



# Validation Report

---

Reference Number: PCV: PAK 2008-08  
Project Number: 27168  
Loan Number: 1531  
July 2008

## Pakistan: Dera Ghazi Khan Rural Development Project

Operations Evaluation Department

**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
BME	–	benefit monitoring and evaluation
CD	–	community development
CO	–	community organizations
EIRR	–	economic internal rate of return
NGO	–	nongovernment organization
NRSP	–	National Rural Support Programme
O&M	–	operation and maintenance
OED	–	Operations Evaluation Department
PCR	–	project completion report
PERI	–	Punjab Economic Research Institute
PMU	–	project management unit
RRP	–	report and recommendation of the President
SCO	–	savings and credit organizations
SDR	–	special drawing rights
TA	–	technical assistance
WC	–	watercourses
WUA	–	water users association

### Key Words

adb, asian development bank, d.g. dg khan, dera ghazi khan, pakistan project completion report, pcr validation, rural development

<b>Director</b>	R. K. Leonard, Operations Evaluation Division 1, OED
<b>Team Leader</b>	W. Kolkma, Senior Evaluation Specialist, OED
<b>Team Members</b>	A. Anabo, Senior Evaluation Officer, OED V. Melo, Administrative Assistant, OED

## OED PCR VALIDATION REPORT

<b>A. Basic Project Data</b>		<b>PCR Validation Date:</b>	<b>February 2008</b>	
<b>Project Number:</b>	27168; Loan 1531-PAK(SF)		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Dera Ghazi Khan Rural Development Project	<b>Total Project Costs (\$million):</b>	\$52.2	\$48.6
<b>Country:</b>	Pakistan	<b>Loan/Credit (\$million):</b>	\$36.0 (SDR26.1)	\$30.8 (SDR21.4)
<b>Sector:</b>	Multisector	<b>Cofinancing (\$million):</b>	–	–
<b>Financing (\$million):</b>	ADF: \$0.0	<b>Borrower Contribution (\$million):</b>	7.1	6.3
	OCR: \$0.0	<b>Board Approval Date:</b>	<b>4 Sep 1997</b>	
<b>Cofinancers:</b>	–	<b>Closing Date:</b>	<b>30 Nov 2006</b>	
<b>Project Officers:</b>	<b>Name:</b>	<b>Designation:</b>	<b>From (month/year)</b>	<b>To (month/year)</b>
	R. Renfro	Senior Project Economist	Jan 1998	Mar 2000
	D. Walton	Rural Development Specialist		
	Abid M. Hussain (PRM)	Senior Programs Officer	Apr 2000	Nov 2001
	Allan Lee (PRM)	Senior Investment Officer	Dec 2001	Jun 2003
Mian S. Shafi (PRM)	Project Implementation Officer	Jul 2003	Oct 2007	
<b>Evaluator:</b>	W.A.M. Kolkma	<b>Director:</b> R. Keith Leonard		
<b>Team Leader:</b>	W.A.M. Kolkma Senior Evaluation Specialist			

ADF = Asian Development Fund, OED = Operations Evaluation Department, OCR = ordinary capital resources, PCR = project completion report, PRM = Pakistan Resident Mission, SDR = special drawing right, SF = special fund.

<b>B. Project Description</b> (as stated in the report and recommendation of the President [RRP])	
(i)	<p><b>Rationale and expected impacts.</b> “Dera Ghazi Khan is the least-developed division of Pakistan with more than 50% of the population living below the poverty line. Of its four districts, D. G. Khan and Rajanpur districts have the highest incidence of poverty (over 70%) and among the highest in the country. These two districts were the focus of the assistance of the Asian Development Bank (ADB) under the Project. Surveys of rural communities in these districts had revealed that they lacked critical social and economic infrastructure at the village level, irrigation water, and roads. Women emphasized the lack of water for irrigation and household use, health services, roads, and electricity as major problems. The rural roads are in urgent need for upgrading and small floodwater diversion structures need rehabilitation. The rural poor also considered it important to rehabilitate other infrastructure facilities e.g., community buildings, water supply, and culverts. Despite their many problems, the needs of the poor in the rainfed and canal-irrigated areas have been largely neglected. This situation needs to be improved by appropriate rural development initiatives that respond to the perceived needs of the community and their capacity to implement and maintain the facilities. Complementary investments are needed in the project area to improve agricultural, livestock, and small enterprise productivity and improve the quality of village life.”</p>
(ii)	<p><b>Objectives or Expected Outcomes.</b> “The Project aims to increase rural incomes, employment, and quality of life through improvements in irrigation and road infrastructure, community development (CD), provision of financial services, and institutional support through organizational and skills training for beneficiaries in village communities. The Project is designed to reduce poverty. The project's objective support the Government's strategic objectives of economic and social development, increased private sector participation, improvements in agricultural production, more efficient use of increasingly scarce irrigation water, development of rural areas, reduction of poverty, and environmental and social sustainability. The project scope includes irrigation improvement, CD, rural roads, financial</p>

services, and institutional support.”

(iii) **Components:**

- (a) Irrigation improvement: (1) rehabilitating temporary diversions and lining works in perennial hill torrent networks, (2) developing 100 water users associations (WUAs) and improving 100 watercourses (WCs) in hill torrents, and (3) installing 100 tube wells and improving the related WCs in freshwater zones.
- (b) Community development: (1) mobilizing and strengthening 600 community organizations (COs); and (2) identifying, prioritizing, and implementing CD subprojects (to be done by the communities themselves).
- (c) Rural roads: upgrading of about 175 km of rural roads.
- (d) Financial services: (1) mobilizing village savings and credit organizations (SCOs), (2) financing sub-loans, (3) mobilizing savings, and (4) providing training.
- (e) Implementation support: consultancy services and incremental administration support for the purpose of (1) mobilizing and strengthening beneficiary WUAs, COs, and SCOs in the villages; and (2) designing and supervising the infrastructure construction and strengthening the project management unit (PMU).

(iv) **Outputs:**

- (a) Rehabilitation of the command area of about 6,410 ha of land currently receiving irrigation water, and development of about 2,910 ha of land not yet receiving irrigation water;
- (b) Mobilization and capacity development of 600 COs (a total of 15,000 members), 40% of which women COs or mixed COs, and implementation of subprojects in the following areas: (1) 22 hill torrent irrigation improvement subprojects; (2) 212 soil and water conservation subprojects; (3) 375 agricultural production subprojects; (4) 360 livestock production subprojects, and village infrastructure improvement;
- (c) (1) Improvement of about 175 km of rural roads; (2) creation of 1,000 village SCOs with 25,000 rural members; (3) credit line of \$2.7 million to the National Rural Support Programme (NRSP), a nongovernment organization (NGO), financing 36,000 subloans; (4) recovery rate of 90% or above; (5) management training for about 2,000 SCO leaders and skills training for about 4,000 other members; (6) mobilization of voluntary savings totaling about \$300,000 for on-lending by SCOs.

**C. Evaluation of Design and Implementation** (PCR assessment and validation assessment)

- (i) **Relevance of Design and Formulation.** Asian Development Bank's (ADB) Project Completion Report (PCR) noted that the project's objective was in line with the new operational strategy for Pakistan in 1995. The choice of the project area was ostensibly based on poverty incidence and the geographic focus of ADB's sector strategy. The PCR also noted that the project's design was consistent with the strategic objectives of the Government. This validation report notes that the Government has indeed had a long focus on area development projects of a holistic type. An alternative set of projects with possibly different area coverage but more confined to a single sector was not discussed in the report and recommendation of the President (RRP) or PCR. For instance, it could have been conceived that one project focused on irrigation and extension and microcredit, another on CD, and a third on rural roads. Given the high levels of poverty in the area, the Operations Evaluation Department (OED) assesses that it was appropriate that the loan funds were mostly on-granted to the area by the government (with the exception of the microcredit component). The complexity of the Project seems to have hindered the full participation of some of the IAs. Due to the PMU specially created by the planning and development department, the quality of outputs was nevertheless very good, although the outputs were delayed and were provided mainly through the PMU and thereby at the expense of potential capacity development in the IAs. With more funds for specialized units in these agencies, the Project could have done better. Minor scope changes improved the project's design. The project's objective of poverty reduction can be linked directly to the design focusing on productive and infrastructure investment; some CD investment, such as in school and community buildings was less geared to direct poverty reduction in the area.

The success of this component was entirely due to the circumstance that a strong NGO in the area could be selected as IA.

- (ii) **Outputs and Costs as Envisioned during Appraisal as Compared to Actual Costs and Achievement of Outputs; Reasons for Any Deviation.** The PCR noted that certain costs had been overestimated and the Government had already taken care of some of the planned outputs when the Project was finally ready to disburse. Nevertheless, costs actually incurred were close to those estimated. Any demand driven area development project needs to be flexible, and as such the reasons for deviations that were given by the PCR were valid. The PCR sufficiently quantified the changes and the outputs achieved. 19% of the special drawing rights (SDR) value of the loan was cancelled (saved), this in spite of the two extensions granted. This is slightly more than the average loan cancellation and saving. The overall project cost was 7% less than the estimate, indicating that the estimate was reasonably good (but see above) and the Government chose to use its own funds relative to those of ADB.

- (iii) **Project Cost, Disbursements, Borrower Contribution, and Conformance to Schedule** (as relevant to project performance). The PCR mentions that the initial slow disbursement was due to a delayed start without a full-time project director, and due to investigations into allegations of mismanagement and financial malpractice, which led to an overall delay equivalent to more than 3 years. More information in the PCR on the findings of the investigations would have been of interest. Further communication with the project officer indicates that the committee formed to investigate the two allegations could not reach a conclusion on either. The external audit did not find irregularities. The audit came at a politically sensitive time, when the new government was establishing itself, pursuing a devolution plan, and investigating various practices of earlier times. Due to the media trail, the Project lost credibility and most of the staff contracted either left the Project or their contract was not renewed (including the contract of the part time Project Director and his deputy).

It is surprising and not completely clear how the minor changes to the scope of the project (less surface irrigation) and the implementation arrangements in 2002 (the PCR states that there were more PMU staff and logistical resources) were able to turn round the Project in such a way that its 3-year delay did not have significantly negative effects on project outcomes.

- (iv) **Implementation Arrangements, Conditions and Covenants, and related Technical Assistance (TA).** As the PCR has argued, the assumptions regarding the coordination of various IAs by a central PMU under the Planning and Development Department were too optimistic, and greater PMU and consultant input was required to implement the Project. According to the government's PCR (the PC-IV), an engineering cell had to be created in the PMU, as the nine allied agencies had their own priorities. The PC-IV stated that creating a PMU with only coordinating powers but no control was a unique experience, creating problems. An unforeseeable factor was the Local Government Ordinance 2001, which devolved many provincially-based implementation agencies to the district level, without always creating the necessary capacity at that level. This affected the involvement of the implementing agencies (IAs) even more. The PCR does not discuss whether a different approach, with separate projects (and thereby executing agencies) for CD, rural roads, and irrigation/credit/agricultural extension, would have been better with the benefit of hindsight. The PCR's recommendations imply that if the IAs had been given dedicated units in each district, the integrated development approach would have been successful and also developed more capacity. Even without these units, the actual synergy achieved by the PMU and NRSP, which both proved very dedicated, and the development results obtained in this way, may have outweighed the loss in terms of long term capacity development of IAs. On the other hand, a less top heavy project might have led to smaller delays to starting up, although ADB would probably have had to dedicate more resources to the preparation of three projects than to one area development project. The PCR might have provided a more detailed description of the constitution of the PMU, so crucial for the success of the Project. In a reaction, the project officer reports that there were 92 contractual nongovernment staff (including support staff) and 2 deputed government staff in

the PMU. All of the contractual staff were retained by the Government of Punjab. The Government is planning other foreign funded projects and the staff may be needed for these projects once they start in 2008. It can be concluded that even with the integrated approach, relying mostly on PMU staff, some capacity has been developed and is being retained.

The number of consultants totaled a modest 137 person-months (30 or so experts) who were concerned with design and construction supervision, and Benefit Monitoring and Evaluation (BME). Twelve research officers were assigned to monitor seven geographic units. The officers would collect data from all the relevant agencies and report twice a month through a Management Information System. The report was basic but was produced at 2 week intervals, was accurate and reliable, and served as an effective management tool. Apart from the consultants, the NGO NRSP was contracted to implement three components of the Project, the CD component, the finance component, and the institutional support component. In the view of OED, the latter may have included some project management support as well, but the extent of this is difficult to judge.

The PCR states that only one main covenant was not complied with at project completion—the release of operation and maintenance (O&M) funds for the roads completed under the Project. Nevertheless, the PCR reports that the funds have been allocated by the responsible IA. At the time of the validation (December 2007), the project officer reports that the utilization of the O&M budget has remained weak. The district government was using O&M for constructing new roads. At ADB's request, the Government of Punjab has issued a directive and funds have been released for O&M separately from those of the development budget.

This validation concludes that there was appropriately no TA complementing the Project. In fact, a TA focusing on capacity development of the PMU would have been less effective as the PMU staff is moving on to other projects. Capacity development of various other agencies would not have had a significant impact either, as these did not have clear units supporting the Project.

- (v) **Performance of the Borrower and Executing Agency.** The PCR assesses the performance of the project's executing agency as highly satisfactory, and that of most of the other IAs as only partly satisfactory. The NRSP, as IA for the CD component, performed very well. The performance of the Communication and Works Department was assessed as satisfactory, in spite of delays during project start up. OED concurs with the PCR, with the proviso that the design of the project, relying on fruitful collaboration of many agencies under a PMU was somewhat of a leap of faith from the start. OED agrees that the Government's appointment of a good project director must have helped a lot. Unfortunately, the Government did not provide a PCR in the format requested by ADB—it delivered a document in the standard government PC-IV format, which lacks the Government's assessments of its own performance, and that of ADB. It was based on a report by the Punjab Economic Research Institute (PERI) called "Impact Evaluation of Dera Ghazi Khan Rural Development Project," completed in 2006. This concludes that: "In spite of about 15 percent under run in financial targets, the Project can be regarded as successful, in view of difficulties faced in its initial years of operation." A few lessons of the PC-IV are that transfer of government staff in the middle of the Project caused problems, further more the devolution process and associated political expediencies, and the high degree of distribution of tasks among agencies in the Project.
- (vi) **Performance of the Asian Development Bank.** The PCR states that ADB's performance in administering the Project was satisfactory. Delegation of the Project to the Pakistan resident mission in 2000 greatly benefited the Project, and OED can raise the question why such delegation was not achieved earlier, when the Project was mired in delays and PMU management was even suspended for some time due to major internal PMU disputes and corruption allegations. The Midterm evaluation took place only in 2004 (it was intended to be held 2 years after the start), the originally envisaged closing date of the loan, and led to some changes that might have taken place earlier if the review had been held earlier. The RRP

foresaw the need for such a review at the end of the second year of implementation. Other than this, the Project benefited from stability in the administration—the project officer in the Pakistan Resident Mission that was appointed in 2003 remained responsible for the Project until its completion, and was also responsible for a good quality PCR. The latter factor is the main reason why OED concurs with the satisfactory rating of ADB.

#### D. Evaluation of Performance (PCR assessment and validation assessment)

- (i) **Relevance.** The PCR rated the Project as relevant, and OED agrees with this assessment on the basis of the fact that ADB was able to assist an area and population that belongs to the poorest in Pakistan. The implementation arrangements were, however, somewhat deficient, and this was overcome only due to long extension of the Project and the fortuitous circumstance that the Planning and Development Department was able to come up with a dedicated PMU and good Plan Bs. In fairness, there were also unforeseen circumstances, such as the devolution process and perhaps politically motivated scrutiny of the project. The OED rating applies to the Project both ex-ante and ex-post.
- (ii) **Effectiveness in Achieving Outcome.** The PCR rated the Project as effective. OED regards the evidence available in the PCR as sufficient to concur with this rating, also after an additional examination of the reports submitted by PERI, the institute contracted to conduct the benefit monitoring and evaluation. A large survey in November 2006 found 96% of the completed projects functioning (68% at high level, 24% at average level, and 8% at low level).<sup>1</sup> OED judges the quality of the PCR's appendix discussing the outputs and outcomes as satisfactory. Many of the outcomes were discussed in a tangible way. The project officer has commented that the microfinance program continued beyond the Project and NRSP continues to use the revolving fund, under an extension of their services by the government of Punjab. The Government of Punjab is launching a much bigger rural development initiative in the area and needs the NRSP's microfinance services for at least 6 years. Other mainstream microfinance institutions in the private sector have also opened up offices in the project area and are doing good business.
- (iii) **Efficiency in Achieving Outcome and Outputs.** The PCR rates the Project as efficient. There is efficiency of process and efficiency of investment. OED observes that process efficiency was obviously unsatisfactory in the first 3 years, but that the Project later made up for this by establishing a good PMU that substituted for the failed original idea of a more decentralized implementation process. The delay of 3 years does not seem to have affected the generally very high economic rates of return of the many subprojects, so the efficiency of investment was high. The PCR rates the overall economic internal rate of return (EIRR) for the Project as 33.5%, as against an EIRR of 24.0% estimated at appraisal. OED loosely uses an EIRR of 18% as the benchmark value for highly successful projects. Although estimates made by NRSP in 2001–2002 and PERI in 2005 were different in methodology from those in the PCR in 2007, they were similarly high, which lends more credibility to them. But yet, this validation report regards all of them as on the high side. The figures were either based on questionnaires applying to a 1-year period, or were estimated in a model farm budget. Inevitable annual climatic variations seem not to have been taken into account. A full verification of the accuracy of the economic analysis of the many components would however be difficult without going back to the field. The project officer has justified the high EIRRs as follows: "The main reason for high EIRR is that the community projects proved to be very cost effective—the unit costs at project completion were much lower than those estimated at appraisal. The other reason is that at appraisal stage the estimates for productivity were

<sup>1</sup> Main reasons for non-functional, or low-functioning subprojects were social problems and conflicts among users in case of community buildings, low production/marketable surplus in case of food godowns, financial problems in case of poultry sheds, shortage and inadequate supply of wood in case of ara machine, inadequate number of animals and delay in issues of livestock loans to fill the cattle sheds, and lack of rain/canal water in case of water supply subprojects.

conservative. As Pakistan was already going through change towards high yield varieties, the gains in productivity were much higher than those estimated at appraisal—especially those for subsurface irrigation. The "without project" situation was an extremely low productivity scenario—the level of capitalization was much higher than expected, also due to the agriculture sector program loan interventions over the years. Adjacent areas were already practicing high yielding agriculture. As soon as water became available the project area also changed quickly to more high yielding agriculture."

Overall, OED concurs with the PCR's rating of the Project as 'efficient' as it feels less confident about the data supporting a highly efficient rating.

- (iv) **Preliminary Assessment of Sustainability.** OED is convinced of the arguments in the PCR to support an assessment of a likely sustainable project; later communications with the project officer have corroborated this conviction. NRSP continues to provide services in the area, not only in microfinance but also in CD, for which they receive funds from the Pakistan Poverty Alleviation Fund. A review of a sample of 4-year old COs found that more than 90% of these were functional. Under the local government ordinance, 25% of district budget is allocated to the Citizen Community Board fund. It follows the concept introduced by the Project. Most COs were clustered and registered with the Citizen Community Board and the district government approved their projects. This allowed the COs to acquire access to a more regular and permanent funding source for their CD works. In the longer run, the sustainability of the project outputs is more uncertain, and depends on continued involvement of the contracted NGO and, if this is not the case, increased involvement of agencies that were not fully involved during implementation of the Project. The Government is considering a southern Punjab rural development project, with funding from Department for International Development.
- (v) **Impact** (both intended and unintended). The PCR quotes the PERI impact evaluation study to show that the project interventions have successfully reduced poverty incidence by 16%, against a 10% target at appraisal. OED concurs with the various arguments employed in the impact section of the PCR, but adds that economic development in Pakistan over the period after 2000 must have contributed to the reduction in poverty incidence, separate from the more particular project impact. The methodology for the sampling and surveying in the comprehensive PERI impact study could have been explained better in the PCR and in the study itself.

#### E. Overall Assessment, Lessons, and Recommendations (Evaluator assessment)

- (i) **Overall Assessment.** OED concurs with the PCR rating of "successful," even when economic rates of return point to the plausibility of a rating of the Project as "highly successful." Questions can be asked about the replicability of an area project such as this one, which is multisectoral and relying on the cooperation of many agencies. A strong PMU with good quality leadership and dedicated staff is not always available, and the Project was fortuitous in having been able to establish it, including having a good ADB project officer that was able to stay on for several years.
- (ii) **Lessons.** The PCR lessons can generally be endorsed by OED, although some did not seem to flow from the main text. The lesson on interventions related to women was not ostensibly based on a discussion in the main text on this subject—and its gist, namely gender interventions in tradition-bound areas such as the project area can work only after the Project has established its credibility, is probably true. The lesson that a supply driven approach at the start of the project can work, is questionable. The last lesson is worded in vague terms but is taken to mean that the use of specially recruited local staff in a project in a remote area can be challenging at the start, but that the benefits will be good in the end as they will be easier to retain. This is an interesting lesson.

OED learned from this case that complex area development projects dealing with interventions in many sectors and affected by fundamental changes in IA structures (due to in this case

devolution of powers) can yet do well if it is accepted that there will be a strong and inevitably externally-staffed project management unit, backed by a strong supervisory agency such as a planning department.

- (iii) **Recommendations.** The recommendations of the PCR flow well from the discussion in the main text, and are mostly supported by OED. OED has no further recommendations to add. OED may not be able to follow up on the last recommendation of the PCR, that a project performance evaluation report (PPER), if undertaken, had best take place after 2008. OED conducts only 10 such project evaluations each year. Given the good quality of the PCR and supporting evidence of impacts, this Project may be less interesting for OED, and the remaining issues may be less urgent than other cases.

#### **F. M&E Design, Implementation, and Utilization (Evaluator Assessment)**

The RRP was very brief at the time regarding design of the (BME):

“The PMU, with the assistance of the implementation and BME consultants, will establish a BME system to monitor implementation progress of the Project with the set of indicators shown in the project framework (see Appendix 7), and assess the impact of the Project on the beneficiaries. The BME will include estimates of vehicle cost savings, incremental value-added gains from the irrigation improvements, and the EIRR estimates for irrigation improvements, CD, and rural roads from the NRSP.”

PERI, which had done the baseline survey, was hired again to conduct part of the BME after an individual consultant failed to do this work satisfactorily. A monitoring and evaluation cell in the PMU also did its part in monitoring and assessment of EIRRs. The PMU involved NRSP as an experienced NGO with good ground presence in the area in monitoring activities and in implementation of the CD and microfinance components. Main reports produced focused on calculating EIRRs of various components, which were all high although they used slightly different methodologies. They provided some data of use to the calculations of EIRR made in the PCR but beyond this, the influence of the surveys on actual project management was probably very limited.

#### **G. Other (Safeguards, Fiduciary, Unintended Impacts—Positive and Negative)**

A resettlement plan was not prepared for the Project in spite of it dealing extensively with land issues. Much of the land was communal. Where land issues were serious, the Project could eventually not be carried out. In Veholva, the land owners with land in the lower part wanted to transfer their water rights to their land in the upper part (these were generally the big land lords). This meant much less water for the remaining lower riparians who were small holders. The case was pending in a court of law throughout the project life and a few times the NGO attempted to arrange an out of court settlement. After 5 years, ADB decided to pull out of the component.

The take over of water courses by the government was a completely different case. The Project relied on upfront community contributions (the scope was about 200 water courses). However, simultaneously the government started a nationwide water course program relying on communal labor—which was more attractive for the communities. The government felt that the two models applied created confusion. ADB then agreed to pass on the WC subprojects to the National Program. The National Program has now completed the WCs.

A resettlement plan was not prepared for the road component of the Project. Although no complaints were registered regarding the compensation and resettlement plan, which indicates that no major problems have occurred, the project officer acknowledges that the Project could have done better in documenting the process of voluntary donations of land for the road.

In a reaction to the validation report's questions, the project officer explains the situation as follows:

“The roads were constructed on existing fair-weather roads and rural metalled/paved roads that had been depleted or washed away. COs played a major role in persuading communities to donate the communal lands and individuals (in some cases) to donate private land. Voluntary donations of the cheap land were easily provided where minor realignment was required except in irrigated areas. The COs were able to manage where disputes arose and in some cases provided alternative land to smallholders in the same area, in case they could not afford voluntary donations. Additional land was only required in very small volumes for minor realignments.”

The project officer states that the process of land acquisition and compensation was well documented in the case of CD subprojects.

The PCR mentions in some places that the Project took place in a tribal environment. Thus, the question arises whether ADB's Indigenous Peoples Policy should have led to an indigenous peoples development plan. Such a plan was not prepared. The Chashma Right Bank Canal project, which is located just north of the project area, had been the subject of an ADB inspection in 2003, in part because of allegations regarding lack of attention for minority Seraikhi speaking tribes and other tribes, Baloch tribes, and traditional hill torrent farmers. Given this experience, more attention for the Project's effects on minority groups (such as indigenous peoples) would have benefited the depth of the PCR. In a response, the project officer reported that the project's technology was different from that of the Chashma project (“almost opposite”—it strengthened rather than disrupted the existing system based on flooding of sparsely populated areas). There were no adverse impacts on hill farming, land use, and resettlement. No complaints were registered from any side.

#### H. Recommendations for OED follow up

OED judges that the PCR is of satisfactory quality and depth and does not recommend an OED project performance evaluation at a later stage.

I. Ratings	PCR	OED Review	Reason for Disagreement/Comments
<b>Relevance:</b>	Relevant	Relevant	OED agrees on need for the Project but is less positive about the project's design, however this was overcome by the client
<b>Effectiveness in Achieving Outcome:</b>	Effective	Effective (borderline highly effective)	
<b>Efficiency in Achieving Outcome and Outputs:</b>	Efficient	Efficient	Economic rates of return are very high for such a project
<b>Preliminary Assessment of Sustainability:</b>	Likely sustainable	Likely sustainable	
<b>Borrower and EA:</b>	Satisfactory	Satisfactory	

<b>Performance of ADB:</b>	Satisfactory	Satisfactory	Transfer to Pakistan Resident Mission helped, and stability of supervisory staff
<b>Impact:</b>	Significant	Significant	
<b>Overall Assessment:</b>	Successful	Successful	
<b>Quality of PCR:</b>	Satisfactory		

#### J. Comments on PCR Quality

This was an interesting and detailed PCR which made very good use of the evidence available from impact studies and insider knowledge on government budgets and commitments of line agencies.

The PCR remains optimistic about the replicability of this kind of integrated rural development project, but it is debatable whether the conditions it mentions as needed, for instance dedicated project implementation units for many IAs in the various districts, is feasible in practice.

Linked to the previous comment is that the PCR could have discussed more in detail whether a different organization of the support for this geographical area might have yielded better results or might have led to more capacity development of the regular line agencies in the area.

The discussion of safeguards, particularly social and governance safeguards was somewhat meager, also in light of the experience with the inspection of the Chashma Right Bank Canal project.

Some other questions remain, such as regarding the continuation of the various WUAs, COs and SCOs. These have been answered as part of the validation.

## **REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT**

The Operations Evaluation Department received comments on an earlier draft from the Pakistan Resident Mission; and the Agriculture, Environment, and Natural Resources Division of the Central and West Asia Regional Department, on 11 and 15 February 2008, respectively. All were duly incorporated in the final report. The Resident Mission and the Division support the assessment provided in the Operations Evaluation Department's Project Completion Report Validation Report.