



# Validation Report

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Reference Number: PVR-215  
Project Number: 32058  
Loan Number: 1928  
December 2012

## Pakistan: Punjab Road Development Sector Project

Independent Evaluation Department

**Asian Development Bank**

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CWD	–	Communication and Works Department
EIRR	–	economic internal rate of return
PCR	–	project completion report
PPG	–	Punjab Provincial Government
RRP	–	report and recommendation of the President

## **NOTE**

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

### **Key Words**

adb, evaluation, institutional development, lessons, pakistan, performance evaluation, punjab, road, road maintenance, rural access road, transportation, validation

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## PROJECT BASIC DATA

<b>Project Number:</b>	32058	<b>PCR Circulation Date:</b>	Oct 2009	
<b>Loan/Grant Number:</b>	1928	<b>PCR Validation Date:</b>	Dec 2012	
<b>Project Name:</b>	Punjab Road Development Sector Project			
<b>Country:</b>	Pakistan		<b>Approved</b> (\$ million)	<b>Actual</b> (\$ million)
<b>Sector:</b>	Transport	<b>Total Project Costs:</b>	222.1	119.6
<b>ADB Financing:</b> (\$ million)	<b>ADF:</b>	<b>Loan/Grant:</b>	150.0	82.8
	<b>OCR:</b> 150.0	<b>Borrower:</b>	72.1	36.8
		<b>Beneficiaries:</b>	0.0	0.0
		<b>Others:</b>	0.0	0.0
<b>Cofinancier:</b>		<b>Total Cofinancing:</b>		
<b>Approval Date:</b>	31 Oct 2002	<b>Effectiveness Date:</b>	26 Jun 2003	26 Jun 2003
<b>Signing Date:</b>	26 Mar 2003	<b>Closing Date:</b>	31 Dec 2008	2 Sep 2009
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ADB = Asian Development Bank, ADF = Asian Development Fund, IED2 = Independent Evaluation Department (Division 2), OCR = ordinary capital resources, PCR = project completion report.

## I. PROJECT DESCRIPTION

### A. Rationale

1. The Punjab Road Development Sector Project aimed to address the constraints in Punjab's provincial road network.<sup>1</sup> A focused sector approach was chosen because of the road network's wide geographic coverage and the range of policy and institutional issues. Improving the provincial road network aimed to benefit 72 million people in Punjab province, including 70% who lived in rural areas. The Punjab Provincial Government (PPG) attempted a few key road policy issues concerning road maintenance and private sector involvement to prevent the loss of investment due to inadequate maintenance spending and widespread overloading. The project was designed to support the principal roads agency, the Communication and Works Department (CWD) in Punjab, in implementing the vast reorganization required by the ongoing devolution at that time. This involved the transfer of about 11,000 of its staff and turning over the responsibility of maintaining about 34,000 kilometers (km) of roads to the local governments that were set up in 34 districts at the time of appraisal.

### B. Expected Impact

2. The expected impacts of the project were promotion of economic growth by improving transport infrastructure and reduction in poverty by improving access to income and providing

<sup>1</sup> Summarized from ADB. 2002. *Report and Recommendation of the President: Proposed Loan to Pakistan for the Punjab Road Development Sector Project*. Manila.

employment opportunities and social services for the poor (report and recommendation of the President [RRP], footnote 1). Reductions in transport cost were expected to spur trading, enhance employment opportunities, and result in better mobility and greater use of social services. Most of the roads selected for improvement were located in central and southern Punjab where the share of the population in poverty was much higher than the average for the province. The project was expected to generate employment opportunities of about 11,800 person-months for provincial highways and 26,600 person-months for rural roads. No significant environmental problems were expected and mitigation measures for any potential adverse impacts were considered manageable.

### **C. Objectives or Expected Outcomes**

3. Capacity building combined with improved sections of the existing road network were expected to generate the following outcomes: (i) strengthened road institutions through capacity building, institutional development, and adoption of modern road management for the CWD; (ii) reduced transport costs through the rehabilitation of seven provincial highways; and (iii) increased access for rural populations to markets and social services by rehabilitating 25 rural access roads. Furthermore, the private sector was expected to participate in delivering improved road infrastructure and maintenance. The project was to support the implementation of the restructuring program for the CWD and enable it to acquire modern road management practices related to planning, budgeting, road maintenance, and road safety. However, no outcome indicators were indicated in the project framework<sup>2</sup> of the RRP.

### **D. Components and Outputs**

4. The project had three components or outputs: (i) institutional development, (ii) a provincial highways component, and (iii) a rural access road component. These components were to support implementation of the policy framework, including a 5-year time-bound action plan adopted by the provincial government and agreed with the Asian Development Bank (ADB). The activities for these components are detailed in paras. 17 to 27 of the RRP.

### **E. Provision of Inputs**

5. ADB was to provide financing for 67.5% or \$150 million of the \$222.1 million estimated project cost. The PPG was to finance the remaining \$72.1 million. As presented in the RRP, the project estimated that a total of 176 person-months of international and 7,100 person-months of national consulting would be required. However, the project completion report (PCR) reported only 76 person-months of international and 5,790 person-months of national consulting.

6. At appraisal, \$222.1 million or 34% of the total cost estimate was allocated for the provincial roads improvement component while about 54% was earmarked for the rural access roads improvement component. At project closing, 59% of total project expenses were spent for provincial roads improvement and 35% for the rural access roads improvement component.

### **F. Implementation Arrangements**

7. The CWD was the executing agency while the Project Engineering Cell, a unit within the CWD, coordinated project implementation and was responsible for project management,

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<sup>2</sup> The PCR did not provide a project framework.

contract administration, and consultant supervision. A project management consultant assisted the Project Engineering Cell in project management, supervision of short-term consultants, and the preparation of project documentation and implementation manuals.

8. Project implementation arrangements were reported in the PCR (pp. 7–11). The PCR noted the contractors' impressive improvement in performance when the government announced ADB's firm decision not to extend the loan beyond 2008 (Section J.2, para. 36).

## II. EVALUATION OF PERFORMANCE AND RATINGS

### A. Relevance of Design and Formulation

9. The PCR rated the project *extremely relevant*. This validation downgrades it to *relevant*. The PCR tried to justify its rating in view of the importance of road transport for Pakistan's broader economic development, especially in rural areas, and the project's consistency with the government's sector strategy and development priorities. However, to justify that rating, the PCR could not provide any features that added significant value to the project design (e.g., innovative designs).

10. This validation considers the project's emphasis on strengthening institutional structure aimed at facilitating road maintenance and rehabilitating the provincial and rural network consistent with the needs and situation at hand. However, the project lost some degree of relevance when the government failed to keep its commitments and priorities, which led to repeated postponements of project implementation. No significant progress was made on the institutional development component even more than 5 years after loan effectiveness. The road improvement subprojects also did not move as planned. The CWD and ADB exerted much effort to move the road improvement component forward significantly during the late stages of project implementation in 2007 and 2008.

11. Substantial reduction in the scope of the provincial highways and rural access roads detracted from the project's overall relevance to Punjab's road problems. The PCR reported that only a selected scope of the project was implemented. While it reported frequent changes in scope, only the minor change in the scope for the P-2 (Jhang–Shorkot–Kabirwala–Mahni Sial) contract was indicated.

### B. Effectiveness in Achieving Project Outcomes

12. The PCR rated the project *less effective* in achieving its results (PCR, paras. 45 and 46). This validation also rates the project *less than effective*. The intended institutional development component of the project did not take place. A portion of the road upgrading (some 45% of the target) was the only output actually delivered. The PCR did not discuss specific indicators that substantiate achievement of project outcome. Therefore, there is no evidence of significant achievement of any of the ambitious broader objectives, such as the following: (i) strengthen road institutions through capacity building, institutional development, and the CWD's adoption of modern road management; (ii) reduce transport costs through the rehabilitation of seven provincial highways; and (iii) increase the rural population's access to markets and social services through the rehabilitation of 25 rural access roads. The shortfalls under the policy framework, as indicated, were substantial.

### **C. Efficiency of Resource Use in Achieving Outputs and Outcomes**

13. The PCR assessed the project as *less efficient* (PCR, paras. 47–50). The validation confirms the PCR rating and rates it *less than efficient*. The PCR recalculated the economic internal rates of return (EIRRs) of the completed road works: at least 35% for provincial roads, and at least 13% for rural access roads. The reestimated EIRRs at project completion were greater than at appraisal. However, it would have been preferable to show the returns excluding savings in travel time for comparison with appraisal estimates, which did not attempt to include time savings in its estimate of benefits. This validation notes from mission review discussions<sup>3</sup> in 2006 and 2007 that the number of subprojects was cut back in face of cost overruns.

14. The outputs were delivered with substantial delays and higher costs. There was no significant implementation progress in the first 2 years and there was no progress at all toward identifying or attracting consultant firms for the project's institutional development component. In 2007, ADB did not want to extend the completion date given the project's persistent poor performance. Work for the provincial highways component was contracted much later and proceeded slowly, resulting in significant cost increase in most of the required inputs.

### **D. Preliminary Assessment of Sustainability**

15. The PCR concluded that the project was *less likely* to be sustainable, although it notes better prospects for the physical road improvements that were directly financed under the project. This validation concurs with the PCR's assessment and rates project sustainability *less than likely*. The improved roads were expected to continue to be well used. The authorities have been gradually increasing budgetary allocations for road maintenance. However, given the prevalent lack of commitment to pursue institutional development and the PPG's weak interest in taking on unfinished segments of the road rehabilitation component, the sustainability of the project does not seem to be promising.

### **E. Impact**

16. The PCR did not attempt to assess the project's principal impact, i.e., promoting growth and reducing poverty. Monitoring and evaluating project benefits were not conducted because consultants were not fielded. Therefore, the present performance indicators and/or targets listed in the project framework (RRP, Appendix 1) were not discussed. However, they noted that improved roads ensured better access for poor people to markets, economic centers, social services, and amenities. The PCR examined potentially negative impacts of land acquisition and resettlement activities on people, including possible inadequate attention to health and safety aspects, or the impacts of construction and traffic operations on the local environment. It concluded that such impacts were insignificant.

17. The PCR did not report project impact, which may have generated direct employment on the road works. Therefore, the best judgment at this time is that project impacts have been *moderate*.

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<sup>3</sup> From various back-to-office reports of review missions during 2006 and 2007.

### III. OTHER PERFORMANCE ASSESSMENTS

#### A. Performance of the Borrower and Executing Agency

18. The PCR provided a brief and superficial treatment to the PPG's performance on loan covenants (PCR, para. 28), which was weak at various stages of project implementation. ADB staff members' follow-up efforts facilitated speedy improvements in government performance, as had been the case in quarterly progress reporting and timely submission of financial audits. But reviews repeatedly cited some covenants, which were not adequately complied with; despite ADB staff members' efforts during review missions to make these feasible for local authorities to apply.

19. The PCR noted the PPG's extensive experience and generally good record, and the CWD's in road development and listed various weaknesses in handling this project. It assessed the overall performance of the PPG and the CWD as *partly satisfactory*. This validation identifies only one major satisfactory dimension—the 600 kilometers of road upgrading that still appears to be economically worthwhile, but was delivered late with substantial cost overrun. The executing agency's commitment and ownership remained extremely low. Consequently, the output and outcome fell far too short of expectations. Therefore, this validation rates the overall performance of the PPG and the CWD as *less than satisfactory*.

#### B. Performance of the Asian Development Bank

20. The PCR rated ADB's performance as *partly satisfactory* considering its extensive support, advice, and reasonable flexibility to the project since 2000. ADB teams and ADB technical assistance in 2001 and 2002 recommended well-founded lines of action that was responsive to Punjab's possibilities and needs. However, the project as originally planned was too ambitious, and the schedule was unrealistic. The validation team was unable to locate the project files for 2003 and 2004 but indications are that ADB did little follow-up following loan effectiveness. This validation agrees with the PCR and rates ADB performance *less than satisfactory*.

#### C. Others

21. The PCR provided relatively little attention to fiduciary and other safeguard covenants because these appeared to have been satisfactorily observed in activities that were ultimately included in the project. Audit and financial reporting requirements were fulfilled normally and in a timely manner. However, the PCR should have discussed the anticorruption strategy that the PPG committed to prepare, timeliness of payments to nearly 1,000 owners whose land was required for one section (Jhang Bypass), and the danger of damage to a protected forest and wildlife sanctuary crossing a section of one of the rural roads planned for improvement (at Shorkot).

### IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

#### A. Overall Assessment and Ratings

22. This validation rates the project *relevant*, considering the components and emphases that were generally responsive to Punjab's needs, and the government's earlier commitment to move ahead with their implementation. Due to failure in fulfilling the majority of these commitments and poor achievement of project objectives, the project was *less than effective*.

Despite acceptable EIRRs of the project, delays and consequently large cost overruns imply that the project was *less than efficient*. Despite the gradually increasing budgetary allocations for road maintenance, this validation gives a *less than likely* rating to sustainability due to the PPG's lack of commitment and interest to pursue unfinished project components. Overall, this validation rates the project *less than successful*, as rated in the PCR (see table).

### Overall Ratings

Ratings	PCR	IED Review	Reason for Disagreement/Comments
Relevance	Extremely relevant	Relevant	Project's relevance rating is downgraded to <i>relevant</i> because the project did not address ownership adequately at design stage (para. 9).
Effectiveness in achieving outcome	Less effective	Less than effective	
Efficiency in achieving outcome and outputs	Less efficient	Less than efficient	
Preliminary assessment of sustainability	Less likely	Less than likely	
<b>Overall assessment</b>	<b>Partly successful</b>	<b>Less than successful</b>	
Borrower and executing agency	Partly satisfactory	Less than satisfactory	
Performance of ADB	Partly satisfactory	Less than satisfactory	
Impact	Not assessed	Moderate	Project generated direct employment on the road works.
Quality of PCR		Less than satisfactory	PCR did not examine the project as a sector project, and could have been more specific in explaining non-performance of the local government (para. 26).

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, IED views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Sources: Independent Evaluation Mission, Project Completion Report.

## B. Lessons

23. The PCR listed a variety of actions ADB might do to avoid repeating the experience with this project: (i) have realistic objectives in project design, (ii) base capacity evaluation on a realistic analysis, (iii) adopt separate implementation arrangements for each component, (iv) ensure sustainable government support, and (v) avoid heavy reliance on consulting services. The PCR suggested that ADB consider future actions in supporting roads development in the Punjab, but these would need good preparatory actions. If the PPG does not show genuine interest in improving the weak road transport sector, it may be worth trying to find a constructive way of involving relevant federal agencies again.

## C. Recommendations for Follow-Up

24. The PCR recommended future actions in support of roads development in Punjab. Picking up from the PCR's recommendation, this validation proposes that senior government officials and key ADB officials meet to review the experience of the 2002 Road Development Sector Project. Officials would have to agree and commit to in writing to undertake specific



measures and provide stronger assurance that the provincial government and the executing agency see through the completion of the project.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Evaluation Design, Implementation, and Utilization**

25. The CWD, assisted by the project management consultant and the construction supervision consultants, was required to carry out project performance and benefits monitoring and evaluation for the project roads. The data collected were to be linked with baseline survey results for two typical provincial highways and three rural roads that were constructed under ADB-assisted project preparation efforts in 2002. With the exception of the traffic counts conducted in 2009 and used in the PCR's economic reevaluation, nothing appeared to have been established or produced, so no experience was gained with the use of this type of data in the roads sector of the Punjab.

### **B. Comments on Project Completion Report Quality**

26. The PCR suffered from two critical weaknesses:

- (i) It failed to treat the project as a sector project as summarized in the project framework. The policy framework and action plan included in the RRP was barely referred to in the PCR. There was lack of any attempt to provide additional information on the evolution and development of the CWD and Punjab's roads management.
- (ii) Little attempt was made to provide specific answers to questions such as, what were the key outcomes achieved, why did the PPG fail to pursue project implementation, why did consultants and contractors allegedly perform poorly, and what key actions did ADB do to resolve the situation.

27. This validation has tried to examine developments from the perspective adopted at the time of project design and appraisal, but additional information was needed to make a more useful assessment of the project experience and lessons. The validation rates the PCR quality *less than satisfactory*.

### **C. Data Sources for Validation**

28. Data sources used in preparing this validation included the RRP, PCR, and project implementation files.

### **D. Recommendation for Independent Evaluation Department Follow-Up**

29. No further action from the Independent Evaluation Department is required.