Validation Report

Reference Number: PCV: PAK 2008-53
Project Number: 28266
Loan Number: 1413
November 2008

Pakistan: National Drainage Sector Project

Operations Evaluation Department

Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
EA – executing agency
EIRR – Economic Internal Rate of Return
ha – hectare
IA – implementing agency
JBIC – Japan Bank for International Cooperation
km – kilometer
M&E – monitoring and evaluation
NDP – National Drainage Program
NGO – nongovernment organization
NWFP – North West Frontier Province
O&M – operation and maintenance
OED – Operations Evaluation Department
PCR – program completion report
PIDA – provincial irrigation and drainage authority
RRP – report and recommendation of the President
STW – shallow tube well
WAPDA – Water and Power Development Authority

NOTE

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

Key Words

adb, asian development bank, drainage, environmental management plan, ground water, irrigation, national drainage program, project implementation, rehabilitation, validation

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OED PCR Validation Report Form

A. Basic Project Data

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B. Project Description (summarized from RRP)

(i) **Rationale.** The National Drainage Sector Project (the Project) was intended to assist the Government in the implementation of the National Drainage Program (NDP). The NDP was designed to protect land and water resources and thereby sustain and enhance agricultural production against a backdrop of increasing, competing demands for water. NDP’s concept and approach were derived largely from the Government’s 1993 Drainage Sector Environmental Assessment, which recommended a series of policy and institutional reforms for the drainage subsector and a 25-year drainage investment program. It was expected that efficient irrigation management was needed to complement drainage investments. This would require far-reaching institutional reforms in the irrigation subsector to provide the necessary price and other incentives for improving management of the country’s irrigation system. The Asian Development Bank (ADB) supported NDP to assist the Government with the implementation of the new institutional framework. The NDP and the Project were consistent with the Government’s short- and medium-term strategies for the drainage subsector. NDP also fitted ADB’s strategy for the agricultural sector because it addressed the issues of sound management of the environment and the promotion of economic growth, and indirectly addressed the problem of rural poverty by the Government. This and NDP’s sector approach were expected to provide a cost effective vehicle for channeling ADB’s assistance to Pakistan’s drainage subsector.
(ii) **Impact.** The Project was expected to lead to physical improvements in drainage and better drainage operation and maintenance (O&M), with direct impacts for an improved environment and increased agricultural production. Increases in farmer incomes were expected to be up to 30%, depending on local conditions. The Project was also expected to lead to improved capability in the public sector to plan and implement water sector projects and greater ability in the private sector to undertake drainage related investments, with benefits for the sector as a whole. Indicative potential annual savings in subsidies for O&M were estimated to be about $100 million.

(iii) **Objectives or Expected Outcomes.** The Project was an integral part of the NDP, which was designed to protect irrigated land and preserve surface water and ground water quality. It was expected to control and reduce waterlogging and salinity and improve the management of surface water and ground water resources by laying the groundwork for minimizing the drainable surplus and evacuating the excess water and salts. To achieve this, NDP would (a) firm up an overall drainage strategy and continue detailed planning of, and development of an environmentally acceptable solution to, the disposal of agricultural, urban, and industrial drainage effluents; (b) introduce policy and institutional reforms related to the water sector; (c) restructure key sector institutions and build up their capacity; (d) improve the planning and programming of water resources projects; (e) improve the drainage conditions for about 5 million hectares (ha); (f) provide drainage for the diversion of saline effluent away from Pakistan’s inland wetlands; and (g) provide research and resources to resolve important remaining technical issues in drainage.

(iv) **Components and/or Outputs.** The Project comprised an area slice of selected parts of NDP’s institutional reform and public sector drainage investment components. The Project also included consulting services for the overall monitoring and environmental audits included in NDP’s institutional reform component. The institutional reform component included subcomponents for (a) expanding the beneficiaries’ role in drainage, (b) improving water management, and (c) improving public sector O&M.

In Balochistan province, the component included (a) rehabilitation of about 20 kilometers (km) of sub-drains and construction of new on-farm drainage facilities for about 2,000 ha, (b) modernization of the management of the Pat Feeder canal system, and (c) rehabilitation of selected distribution canals (b); and performance contracts for about 300 km of drains. Pilot initiatives for decentralization of system management were also included.

In North West Frontier Province (NWFP), the subcomponent comprised (a) the transfer of about 220 shallow tube wells (STWs) in fresh ground water areas, rehabilitation of about 300 km of subdrains, and construction of new on-farm drainage facilities for about 2,500 ha; (b) modernization of the management of NWFP’s major canal systems and rehabilitation of selected distribution canals; and (c) performance contracts for about 1,700 km of drains and about 60 STWs, as well as pilot initiatives for decentralization of system management.

In Sindh province, the only component involved was rehabilitation and improvement of about 400 km of subdrains, transfer of about 1,300 STWs in fresh ground water areas, replacement of STWs in saline ground water areas, and construction of new on-farm drainage facilities for about 2,500 ha.

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1 All other consulting services were financed by World Bank, and the remaining parts of the institutional reform and investment components were financed by World Bank and Japan Bank for International Cooperation (JBIC), formerly Overseas Economic Co-operation Fund.
The public sector drainage investment component of the Project in Balochistan and NWFP comprised subprojects for rehabilitation, improvement, and extension of existing surface drainage systems and construction of new surface drains, with a total length of about 800 km, new cross-drainage facilities, and interceptor systems for selected reaches of the Pat Feeder Canal.

In Sindh, this component included subprojects for rehabilitation, improvement, and extension of existing surface systems and construction of new surface drains for about 700 km of cross drainage facilities, modification of existing and construction of new interceptor systems for selected reaches of the main canals, and rehabilitation of about 450 STWs in saline ground water areas for which O&M cannot be transferred to beneficiaries. The component also included specific works, including installation of about 660 STWs and associated surface drains in the Left Bank Outfall Drain area, and remodeling of about 50 km of the Main Nara Valley Drain.

C. Evaluation of Design and Implementation (PCR assessment and Validation)

(i) Relevance of design and formulation. The Project, as designed, sought to address key issues in Pakistan’s water sector, which is of critical importance, given that 90% of the country’s agricultural production comes from irrigated land. Efficient and sustainable management of land and water resources and proper functioning of the drainage and irrigation systems were strategic considerations determining ADB’s assistance to the sector. The Project was designed as an area slice of the NDP, the objective of which was to improve the efficiency and sustainability of the irrigation and drainage systems through a combination of key institutional reforms and improvements in physical infrastructure, with investment in infrastructure being contingent on progress with institutional reforms. The Project design was relevant to the overall NDP concept and its development objectives.

The Operations Evaluation Department (OED) concurs with the general project completion report (PCR) assessment that, while the objectives of the Project were clear and relevant to the sector, the project design was overly complex and ambitious. As the PCR notes, the provision of adequate drainage was itself a daunting task, without including institutional reforms that diverted attention from the objective of improving drainage infrastructure and performance. In effect, the project design set too many objectives to be achieved in order to reach its intended goal.

The design identified the risk that if institutional reforms did not proceed as envisaged, progress on infrastructure would be inhibited and the intended benefits of the project jeopardized. The report and recommendation of the President (RRP) identifies these risks, including, in particular, (a) the failure to implement key policy reforms; and (b) insufficient commitment from the Water and Power Development Authority (WAPDA) water wing and the provincial irrigation and drainage authorities (PIDAs) to implement institutional reforms for their own organizations. The RRP also had provisions for support and training measures to mitigate these risks. In retrospect, however, it is apparent that the relative importance of these risks was significantly underestimated during project preparation. Insufficient attention also seems to have been given during project design to the issue of the incentives and to time required for stakeholders at all levels to own and implement institutional changes as well as infrastructure improvements.

(ii) Project Outputs. The PCR provides a full description of project outputs envisaged at appraisal and the outputs actually achieved. The Project envisaged a total of 28 outputs under the institutional reform and drainage investment components, of which only three were completed and seven partly completed. The remaining 18 activities were not initiated. The PCR also notes that, in some cases in NWFP and Sindh, some of the maintenance and rehabilitation works
implemented had not been sustainable—with drains already reverting to their pre-works condition by project completion. The reasons for the deviation of the project achievements from outputs envisaged at appraisal are fair. Specific reasons noted included a reluctance of implementing agencies (IAs) to comply with the land acquisition and resettlement framework agreed to as part of the project design; and the IA's shift in focus towards irrigation from drainage after several years of drought, which resulted in some lowering of the water table in many areas. However, the main reasons for poor performance appear to have been a lack of commitment and poor management, cumbersome internal bureaucratic procedures, and the lack of harmonization of donor procedures. The change in Government in 1999 also caused a 1-year delay in implementation activities. As noted above, the linking of the implementation of rehabilitation and construction activities to key institutional reforms delayed the start and implementation of these activities. The Project envisaged a large number of interrelated outputs that would have been difficult to achieve even without the complications imposed by linking their implementation to institutional objectives.

Several activities were planned under the Project’s environmental component: (a) preparation of a detailed framework for an environmental management plan, (b) development of a comprehensive wetlands management plan framework, (c) preparation of a legal and regulatory framework to control disposal of urban and industrial effluent, and (d) extension of cost sharing for drainage maintenance to urban and industrial users. A water sector environmental management plan framework for action was prepared and approved in 2002 and six environmental management units were established at the federal and provincial levels. Activities completed by closing date related to (a) a study of ecological changes induced by the Chashma Right Bank Irrigation Project (Stage III), (b) environmental awareness, (c) participatory irrigation management, and (d) a survey of drainage barriers and sandy soils. A Phase II environmental program was planned but not implemented before the project closing date.

(iii) Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule (as relevant to project performance). As noted in the PCR, the actual project cost was far lower than the appraisal estimate. This was mainly because the Project could not be implemented as envisaged and most of the planned activities were not undertaken. At appraisal, the Project was estimated at $185 million, funded by a loan of $140 million from ADB, $40 million from the Government (22% of the total), and $5 million from beneficiaries. The actual project cost was $31.14 million, of which $5.87 million was financed by the Government (19%) and the remainder from the loan.

An amount of $92.9 million was reallocated to other projects. In addition, there was a partial cancellation of surplus funds of $11.3 million in May 2007. According to the PCR, beneficiary contributions were zero, as they were not involved in any subproject. There is no information available to assess whether this is correct.

Disbursements were affected by most of the same obstacles that delayed project activities. Lack of action by IAs to implement reforms and to carry out works was a major reason for delays in both areas. Payments to contractors were relatively efficient, however, since they were mostly for amounts within the imprest account limit of $50,000. This facilitated the release of payments to contractors.

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2 ADB. 1991. Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Pakistan for the Chashma Right Bank Irrigation Project (Stage III). Manila (Loan 1146-PAK).

3 The breakdown of the reallocation were as follows: $14.4 million to the Pat Feeder Canal Project, and $33.5 million to Chashma Right Bank Irrigation Project (Stage III) on 13 July 1999; $20.0 million to the Drought Impact Mitigation and Recovery Project on 21 August 2001; and $25.0 million to the Earthquake Emergency Assistance Project on 20 December 2005.
The RRP includes a matrix of responsibility for the implementation of the various parts of the Project and a general implementation schedule. The PCR correctly notes that some of the delays and changes in the project schedule were related to differences in donor funding modalities and differing loan approval and closing dates. Changes in priorities and the addition and deletion of subprojects by the IAs resulted in many revisions and unproductive subproject preparation by the design consultants.

(iv) **Implementation Arrangements, Conditions and Covenants, Related Technical Assistance, and Procurement and Consultant Performance.** As the PCR correctly notes, the implementation arrangements for the Project were multilayered and complex, with different agencies having responsibility for the different parts of the project. While WAPDA’s water wing was responsible for the overall administration and the monitoring and evaluation of the Project, as well as the execution of civil works valued at $5 million or more, the PIDAs in each province were responsible for institutional reforms and the public sector drainage investment activities. As several mission reports point out, the PIDAs formed in each province were not properly staffed and there was little government commitment to the PIDA concept. The PIDAs were, therefore, not able to be effective. In addition, the failure to outsource social mobilization and public awareness programs to competent nongovernment organizations (NGOs) by the Project due to government unwillingness to work with the NGO sector and the resulting implementation of these activities by provincial agriculture department (PAD) and PIDA staff without relevant capacity or experience contributed significantly to the setback of these aspects of the Project.

The PCR assessment of compliance with loan conditions and covenants is complete. Of the 39 loan covenants, only five (13%) were complied with. Nine (23%) were partly complied with and 25 (64%) were not complied with. The PCR also noted that compliance with all sector, environmental, social, and economic covenants were given ratings of *unsatisfactory*.

Consultants for monitoring and environmental audits were recruited under the ADB loan but consultants for design and construction supervision were recruited under the World Bank loan. Review missions noted on several occasions that the work of the design and construction consultants was not of sufficient quality, which delayed implementation. Delays were also caused by IAs changing design requirements, which resulted in wasted time and effort.

According to the PCR, the procurement of consultants and contractors followed ADB guidelines. The performance of contractors was often of poor quality and work was often not completed on time. As far as can be ascertained, this was at least partly due to weak contract management and poor assessment of contractors’ capacities.

(v) **Performance of the Borrower and Executing Agency.** OED concurs with the PCR that the performance of the Borrower, the executing agency and IAs was *unsatisfactory*. The national and provincial governments lacked commitment to sector reform and were unable to deliver on institutional reforms in a timely manner. When reforms were instituted, such as the establishment of the PIDAs’ area water boards and farmer organizations, they often lacked substance. The institutional situation compounded the many problems on the Borrower and executing agency side with the selection, preparation, and implementation of subprojects. In addition, the executing agency did not submit a PCR.

(vi) **Performance of the ADB.** The PCR rates the ADB’s performance as *unsatisfactory* and notes that despite 12 special loan administration missions, six loan review missions, and a midterm review mission, implementation of the Project failed to improve. Furthermore, the PCR notes that despite poor performance, the loan period was extended by a total of 3.5 years. Loan closure was in December 2006, 2 years after closure of the parallel World Bank loan.

Project missions during implementation comprised the ADB project officer and one other member, at most, and averaged 10 person-days. The Midterm Review Mission in November...
2002 was conducted jointly with the World Bank and the JBIC. There were also other joint review missions with World Bank and JBIC.

OED rates the performance of the ADB as partly satisfactory. Taking into consideration the whole project cycle

D. Evaluation of Performance (PCR assessment and Validation)

(i) **Relevance.** The PCR rates the Project as not relevant. At appraisal, it appeared that the Project would be relevant because it addressed critical issues in Pakistan’s agricultural sector, 90% of which depends on irrigation. As has already been noted, the design of the Project was complex and overly ambitious. Furthermore, attempting to implement policy and institutional reforms together in a single project with the extensive civil works required to rehabilitate and upgrade drainage systems was unworkable and simply resulted in the failure of both objectives. OED concurs with the PCR assessment that overall, the Project was not relevant. A more relevant design would, perhaps, have had more modest and achievable institutional objectives and would not have made progress in the field, where the impact is directly on farmers’ production and incomes, dependent on institutional progress.

(ii) **Effectiveness in Achieving Outcome.** Very few of the outcomes defined at project appraisal were achieved (see PCR, para. 6). Furthermore, total project expenditures were only $31.1 million, compared with the appraisal estimate of $185 million. The poor level of achievement applies to both the institutional reform and the public sector drainage Investment components. In addition, the institutional reforms instigated by the Project were, for the most part, incompletely implemented or were ineffective due to a lack of will and because the bureaucratic processes for instituting them were long and complex. OED concurs with the PCR assessment that the Project was not effective in achieving the anticipated outcomes. However, outcomes varied among the provinces and relatively more was achieved in Sindh than in the other provinces, although this was not sufficient to affect the overall rating.

(iii) **Efficiency in Achieving Outcome and Outputs.** An economic analysis of project activities was carried out for the PCR. The results for the subprojects that were implemented showed economic rates of return (EIRRs) generally somewhat lower than those estimated at appraisal but, in most cases, still above 12%. Deep tube wells in Sindh had an EIRR at project completion estimated at only 6.7%, compared with 14.6% at appraisal. In Balochistan, irrigation system rehabilitation achieved EIRRs between 10.3% and 67%.\(^4\) In NWFP, tile drainage subprojects achieved an EIRR of 15.7%. For subprojects that were essentially for deferred maintenance, no assessment was made at project completion. The PCR rates the Project as not efficient. OED concurs with this assessment because, although the subprojects reassessed for the PCR achieved satisfactory EIRRs (except for deep tube wells in Sindh), when the whole Project is considered very little was achieved. The best that may be concluded is that the Project could have been efficient if overall implementation had been more successful.

(iv) **Preliminary Assessment of Sustainability.** Due to the poor quality of work, some of the structures and maintenance works carried out under the Project were already disappearing at the time of the PCR mission, and many of the STWs installed in Sindh were not operational because parts had been stolen. On the institutional side, while several hundred farmer organizations and water user associations had been formed, these focused on irrigation rather than drainage and their sustainability was very uncertain because management responsibility had not been transferred to them. The future of environmental management units established under the Project was also uncertain as there was no decision at project completion regarding their future financing. OED concurs with the PCR assessment that the sustainability of the Project is unlikely.

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\(^4\) At appraisal, EIRRs above 10% were acceptable for project approval.
(v) **Impact** (both intended and unintended). OED agrees with the PCR assessment that the Project could not achieve the social, socioeconomic, environmental, or institutional impacts that were envisaged at appraisal. Where rehabilitation works were implemented the extent and achievements were limited and significantly less than estimated at appraisal, even in Sindh province where the project progressed relatively more smoothly than in the other two provinces.

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

(i) **Overall Assessment.** The PCR rated the Project as *unsuccessful*. In view of the low level of achievements, the lack of relevance, the low overall efficiency of the Project (given the low level of achievement), and the unlikely sustainability of subprojects that were implemented, OED concurs with this assessment.

(ii) **Lessons.** OED agrees with the lessons noted in the PCR report. The main lesson from the Project is that attempting to address several major issues in a single project, even though they may be interrelated, leads to complexities that make implementation very difficult. Projects should have a single focus and a simple and straightforward design.

(iii) **Recommendations.** OED agrees with the recommendations included in the PCR and has no further recommendations to add.

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

The Project design provided for WAPDA water wing to carry out a program of M&E of the drainage benefits and environmental impacts of the NDP. The program was intended to be carried out for at least five completed drainage schemes and selected public sector and on-farm drainage subprojects. The M&E program was to supplement data collected with data from other ongoing drainage-related projects. Details of these programs have not been available for review for this validation.

The Environmental M&E system was to be implemented by the WAPDA water wing’s environmental cell and the Project was also to provide support for the implementation of environmental plans for the Chashma right bank irrigation, and the left bank outfall drain projects. There is no information in the PCR or other documents to assess how this M&E was implemented.

The extent to which the M&E of drainage benefits has been implemented is not clear from the documents reviewed.

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

OED did not find any evidence of safeguard violation in the documents reviewed. However, it is noted that, at the level of beneficiary participation, the failure to recruit competent NGOs to assist with social mobilization probably had a negative impact on socioeconomic outcomes of the Project.

The PCR reports that the audit reports submitted by the EAs were of acceptable standard.

The Government did not prepare a project completion report for the ADB project, although they did prepare one in 2004 for the parallel World Bank project.
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I. Comments on PCR Quality

OED assesses the PCR as **satisfactory**.

The PCR follows the guidelines and generally provides sufficient evidence to support its ratings.

The evaluation of social and socioeconomic aspects of the Project is somewhat weak, although this appears to stem from the limited achievements of the Project and the consequent limited basis on which to assess these aspects.

The reestimation of economic and financial indicators is **satisfactory**.

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

J. Recommendation for OED follow up

There is no recommendation for OED follow up.

K. Data Sources for Validation

(i) RRP
(ii) Minutes of Management Review Meeting, Staff Review Committee, LTCC
(iii) Minutes of Board discussions
(iv) Back-to-office reports and aide memoires of ADB missions
(v) PCR
(vi) World Bank NDP Implementation Completion and Results Report
On 30 September 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 Pakistan Resident Mission:

The Pakistan Resident Mission has reviewed OED's validation report of the PCR, and noted that the PCR's evaluation has been endorsed except for ADB's performance which is rated partly satisfactory as compared to unsatisfactory in the PCR. We also noted that the PCR has been assessed as satisfactory. We have no further comments.