



# Validation Report

---

Reference Number: PVR-222  
Project Number: 32467  
Loan Number: 1771(SF)  
December 2012

## Bangladesh: Chittagong Hill Tracts Rural Development Project

Independent Evaluation Department

**Asian Development Bank**

## ABBREVIATIONS

ADB	–	Asian Development Bank
CHT	–	Chittagong Hill Tracts
CHTRC	–	Chittagong Hill Tracts Regional Council
Danida	–	Danish International Development Agency
EIRR	–	economic internal rate of return
HDC	–	Hill Tracts District Council
LGED	–	Local Government Engineering Department
M&E	–	monitoring and evaluation
NGO	–	nongovernment organization
O&M	–	operation and maintenance
PCR	–	project completion report
PMU	–	project management unit
RRP	–	report and recommendation of the President
UNDP	–	United Nations Development Programme

## NOTE

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

### Key Words

adb, asian development bank, bangladesh, chittagong hill tracts, independent evaluation department, lessons, performance evaluation, poverty reduction, project completion report, rural development, validation

The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, IED does not intend to make any judgments as to the legal or other status of any territory or area.

## PROJECT BASIC DATA

<b>Project Number:</b>	32467	<b>PCR Circulation Date:</b>	Dec 2010	
<b>Loan Number:</b>	1771 (SF)	<b>PCR Validation Date:</b>	Dec 2012	
<b>Project Name:</b>	Chittagong Hill Tracts Rural Development Project			
<b>Country:</b>	Bangladesh		<b>Approved</b> (\$ million)	<b>Actual</b> (\$ million)
<b>Sector:</b>	Agriculture and Natural Resources	<b>Total Project Costs:</b>	60.30	41.31
<b>ADB Financing:</b> (\$ million)	<b>ADF:</b> 30.00	<b>Loan:</b> (SDR equivalent)	30.00 23.25	29.69 19.60
	<b>OCR:</b> 0.00	<b>Borrower:</b>	9.10	8.45
		<b>Beneficiaries:</b>	2.60	0.52
		<b>Others:</b>	3.60	2.65
<b>Cofinancier:</b>	Danish International Development Agency	<b>Total Cofinancing:</b>	15.00	0.00
<b>Approval Date:</b>	26 Oct 2000	<b>Effectiveness Date:</b>	18 Mar 2001	24 Oct 2002
<b>Signing Date:</b>	18 Dec 2000	<b>Closing Date:</b>	30 Sep 2008	22 Feb 2010
<b>Project Officers:</b>	D. Walton M. R. Islam M. Subroto	<b>Location:</b>	ADB headquarters Bangladesh Resident Mission Bangladesh Resident Mission	
<b>Validators:</b>	P. Choynowski, Consultant A. Morales, Evaluation Officer, IED1	<b>Peer Reviewer:</b>	G. Rauniyar, Principal Evaluation Specialist, IED1	
<b>Quality Reviewer:</b>	R. Sabirova, Evaluation Specialist, IED1	<b>Director:</b>	W. Kolkma, IED1	

ADB = Asian Development Bank, ADF = Asian Development Fund, IED1/2 = Independent Evaluation Department (Division 1/2), OCR = ordinary capital resources, PCR = project completion report, SDR = special drawing right.

## I. PROJECT DESCRIPTION

### A. Rationale

1. The report and recommendation of the President (RRP) for the Chittagong Hill Tracts Rural Development Project (the project) noted that the insurgency in the Chittagong Hill Tracts (CHT) deteriorated rural infrastructure and disrupted lives and livelihoods of the rural population in Bangladesh.<sup>1</sup> At the time of the peace accord in 1997, per capita income was about 40% below the national average. The literacy rate was lower than the national average and the population had less access to education. Availability of health services, water supplies, and sanitation systems were poor with over 80% of households using open latrines or open spaces. Communication and transport were underdeveloped with less than 5% of roads paved, and almost 90% of households with little or no access to vehicle transport. A large percentage of the farming community did not have secure rights to land use, and suffered from seasonal food insecurity. A weak institutional support system was unable to address the needs of the rural poor, landless, and tribal population.

<sup>1</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Chittagong Hill Tracts Rural Development Project*. Manila.

2. The government's strategy for development of the rural sector included the following: (i) poverty alleviation of the rural poor through income generation and employment opportunities; (ii) better access by the rural poor to productive resources; (iii) food security; (iv) development of rural infrastructure; (v) development of neglected areas, such as CHT; (vi) priority to women's education, training, and employment; and (vii) development of effective local government institutions. The Asian Development Bank (ADB) country operational strategy for Bangladesh identified poverty reduction as its overall strategic objective.<sup>2</sup> This was to be achieved by (i) promoting faster private sector-led economic growth; (ii) creating better development opportunities for the poor through investment, and encouraging community and private sector participation in rural development; (iii) improving human development by increasing productivity of the poor and increasing women's access to social services; (iv) protecting the environment; and (v) raising agricultural productivity by developing infrastructure. The strategy adopted an area approach to target assistance to areas of high poverty, such as CHT.

## **B. Expected Impact**

3. Based on the project framework in the RRP, the project aimed to have a measurable impact on poverty in the rural areas by improving rural infrastructure and community facilities, and providing new income-generating opportunities. The project was expected to reach about 52,000 families (about 40% of rural families) comprising about 338,000 people. The project was expected to reduce the number of poor, estimated at 70% of the CHT rural population, living below the food poverty line<sup>3</sup> but no numeric target was set.

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

4. The project's first objective was to improve income and increase job opportunities for target beneficiaries, especially the tribal population and women. This was planned to result in an increase in the income of a typical beneficiary by up to Tk10,000 within 5 years of participating in the project. The RRP did not state per capita income at the start of the project. The second objective was to improve effectiveness of local institutions responsible for rural development. This was expected to be reflected by project implementation on schedule, increased responsiveness of local authorities to community needs, sustainability of community organizations, and improved capacity of local institutions and nongovernment organizations (NGOs).

## **D. Components and Outputs**

5. **Upgrading and rehabilitating rural infrastructure.** The focus on rural infrastructure was to improve the connection of rural communities with existing growth centers, improve feeder and rural roads, and construct bridges and culverts. The project aimed to accomplish the following: (i) improve up to 75 kilometers (km) of feeder roads type B<sup>4</sup> and up to 350 km of rural roads; (ii) construct about 6,069 meters of bridges and culverts; (iii) maintain 426 km of roads and bridges annually by project completion; and (iv) provide vehicles, large machinery, equipment, and consulting services to successfully implement the component.

<sup>2</sup> ADB. 1999. *Country Operational Strategy: Bangladesh, 2000–2005*. Manila.

<sup>3</sup> Seventy percent of surveyed families earned less than Tk30,000 per annum, which is below the food poverty line (extremely poor) Tk35,000 per annum for Chittagong Division established in the Bangladesh Bureau of Statistics' Household Income and Expenditure Survey for fiscal year 1995/1996 and updated to 1999.

<sup>4</sup> As per World Bank and Planning Commission (1996) this refers to roads, which connect growth centers to arterial roads or *upazila* (subdistrict) headquarters.

6. **Community development.** A community investment fund was to be established and managed by a project management unit (PMU) at the regional level to provide block grants of about \$70,000 to each union council area for community development activities. The community investment fund was to finance demand-driven, community-based investments in small-scale civil works or other socioeconomic infrastructure. Eligible investments for financing included the following: (i) economic infrastructure such as mini irrigation works, solar paneling, and small markets; and (ii) social infrastructure such as village health posts, community water and/or sanitation schemes, literacy centers, and community centers. Targets included strengthening two NGOs in each district and conducting up to 280 training courses for up to 5,700 beneficiaries.

7. **Microenterprise development.** The main activity under this component was to provide capital for agriculture inputs to enable farmers to improve their farming systems and diversify into other income-generating activities. Capital was also to be provided to develop small nurseries in the private sector. This component was to provide households with credit to (i) purchase small animals (such as chickens, ducks, and goats), fishponds, small-scale agro-processing and such other activities; and (ii) supplement income through off-farm activities such as weaving, tailoring, small machinery maintenance facilities, bicycle or tricycle repair, and petty trading. This component was to target households with annual incomes of less than Tk20,000 and focus on supplying services to women who were expected to make up at least 70% of project borrowers. The component was to fund a concurrent program to train potential borrowers in credit use awareness and skill development. Targets included (i) strengthening two NGOs in each district; (ii) providing up to 3,100 training courses for up to 60,000 beneficiaries; (iii) establishing savings and credit organizations and credit groups with up to 60,000 members; and (iv) disbursing up to 50,000 credit packages.

8. **Project management support.** The project had provision for vehicles, office equipment, and furniture, which would be provided to PMU and district PMUs. Training of project, government, and NGO staff and project beneficiaries was to be conducted as part of the capacity-building activities (up to 100 training courses for trainers with up to 2,000 trainees).

## **E. Provision of Inputs**

9. Total project cost, inclusive of contingencies, taxes, and duties, was estimated at \$60.3 million equivalent, comprising a foreign exchange cost of about \$11.0 million equivalent (18%), and local currency cost of about \$49.3 million equivalent (82%). ADB was to provide a loan of \$30.0 million equivalent from its special funds resources to finance 50% of the total cost. The loan was to finance \$8.3 million equivalent of the foreign exchange cost and \$21.7 million equivalent in local currency costs. The Danish International Development Agency (Danida) was to provide a \$15.0 million parallel grant financing for upgrading rural infrastructure in Khagrachari. The government was to contribute about 15% of total project costs, equivalent to \$9.1 million in local currency, and beneficiaries were expected to contribute in cash or kind about 4% of project costs, equivalent to \$2.6 million. The remainder of about \$3.6 million was to be met by the Palli Karma-Sahayak Foundation to finance the credit line under the microenterprise development component. ADB's loan was to have a term of 32 years, including a grace period of 8 years with an interest charge of 1% per annum during the grace period and 1.5% per annum thereafter.

## F. Implementation Arrangements

10. The Ministry of Chittagong Hill Tracts Affairs (MCHTA) was the executing agency. The Chittagong Hill Tracts Regional Council (CHTRC) was to be the lead implementing agency for coordination and supervision of overall project implementation, including activities carried out by the Hill Tracts District Council (HDC), the Local Government Engineering Department (LGED), participating NGOs, and the PMU. To assist the CHTRC, a PMU managed by a project director was to be established in Rangamati to undertake overall implementation and management of project activities. A regional coordinating committee chaired by the CHTRC was to be established in Rangamati to review annual work plans, oversee progress of the project, resolve disputes, communicate information about project activities to stakeholders, and refer major interagency problems to the National Project Steering Committee. A team of international and national consultants was to assist the project director and other staff. The LGED was to be the implementing agency for the rural infrastructure component. The three HDCs were to be the implementing agencies for the community development component with the assistance of community development committees formed for each union council in CHT. Local NGOs that met Palli Karma-Sahayak Foundation's criteria to become partner organizations were to provide microfinance services under the microenterprise development component. A National Project Steering Committee chaired by the minister of MCHTA was also to be established in Dhaka to assist in resolving national policy and implementation issues. A small project liaison office was to be established in Dhaka to facilitate communication between the PMU and relevant Dhaka-based ministries and agencies and follow up procurement and budget-related activities. The project was to be implemented over 7 years, starting in April 2001 and ending in March 2008.

11. To minimize risk of institutional weakness affecting implementation, project design provided for: (i) recruitment of a domestic consultant knowledgeable in ADB systems and procedures, and of domestic and international consultants to support project management and local implementation staff; (ii) institutional strengthening of local NGOs and national NGOs to facilitate project implementation; (iii) limiting the amount of infrastructure in the first year; and (iv) starting the training of trainers in the first year. Land ownership issues and inaction on a proposed land survey delayed preparation of voting lists for HDC elections and risked a return to armed conflict by some tribal groups in support of their rights claims. Assurances were sought from the government to remain committed to the land ownership and dispute resolution provisions in the peace accord. To ensure transparency and accessibility to information by all of the project beneficiaries, the project established a website to disseminate documentation, although most of the project beneficiaries would not have had internet access in the project area.

12. Associated with the project loan were 42 loan covenants. Most loan covenants were complied with. The status of covenants is found in Appendix 4 of the project completion report (PCR).<sup>5</sup> Two covenants were not complied with: (i) duplication of development partners' activities in CHT, and (ii) an agreed interest rate charged to sub-borrowers. Two covenants were dropped: (i) establishment of a liaison office in Dhaka, and (ii) reporting of issues for project review in years 2 and 4. No reasons were provided in the PCR why these covenants were dropped.

---

<sup>5</sup> ADB. 2010. *Completion Report: Chittagong Hill Tracts Rural Development Project in Bangladesh*. Manila.

## II. EVALUATION OF PERFORMANCE AND RATINGS

### A. Relevance of Design and Formulation

13. The PCR rated the project design *highly relevant* to the project objectives of poverty reduction in CHT by developing basic infrastructure and creating more income and job opportunities through skills development and microfinance. The project was consistent with the rural development strategy and objectives in the government's Fifth Five-Year Plan (1995–2000).<sup>6</sup> It was relevant to ADB's country operational strategy for Bangladesh (footnote 2) and the overall strategic objective of poverty reduction. There were minor operational changes in project design such as the distribution of funds and selection of feeder roads, but it did not affect overall project relevance. In addition, the withdrawal of Danida from the project reduced the scope of the project, which caused ADB to reallocate the rural access funds for 3 districts instead of 2. Nevertheless, this validation considers that the project did not have exceptional value-adding features to justify the claimed *highly relevant* rating and, hence, the relevance rating has been revised from *highly relevant* to *relevant*.

### B. Effectiveness in Achieving Project Outcomes

14. The PCR rated the project *effective* in achieving outcomes as most targets identified in the RRP were achieved (adjusting for the withdrawal of funds by Danida). It made health and education facilities more accessible to remote communities by rehabilitating and upgrading feeder roads and rural roads and gave the rural population access to growth-center markets. Data presented in the PCR suggests that the area under two crops increased in the project area from 1.24 acres before the project to 2.46 acres after the project. The number of households cultivating winter crops also increased. Farmers received higher prices for their produce due to improved connectivity to markets. Likewise, surveyed households experienced an increased volume in business activities and were less reliant on wage earnings alone. The PCR also reported before and after project data showing an increase in monthly household income of about 31% and higher monthly expenditure of 42%. However, savings as a percentage of household income decreased by 0.4%.

15. The PCR refers to UNDP's socioeconomic baseline survey and reports that average household income increased from Tk25,000 in 1999 to Tk66,000 (Tk12,700 per capita) in 2008. Based on available information in the PCR, this validation concurs that the per capita income would have increased due to improved connectivity and to a limited extent from the access to microcredit, which may have had a positive impact of increasing household income. The PCR, on the other hand, does not report any assessment of the second project outcome—improved effectiveness of local institutions responsible for rural development.<sup>7</sup> On balance, this validation endorses the *effective* rating.

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

16. The PCR rated project implementation *efficient*. All revised activities in the four components were completed by the extended closing date despite challenges posed by poor access, unfavorable seasonal conditions, and the lack of skilled technicians and local laborers

<sup>6</sup> Government of Bangladesh, Planning Commission, Ministry of Planning. 1995. *Fifth Five Year Plan: FY1995–FY2000*. Dhaka.

<sup>7</sup> The Bangladesh Resident Mission indicated that the majority of UNDP's activities covered the capacity building, of the local institutions for rural development with a grant based community development component.

for civil works construction. The PCR considered the project highly efficient in achieving economic returns on investment. The PCR's reevaluation using vehicle operating cost savings and agriculture production surpluses from the rural infrastructure and the economic community development subprojects estimated an economic internal rate of return (EIRR) of 16.1%, compared with the appraisal estimate of 11.9%. However, the PCR provided few details on how non-road benefits were quantified and did not clearly explain the assumptions behind the re-estimated EIRR of less than 18%. This validation confirms the PCR rating that project implementation was *efficient*.

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

17. The PCR rated the project *very likely sustainable*. It stated that “the *highly satisfactory* project output and outcomes at completion justify expectations of an average economic life of about 20 years for the subprojects, provided that they are routinely and periodically maintained.” Also, “the long-term sustainability of the project is ensured due to higher EIRR re-estimated during the project completion review mission.” These statements are only partly correct because project output and outcomes were not rated *highly satisfactory* in the PCR and achievement and efficiency of output or outcomes are not sole indicators of sustainability.

18. Nevertheless, the PCR stated that the LGED was institutionally capable in operation and maintenance (O&M) of rehabilitated and upgraded feeder roads and rural roads, including bridges and culverts and other road structures. Average growth in public funds allocated for O&M was 18% per year—a higher rate than other rural roads maintained by the LGED—and therefore should be adequate. In the community development component, adequate O&M training in subprojects was provided. However, subprojects were not all equally well maintained because of lack of funds and the institutional weaknesses of community development committees. In particular, O&M of social development subprojects was inadequately funded. Given the PCR's interpretation of sustainability and issues related to O&M, this validation rates the project *likely sustainable*.

#### **E. Impact**

19. The PCR stated that the project had a *significant* impact on poverty reduction, the economy, institutions, environment, and social development. This validation can endorse the assessment in general. The rehabilitation and upgrading of roads and construction of bridges and culverts and other structures increased job opportunities in construction, O&M, and new enterprises. The project contributed significantly to the local economy's growth. Better access to technology and larger market share raised the prices of agricultural produce. New road works brought about new enterprises, such as schools, clinics, agricultural and other processing factories, restaurants, and shops, increasing job opportunities. School attendance increased, especially among girls. Access to hospitals, clinics, doctors, pharmacies, and ambulatory services for critically ill patients improved general health, hygiene, and life expectancy. New structures improved drainage, conserved plant and animal biodiversity, and generally improved the environment. Guideposts and meter posts improved road safety and reduced hazards from landslides. However, it would have been more convincing if the PCR had included more concrete evidence to substantiate the achievements through an outcome survey.

### III. OTHER PERFORMANCE ASSESSMENTS

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

20. The PCR stated that the performance of the borrower and executing agency was *satisfactory*. During project preparation the government put high priority on CHT development through supportive policy, generous counterpart funding, and monitoring and coordination of project implementation. During implementation, the government disbursed counterpart funds promptly and provided institutional support when needed. The government also supported efforts to build the capacity of local NGOs and contractors and created jobs for locals through the project. The performance of the CHTRC, LGED, and other participating agencies was also generally *satisfactory*. This validation concurs with the PCR rating that the borrower and executing agency performance was *satisfactory*.

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

21. The PCR rated ADB performance *satisfactory*. ADB acted promptly with respect to approvals and disbursements and effectively monitored the project. During the annual review of project implementation, ADB closely coordinated and consulted with other development partners involved in CHT rural development. However, the PCR did not discuss the issue of coordination with UNDP when it was concurrently implementing a similar project in CHT. ADB resolved many related problems during implementation. ADB fielded up to 15 missions, including review and special loan administration missions, to monitor progress and assist the government and the CHTRC in project implementation. Validation concurs with the PCR's rating of *satisfactory*.

#### C. Others

22. A review of land acquisition under the project, carried out by the project completion review mission with the LGED and PMU, confirmed that no land was acquired under the project except through voluntary donations. The mission also confirmed that all voluntary donations were discussed and agreed in public meetings. Official proceedings of the commitment of land donors were documented by the LGED. The PCR provided no further assessments of safeguards, gender, governance, fiduciary aspects, or the government's assessment of the project.<sup>8</sup>

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

#### A. Overall Assessment and Ratings

23. The project is assessed *relevant* and *effective* in achieving its outcome, *efficient* in achieving its outcomes and outputs, and *likely sustainable* (see table). The project addressed some key development challenges in CHT and was consistent with the development agenda of the government and ADB for the country and the region. This validation endorses the PCR's overall project rating of *successful*.

---

<sup>8</sup> The project was investigated by ADB's Office of Anticorruption and Integrity and the case has been closed.

## Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Relevant	The project is rated <i>relevant</i> as it did not have exceptional value-adding features to justify the claimed <i>highly relevant</i> rating (para. 14).
Effectiveness in achieving outcomes	Effective	Effective	
Efficiency in achieving outcomes and outputs	Efficient	Efficient	
Preliminary assessment of sustainability	Very likely sustainable	Likely sustainable	Sustainability is <i>likely</i> overall, but some components are at risk due to lack of fund (para. 19).
<b>Overall assessment</b>	<b>Successful</b>	<b>Successful</b>	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Impact	Significant	Significant	
Quality of PCR		Less than Satisfactory	A large amount of data was collected by the project monitoring and evaluation unit but PCR did not make use of this. Concrete evidence in support of achievement of outcomes is lacking (para. 28).

ADB = Asian Development Bank, Danida = Danish International Development Agency, IED = Independent Evaluation Department, PCR = project completion report, UNDP = United Nations Development Programme.

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.

Source: ADB Independent Evaluation Department.

## B. Lessons

24. The PCR identified lessons and highlighted the importance of acknowledging local practices, stakeholder participation, and a more realistic project schedule. The PCR's lessons section, however, focused on discussions of project design and implementation issues. Overall, this validation concurs with the stated lessons.

## C. Recommendations for Follow-Up

25. The PCR recommendations were of a general nature. This validation thinks the recommendation that the cofinanciers should not be allowed to withdraw funding once a project has been approved and implementation has commenced too harsh. ADB can try to persuade a development partner to co-finance but it cannot be seen to be coercive. It must respect its development partners and their supportive efforts.

## V. OTHER CONSIDERATIONS AND FOLLOW-UP

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

26. In accordance with the RRP, the project collected a large amount of monitoring and evaluation (M&E) data to assess immediate effects and broader project impacts on socioeconomic development, poverty reduction, and the empowerment of women. Initial

benchmark data was collected during project formulation and the project was to collect additional data during implementation. The PCR does not mention this. Appendix 4 of the PCR states that the covenant, requiring the year-end annual report to include progress of benefit M&E, was complied with. If the monitoring and evaluation system had generated a large amount of data, it appears to either have been lost, or are not being used.

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

27. Overall, the PCR is descriptive and provides insufficient evidence and analysis to support the rating of the evaluation criteria, particularly on project effectiveness and sustainability. It did not conduct an outcome survey. The PCR discussion on other areas such as safeguards, gender, governance and anticorruption, fiduciary aspects, and the government's assessment of the project is inadequate. There is also no assessment of the M&E system. Given these, the PCR quality is rated *less than satisfactory*.

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

28. Data sources include the project RRP, ADB and government PCR, and related project documents and files.

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

29. A project performance evaluation report may not be necessary. Nonetheless, an outcome survey would be interesting to examine the effectiveness of ADB's this type rural development interventions.