Validation Report

Reference Number: PCV: BAN 2008-41
Project Number: 26623
Loan Number: 1486
November 2008

Bangladesh: Forestry Sector Project

Operations Evaluation Department

Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
CBO – community-based organization
FDR – flood damage rehabilitation
LCO – local community organization
EIRR – economic internal rate of return
ha – hectare
km – kilometer
M&E – monitoring and evaluation
NGO – nongovernment organization
OED – Operations Evaluation Department
PCR – project completion report
RRP – report and recommendation of the President
TA – technical assistance

NOTES

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

Key Words

adb, asian development bank, bangladesh, forestry, local community organizations, project completion validation report, project implementation

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**A. Basic Project Data**

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| Evaluator:     | P. Mawson Consultant | Director: | R. B. Adhikari, OED1 |
| Quality Control | T. Kondo Senior Evaluation Specialist, OED1 |        |
| Reviewer/Peer  |                         |          |                     |
| Reviewer:      |                         |          |                     |

ADB = Asian Development Bank, ADF = Asian Development Fund, BAN = Bangladesh, HQ = headquarters, M = million, OED = Operations Evaluation Department, OED1 = Operations Evaluation Division 1, PCR = project completion report, RM = resident mission, SDR = special drawing right, SF = special fund.

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**B. Project Description** (summarized from RRP)

(i) **Rationale.** Bangladesh continues to experience severe population pressure on its finite land resources, which has resulted in continued deforestation and degradation of the country's remaining forest resources. In response to the continuing increase in the demand for fuel wood, timber and other forest products, the Government had embarked on a program, using participatory approaches, for (a) forestation on all available Government land, including the degraded sal forests and along roadsides, canals, and railways; and (b) conservation and management of the remaining natural forests. The participatory forestation and forest management programs created pride, ownership, and a sense of belonging among the participating communities. The Forestry Sector Project (the Project) provided an opportunity to streamline the participation process through well-designed technical packages and refined participation arrangements, along with organizing the communities into local community organizations (LCOs) and institutionalizing the role of nongovernment organizations (NGOs). Coupled with the establishment of tree farming funds at the LCO level, these approaches were expected to pave the way for eventual self-financing of participatory forestation activities.

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1. Revised appraisal estimate including $18.84 million approved for Flood Damage Rehabilitation (FDR) component in December 2002.
2. Including FDR.
3. Including FDR.
4. Includes $2.63 million for FDR.
leading to long-term sustainability of the Project. Over the years, the Forestry Department has acquired significant experience in implementing participatory forestation and natural forest management interventions, which were supported by a new policy that was responsive to the Forest Sector Master Plan.

Moreover, the Forestry Department’s institutional capacity for people oriented approaches to forestry was been strengthened through earlier Asian Development Bank (ADB)-financed projects, and assistance provided by other agencies. The Project was the first major intervention following approval of Forest Sector Master Plan in 1996, and was expected to catalyze further strengthening of the Forestry Department and to accelerate institutional reform.

(ii) **Expected Impact.** The Project was expected to assist the Government in attaining its stated policy of bringing 20% of the country’s land under tree cover by 2015.

(iii) **Objectives or Expected Outcomes.** Enhancing conservation of forests in selected protected areas (e.g., national parks, wildlife sanctuaries, and watersheds); increasing overall wood production; and managing of forest resources sustainably through local community participation, institutional capacity building, and policy reform.

(iv) **Components and Outputs.** The Project had two main components:

(a) Part A, field development activities, including (1) forestation, and (2) participatory natural forest rehabilitation and management; and

(b) Part B, support activities, infrastructure materials and equipment, including

   (1) social awareness, sensitization, and extension program;
   (2) forest extension nursery and training centers;
   (3) survey, inventory, and mapping of sal forests;
   (4) civil works;
   (5) consulting services;
   (6) in-country training, workshops, and seminars; and
   (7) overseas training, workshops, and seminars.

A third component for flood damage rehabilitation (FDR) was added in December 2002.

Expected outputs of the Project included

(a) 8,000 hectares (ha) of natural degraded sal forest brought into production under a long-term management program;

(b) national parks and wildlife sanctuaries established, incorporating participatory management of buffer zones to reduce degradation of existing conservation areas;

(c) waste land alongside roads, canals, and embankments brought into production by tree planting using local groups (25,000 kilometers [km]);

(d) khas land and char land to be utilized for tree and agroforestry production where economically and technically appropriate (7,800 ha and 750 km of gully planting);

(e) on-farm planting promoted through the improvement of extension activities and an adequate supply of seedlings from the Government and institutional and private nurseries;

(f) sedentarization of shifting cultivators in accordance with participatory national forest management plan (500 families);

(g) encouragement to utilize of estate land through tree planting in areas not suited for agricultural crops, with emphasis on benefits for estate labor (1,000 ha);

(h) improved cooperation with NGOs and the participants’ organizations by the Forestry Department and its personnel; and

(i) adequate detailed planning involving a participatory approach for the design’s additional sites.
C. Evaluation of Design and Implementation (PCR assessment and Validation)

(i) Relevance of design and formulation. The Project, as designed, was consistent with the Government's policies and priorities for the forestry sector, including the optimization of the sector's contributions to environmental stability and economic and social development, as stated in the New Policy of October 1994. It was also responsive to the Forestry Sector Master Plan; was in line with ADB's Country Operational Strategy, particularly by focusing on poverty reduction and livelihood improvement measures; and incorporated significant elements for beneficiary participation in planning and implementation. The Project Completion Report (PCR) noted that the Project continues to be highly relevant to the needs of forestry development and management in Bangladesh. Therefore, the PCR rated the project design *relevant* because of its consistency with the Government's objectives as well as with ADB's operational strategy. However, the PCR noted that the Forestry Department's institutional capacity had not been adequately assessed during project formulation and that the expected project activities and outputs were somewhat ambitious, with the result that the project scope had to be revised during implementation. It also noted that the level of services expected from NGOs was not based on a realistic assessment of their capabilities.

In general, the Evaluator supports the assessment of the project design and formulation as *relevant*. While the revision of targets was partly due to the late start of Part A activities—and in some cases appears to have been a response to over-ambitious targets for some activities; for other activities—the targets were significantly increased at revision for other activities (see [ii] Project Outputs, below).

While for some project activities, this midterm review revision may have been the result of overambitious targets, it seems more likely to have been a refocusing of the Project toward activities that were proving a more effective and efficient use of project funding. Thus, given the difficulties of designing a complex project of this type, the need for midterm scope revision should not necessarily be viewed negatively.

The disappointing performance of the 621 NGOs and community-based organizations (CBOs) involved in the Project compared with design expectations, appears to have been as much related to contractual and remuneration issues with the Forestry Department and to consequent management and coordination complexities, as to the assessment of their capabilities.

The Project remains *relevant* after completion as the activities continue to address the Government and ADB's priorities for the forestry sector, environmental stability, and poverty reduction.

(ii) Project Outputs (or conditions in the case of program loans). The start-up of activities under Part A were delayed by about 3 years. A condition of disbursement for this part was that the Government would promulgate an ordinance or introduce a bill in parliament to implement the recommendations of a task force set up under a Food and Agriculture Organization-funded technical assistance (TA) project, for establishing appropriate legal, economic, and institutional framework consistent with the new forest policy. This condition was finally met with the passing of the Forest (Amendment) Act of 2000.

The PCR contains a full discussion of project outputs, with a comparison between outputs achieved and the revised targets (Appendix 1 of the PCR). With regard to the forestation activities, the Project had a high level of achievement. The appraisal target for woodlots (new and second rotation) was 3,686 ha, and the revised target was 28,996 ha, of which almost 100% was achieved. For new and second rotation agroforestry, the corresponding figures were 3,405 ha at appraisal, 7,326 ha in the revised targets, and an achievement of 85%. New strip plantations were planned at appraisal for 3,000 km (but reported in the PCR to be 25,000 km) while the revised target and actual achievement were 14,049 km. Appraisal
targets for char land, barind gullies, and tank/pond rehabilitation were not met. In some areas, the Project achieved significantly more than or reached many of the revised targets, but there is no discussion of the reasons for changes in targets. To some extent, the revision of targets appears to have involved a re-focusing of the Project toward those activities that were gaining the best response from participants.

For the Participatory Natural Forest Rehabilitation and Management activities, achieving targets was clearly more difficult. Sal coppice management met 77% of the appraisal target of 8,000 ha, enrichment of conservation areas achieved only 13% of the original target and new expansion of these areas, and conservation enrichment under participatory management was dropped from the Project when targets were revised. Other elements in this subcomponent, for which specific targets were not set at appraisal, achieved the targets set at revision.

Activities under Part B were generally achieved. With regard to training, a detailed breakdown of training implemented is given in Appendix 4 of the PCR. In general terms, the targets set out at appraisal appear to have been met.

(iii) Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule (as relevant to project performance). As assessed at appraisal, the original cost of the Project was estimated at $92 million, of which ADB was to provide $50 million from the Asian Development Fund with a service charge of 1% per annum, an amortization period of 40 years, and a grace period of 10 years. In December 2002, ADB approved the addition to the Project of $13 million from savings on five loan projects (including $5 million from the Project itself) to fund a component for the rehabilitation of flood-damaged infrastructure. The total loan for the Project was, therefore, $58.83 million. Of this amount, a total of $43.36 million was disbursed. Total loan savings was $15.47 million, but the loan amount disbursed for the Project's original two forestry components was only $33.14 million of the original loan. Savings were due to the cost effective procurement of goods and the appreciation of the dollar against the local currency. The delay in the start of Part A meant that disbursement was very low during Project's initial years. The discussion of disbursements and the Project's schedule is generally complete, but it lacks a clear distinction between project cost estimates at appraisal and the revised appraisal estimates after addition of the FDR component. Moreover, additions to loan funding and loan cancellations could be more clearly presented. With regard to the addition of the FDR component, there are discrepancies between the text and the table of disbursements in the basic data section as to when this occurred.

(iv) Implementation Arrangements, Conditions and Covenants, related TA, and Procurement and Consultant Performance. Based on the evidence available to the Evaluator, the PCR sections on implementation arrangements are generally complete and fair. The Projects implementation arrangements generally followed the arrangements set out at appraisal, with the project management office responsible for overall planning, budgeting, and implementation and the divisional forest officers directly responsible at the field level for the implementation of project activities. For the implementation of forestry activities on land controlled by other agencies such as the Roads and Highways Department, Local Government Engineering Department, or the Irrigation Department. It is noted, however, that with the Local Government Engineering Department, Department of Public Health Engineering, Bangladesh Water Development Board, and Palli Karma–Shahayak Foundation, the Forestry Department entered into participatory benefit sharing agreements as provided for in the project design.

The Apex Committee set up to provide overall guidance for the Project met as and when required, not every 6 months as provided in the loan covenants.

Compliance with loan conditions and covenants was satisfactory, and details on this are given
in Appendix 11 of the PCR. All but 4 of 31 conditions and covenants were complied with; these four were partly complied with. As noted in the PCR, the most difficult issue was the amendment of the Forest Act, which included introducing participatory social forestry and social forestry rules.

There were no related TA operations or consultants recruited under the loan. Consultants were fielded from January 2008, from the time of actual loan effectiveness. The PCR notes that the consulting services were generally useful in providing technical inputs but not all individual consultants performed satisfactorily. Consultant inputs were not always synchronized with project needs although the reasons for this are not stated. The delay in starting Part A activities, due to the requirement for government legislative action on institutional reform, must have been one of the reasons.

Procurement of other goods and services was in accordance with the relevant ADB guidelines, and the performance of contractors and supplies was generally satisfactory. Civil works were completed within the project period but were delayed from the planned schedule. The PCR notes that the regular annual audits by the Government's audit department raised many objections, many of which were not resolved at project completion. Recommendations are included (Appendix 6 of the PCR) on ways to improve the financial performance of the Forestry Department.

A total of 621 local or regional NGOs or CBOs were hired to assist with project implementation. Many did not provide the services stipulated, with negative effects on the development of beneficiary groups. The reasons given for the poor performance are inappropriate selection, low service charge provisions (remuneration), lack of monitoring by Forestry Department officials, and the reluctance of Forestry Department personnel to accept NGOs as partners. However, at least some NGOs were instrumental in motivating beneficiaries to some extent.

(v) Performance of the Borrower and Executing Agency. The Borrower provided its share of financial contributions as required for the Project and undertook major reform measures, in particular to facilitate social forestry. The Evaluator agrees with the PCR assessment of the Borrower's performance as satisfactory but notes that the time-consuming process required for the processing of legislation and reform measures was the cause of the delay in implementation of Part A activities.

The Evaluator agrees with the assessment that the overall performance of the Forestry Department's was generally satisfactory. The PCR notes that because of weak internal systems, including for monitoring and evaluation (M&E), the Forestry Department was sometimes slow to respond to implementation issues, especially at the field level. The Forestry Department's performance improved as the Project progressed, and staff members began to accept the social and participatory approaches that were part of the Project.

(vi) Performance of ADB. The Evaluator agrees that ADB performed satisfactorily throughout all project phases. Regular review missions during implementation ensured that issues that arose were dealt with promptly. There is no evidence of delays in implementation caused by the failure of ADB to respond to management or technical issues or to release funds in a timely manner.
D. Evaluation of Performance (PCR assessment and Validation)

(i) **Relevance.** Rated *relevant* by the Evaluator (see C [i]).

(ii) **Effectiveness in Achieving Outcome.** The PCR rated the Project as *effective*. The Project targets were revised at about the time of the Comprehensive Project Review (midterm) to take account of changes in project circumstances such as the delay in the start-up of Part A activities and the response of beneficiaries to the various project activities. Targets for the area of new and second rotation woodlots and agroforestry areas were increased at the revision while some other activities had reductions in targets or were deleted from the Project. For example, the target of sal coppice management was reduced from 8,000 ha to 6,187 ha, and the target area for enrichment of conservation areas was reduced from 8,240 ha to 1,600 ha. New expansion of conservation areas, participatory management of conservation area enrichment, and utilization of unused tea estates were dropped from the Project at this time. The PCR does not discuss the specific reasons for the increase or decrease of targets. Based on these revised targets, the Project had a high average level of achievement of physical targets (Appendix 1 to the PCR). Among specifically forestation and forest management and rehabilitation activities, achievement compared with the revised targets was between 90% and 100% in most cases. The Project also had good success in generating benefits for poor households and ethnic minority communities. The Evaluator concurs with the rating of the Project as *effective*.

(iii) **Efficiency in Achieving Outcome and Outputs.** At appraisal, the Project was assessed to have an overall economic internal rate of return (EIRR) of 20% (in 1996 prices). At the time of the PCR, the Project was reassessed to have an EIRR of 22% (in 2007 prices) and was rated *efficient*. The two analyses use different conversion factors for the shadow wage rate (RRP, 0.80; PCR, 0.85); nontraded goods and services (RRP, 0.75; PCR, 0.90 but with some variations); and different project periods (RRP, 33 years; PCR, 21 years). These factors alone are unlikely to make large differences to the EIRR estimates, but it would be useful to be able to compare EIRRs before and after the Project by estimating both on the same basis. Despite the delay in the start-up Part A activities, a high proportion of revised targets was achieved, resulting in the EIRR of 22%. The Project is rated *efficient* by the Evaluator.

(iv) **Preliminary Assessment of Sustainability.** The PCR rates the Project as *most likely to be sustainable* and cites as reasons: (a) high interest and commitment among beneficiaries; (b) the Government’s interest as evidenced by the funding of two follow-up projects from its own resources; (c) legal support through social forestry rules, participatory benefit-sharing agreements, and the Tree Farming Fund; (d) the potential for income for participating households; and (e) the prevailing beneficiary-friendly environment at the Forestry Department. Items (a) and (d) are linked since beneficiary interest will soon wane if income prospects are not proven to be real over time. As noted in (v) below, it is not clear that the Project has so far had any significant impact, on average, on household incomes. It must, therefore, be concluded that beneficiary interest is based in many cases on expectations, not concrete financial results. Items (b) and (c) are important preconditions for sustainability but will not, of themselves, ensure sustainability. With regard to item (e), at project completion, the impact of reforms and changes in attitudes was still quite recent within the Forestry Department. It is highly desirable that these changes are embedded within institutional procedures and approaches to forestation, but the proof of this will only come with some years of experience. Furthermore, there are other management issues within the Forestry Department —weak financial management, for example—that still need to be addressed and may impact its operation. The Evaluator rates the Project as *likely to be sustainable*.

(v) **Impact** (both intended and unintended). The Project’s impact has been *significant*. The Project has had a positive impact on the incomes of many (but not all) participating households and the household survey conducted at project completion shows beneficiaries generally very positive and favorable responses to the Project and the prospects for
continuing activity. However, the income impact may not be as significant as it appears. If the average incomes reported in the PCR, Appendix 13, Table A13.7 are in current prices—and given that inflation in Bangladesh has averaged about 5% per year over the last decade—then the average income reported for the PCR survey is very similar in real terms to that reported for the baseline survey. In other words, the Project has so far had, on average, very little impact on household incomes. To some extent, this is because the delay in the start of project activities meant that few participating households had harvested tree crops by project end, so financial benefits at that point were limited. Household savings have clearly been impacted positively. However, impacts on women, who constituted 22% of direct beneficiaries at project completion, have been positive. Ethnic minority groups in the project areas generally benefited in line with majority groups.

E. Overall Assessment, Lessons, and Recommendations (Validation of PCR assessment)

(i) **Overall Assessment.** Overall assessment of the Project is successful. The Project was broadly implemented as conceived and designed been generally successful in physical outputs, and impacted beneficiaries and the performance, and perceptions of the Forestry Department.

(ii) **Lessons.** The Evaluator agrees with the lessons identified in the PCR. Some additional lessons include:

(a) In addition to other issues that arose with the involvement of NGOs and CBOs in the Project, the very large number of these organizations involved must have contributed to management and co-ordination problems. Using a smaller number of NGOs, each with larger contracts, would reduce these problems and also facilitate M&E.

(b) At appraisal, insufficient recognition was given to the time that would be needed for the Government to process and take the necessary legislative action to implement the reforms required under the release of funding for Part A activities. A better outcome may have been achieved if the Project had not been started until the necessary legislation and regulations were in place.

(iii) **Recommendations.** The Evaluator concurs with the recommendations in the PCR.

F. M&E Design, Implementation, and Utilization (PCR assessment and Validation)

The project design provides for regular monitoring by the Forestry Department’s Integrated Central Management Information and Monitoring Unit, comprehensive periodic reviews to be undertaken jointly by ADB and the Forestry Department and detailed evaluations in the third and fifth years of implementation and a final evaluation in the seventh year. The detailed evaluation was expected to include (i) the continuing relevance of the Project design and scope; (ii) the Forestry Department’s capability; (iii) effectiveness of the project management office and project implementation units in implementing the Project; (iv) physical progress; (v) disbursements; (vi) performance of consultants, NGOs, LCOs, and local communities, (vii) socioeconomic aspects; (viii) constraints affecting implementation; (ix) policy issues; and (x) the degree of coordination between the agencies involved in the Project. The evaluations were to use independent sample socioeconomic surveys consistent with the baseline survey.

In addition, project targets as defined at appraisal are included in the project framework, which provides a basis for subsequent monitoring.

The PCR reports that the Forestry Department’s monitoring of project activities was generally weak, and this had a negative impact on implementation, such as slowing down the pace of activities.
Data from the project final evaluation is available in Appendix 13 of the PCR and this information has been used with other monitoring data for the Project Completion assessment.

A comprehensive project review was carried out in 2000 (the third year), but it is not known whether a socioeconomic survey was carried out at this time. The planned comprehensive project review for the fifth year seems not to have been carried out. It is not clear what data provided the basis for the review of project targets after the PCR in 2000.

G. Other (Safeguards, including governance and anticorruption; Fiduciary aspects; Government assessment of the Project, as applicable) (PCR assessment and Validation)

The Evaluator did not find any evidence of safeguard violations in the Project.

The PCR notes the large number of objections raised by the Government’s auditors during the Project’s annual audits, and the failure to resolve many of these (usually minor) objections. An assessment of financial management in the Forestry Department is in Appendix 6 of the PCR, with some recommendations for steps that need to be taken to strengthen its present weak financial management also taking into account the requirements of the Public Procurement Act (2006). Since the Project has closed, ADB’s ability to follow up on these recommendations may be limited.

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I. Comments on PCR Quality

The Evaluator assesses the PCR as satisfactory.

The PCR follows the project administration instructions 6.07\(^5\) and generally provides sufficient evidence to support its ratings. However, it does not discuss the reasons or rationale for the revision of project targets at the time of the midterm review.

The PCR is generally clear on most aspects, but the discussion of changes in project funding and the addition of the FDR component could be more clearly presented.

The re-estimation of economic and financial indicators is *satisfactory* as is the treatment of safeguard issues and the evaluation of socioeconomic and other impacts.

The lessons learned and recommendations generally follow from the analysis of project performance and outcomes.

J. **Recommendation for Operations Evaluation Department Follow-Up**

No follow-up action is required.

K. **Data Sources for Validation**

RRP; PCR (ADB); back-to-office reports; Management Review Meeting, and Staff Review Committee Meeting minutes; and Board discussions.
REGIONAL DEPARTMENT’S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT

On 22 August 2008, the Operations Evaluation Department (OED) circulated a draft validation report for the project completion report (PCR) for interdepartmental comments. OED received the following comments from the Bangladesh Resident Mission:

We appreciate the Evaluator’s agreement with the overall assessment of the PCR. We agree with OED’s additional lessons and express our satisfaction for endorsing the recommendations made in the PCR.

Given the rationale provided in the Validation Report, we also agree with OED’s rating on “Preliminary Assessment of Sustainability” as likely to be sustainable.

We also appreciate your satisfactory rating and observation on the quality of the PCR. Regarding revision of project targets during midterm review, experiences, lessons learned, capacity of the field offices, and ground reality were considered in fixing the revised targets under different plantation categories.