **Recommendation 1: Build short-term and longer term developing member countries' technical capacity in the design, implementation, and maintenance responsibilities for transport infrastructure investments using a strategic approach.** We agree. ADB already undertakes significant activities in this regard, through a mix of capacity substitution and skills transfer where necessary to ensure high quality project implementation and capacity development wherever appropriate to build sustainable institutions. An increasing proportion of implementation assistance has been devoted over recent years to this agenda. However, we also note that past evaluation studies recommended against mixing too many capacity building activities with investment operations to avoid reducing the effectiveness of both aspects, and advocated balancing capacity building and investment at the portfolio level rather than within each project to guard against designing overly ambitious and complex projects. We note the recommendation that the Pacific Department should coordinate across the transport, finance, and education sectors to develop new educational programs. We note that these should be closely linked to the sector program and also recognize opportunities presented by external assistance provided by other development partners.

4. **Recommendation 2: Increase the viability of transport infrastructure investments by realistically forecasting transport sector benefits and costs based on past sector experience and rigorous sensitivity analyses, in the light of the high volatility in construction prices and foreign exchange rates.** We agree. We note that this is always an objective of ADB's due diligence, in which we strive for analyses that are rigorous and empirical. In some Pacific developing member countries in recent years, high volatility in construction prices and foreign exchange rates have made estimates less reliable. To improve the

accuracy of estimates, the Pacific Department is developing methods for more robust sensitivity analysis, assessing actual maintenance practices that may reduce benefits over time, and quantifying the socioeconomic benefits of accessibility and improved mobility. To the extent possible, future feasibility studies will improve forecasts, refine preliminary designs to reduce uncertainty, and incorporate higher price contingencies.

5. Recommendation 3: Strengthen Pacific Aviation Safety Office (PASO) service delivery and coverage, by comprehensively evaluating its operations, together with interested development partners. We agree with the strategic importance of this project, which was established through ADB's first regional loan to an intergovernmental organization. We note that ADB prepared a project completion report¹ in 2011 that thoroughly evaluated PASO operations, and actively disseminated the findings to PASO member countries and development partners. ADB is continuing to provide technical assistance² to harmonize the regional regulatory environment, refine the business plan, and prepare sustainable funding regimes. We also note that the World Bank and AusAID are about to provide significant grant financing to restructure PASO operations, largely based on ADB's analysis.

6. Recommendation 4: Improve the effectiveness of sector investments by consolidating communications with stakeholders and allocating more resources to supervision, monitoring, and evaluation based on the country context and sector portfolio. We agree. To this end, the Pacific Department has adapted the "joint venture" model of close team work between its sector divisions and four resident missions, in which headquarters staff are regularly consulted during country programming and resident mission staff routinely participate in project preparation. The Pacific Department has also outposted sector staff to resident missions to improve technical capacity for more frequent supervision and real-time monitoring and evaluation in the field. ADB has also established development coordination offices in an additional four countries that are co-located with the World Bank to further consolidate communications, and is considering establishing further such offices in the near future.

¹ ADB. 2011. *Completion Report: Establishment of the Pacific Aviation Safety Office Project*. Manila.

² ADB. 2011. *Technical Assistance for Institutional Strengthening for Aviation Regulation*. Manila.