



# Evaluation Study

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## Midterm Review Process

Operations Evaluation Department

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
BTOR	–	back-to-office report
DMC	–	developing member country
DMF	–	design and monitoring framework
EA	–	executing agency
IA	–	implementing agency
MOU	–	memorandum of understanding
MTR	–	midterm review
OED	–	Operations Evaluation Department
OEM	–	operations evaluation mission
PAI	–	Project Administration Instructions
PPR	–	project performance report
RM	–	resident mission
RRP	–	report and recommendation of the President
SES	–	special evaluation study
TOR	–	terms of reference

## NOTE

In this report, "\$" refers to US dollars.

### Key Words

asian development bank, bangladesh, indonesia, management for development results, midterm review, operations evaluation department, project administration, project implementation, viet nam

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The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. Adele Casorla, Evaluation Research Associate is the consultant. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

## EXECUTIVE SUMMARY

In 2004, the Asian Development Bank (ADB) initiated a reform agenda that includes “Managing for Development Results” for greater results orientation of its assistance and implementation activities. ADB’s new long-term strategy, *Strategy 2020*, is results oriented, and its results framework at the level of operational effectiveness includes a measure relating to the disbursement ratio of public sector lending. Greater emphasis has been placed on achieving results and improving project implementation and performance. Project administration actions, particularly project review missions, have a large role to play in improving project implementation towards achieving results.

The objective of this special evaluation study (SES) is to update the findings and results obtained by the 1998 SES on the midterm review (MTR) process of projects, with a view of enhancing the effectiveness of MTRs in improving the implementation, performance and results of projects. Specifically, this study (i) assesses the extent to which recommendations of the 1998 SES have been taken into consideration, and their continued relevance; (ii) documents the current MTR process; (iii) assesses the relevance and effectiveness of the current MTR process; and (iv) identifies issues for further consideration towards improving the relevance and effectiveness of the MTR process to improve project quality and performance. The study will provide inputs into the next *Annual Report on Portfolio Performance*.

The study reviewed 20 project loans (sample projects) in Bangladesh, Indonesia, and Viet Nam, which were approved between 2000 and 2002. Of the 20 sample projects, 17 had conducted MTRs. Two of the sample projects that had not conducted MTRs were to conduct two comprehensive reviews during the implementation period, while the remaining project has yet to conduct one. One of the projects that conducted an MTR was not required to, but fielded one nonetheless. Unless otherwise specified, the findings of this study are drawn from the 17 sample projects that conducted MTRs. The evaluation team conducted document reviews, interviews, and visits to the three countries.

**The 1998 Special Evaluation Study.** The 1998 SES found that MTRs had had an important role in improving project quality at ADB; however, this potential was underutilized. The MTR is the only mechanism available for undertaking a comprehensive review of an ongoing project. The 1998 SES also found that the use of MTRs was arbitrary, primarily due to the perceived problem of limited staff resources and mission budgets. The 1998 SES provided several detailed recommendations. The recommendations directly relating to MTRs are as follows: (i) the MTR process should be retained, including the option of waiving the MTR requirement for projects judged unlikely to benefit significantly from such a review; (ii) the loan agreement should specify a project milestone or date by which a decision should be made on whether or not an MTR is needed; (iii) a position paper should be prepared that includes an assessment of project progress, project implementation issues, and terms of reference (TOR) for the MTR; MTR preparatory work should involve the executing agencies (EAs) and/or implementing agencies (IAs) and other stakeholders, and interdepartmental consultations with key sector and country teams; (iv) social and environmental aspects and issues should be thoroughly reviewed and compared with original assessments and related covenants; (v) an MTR should have a memorandum of understanding (MOU) with a time-bound action plan for specifying necessary actions; and (vi) ADB needs to allocate additional resources for project administration over and above the current allocation.

**Findings.** This study finds that the MTR process has been retained among the project administration activities, which is in accordance with the recommendation made by the 1998 SES. Most of the other 1998 recommendations have also been generally implemented by the

projects reviewed in this study. Most of the loan agreements of the sample projects specify an MTR or a comprehensive project review at a certain point of the implementation schedule. Social and environmental aspects have been reported in aide-memoire and MOUs, but the thoroughness of the reviews is variable. A position paper or TOR of mission members must be prepared in conformity with the *Project Administration Instructions (PAI)*, but they do not seem to be fully documented in the reviewed projects. Every sample project that conducted an MTR prepared aide-memoire or MOU and identified necessary time-bound actions. Resources for the MTRs of some of the sample projects were greater than the indicated allocations in the 1998 SES; however, the staffing did not necessarily provide specialist services for other aspects of the project's design and implementation.

Study results indicate that MTRs remain relevant to the project administration cycle for improving project implementation and performance. MTRs provide an opportunity for monitoring and assessing project progress from a longer time perspective towards its expected outcome and impact. MTRs may have greater relevance in projects where assumptions made at project preparation may have changed; when a project was process oriented, had subprojects and/or was phased; and where there were issues that could not be resolved in previous review missions. The timing of an MTR needs to be flexible as the circumstances vary across projects. An MTR need not be undertaken at the exact midpoint; but it may be advanced or delayed according to the project situation.

The MTRs were effective in addressing a range of project design and implementation issues that they aimed to tackle. Project issues were clarified; gaps and weaknesses were identified, and remedies proposed and implemented; and activities were adjusted as necessary within a project's stated outcome. MTRs arrived at agreements with EAs for improving project implementation, prepared action plans and new implementation schedules, reallocated loan resources from one activity to another as needed, identified loan savings, and cancelled loan savings. These seemed to have helped improve the implementation of activities that were delayed such that contract awards and disbursements improved after MTRs. However, the reviewed MTR documentation indicated that the MTRs of sample projects seemed to have been less effective in assessing the likelihood of the project attaining its expected outcome.

The MTRs were able to do what they set out to accomplish to help improve project performance with the ADB resources allocated to them. Resource savings in fielding MTRs could be obtained by delegating the administration of projects from headquarters to the resident missions (RMs), which yields savings in airfares and mission subsistence allowances. However, if an MTR is expected to cover various aspects of a project, it seems that more resources could be provided to MTR missions, particularly given that some of the MTR missions were staffed with only the minimum number of ADB personnel.

**Lessons and Good Practices.** Based on the findings of this study, the following lessons and good practices have been identified: (i) Projects that are process oriented, have subprojects, are decentralized, involve different government agencies, and/or involve interactions with communities are likely to require MTRs. Given that issues may arise earlier for many of these in terms of project understanding, implementation capacity, and implementation coordination, their MTR missions may need to be fielded earlier than those for other projects. (ii) The timing of an MTR should be kept flexible. However, the timing should be late enough such that enough information is gathered to inform decisions, and early enough for the needed changes to be approved through the government's approval process and to be implemented. (iii) MTRs address not only technical and project administration issues, but also safeguards, e.g., environment and resettlement issues, governance, and financial management issues, which may require the involvement of more staff. (iv) Teamwork between staff based in headquarters

and those in RMs helps ensure continuous support to EAs and facilitates project implementation. For MTRs of delegated projects, where RM staff are not available, support from headquarters' specialists is desirable and should be included in planning the required MTR resources, and vice-versa. (v) Inclusion in the TOR for project implementation consultants of the preparation of a comprehensive MTR progress report would be helpful to the EA in preparing for an MTR. (vi) Inclusion in the MTR issues paper or TOR for a preliminary assessment of attaining project outcome and output targets, and of the status of design and monitoring framework (DMF) indicators, would be useful in focusing on development effectiveness. (vii) Providing guidance to project officers on what is to be reported in an MTR aide-memoire or MOU, which would include a section assessing progress towards expected project outcomes and an updated DMF with status of progress, would help ensure that basic information required from the MTR would be provided and keep its focus, too, on assessing the likelihood of attaining project outcomes.

**Issues for Further Consideration.** The study identified some issues and options relevant to improving the relevance and effectiveness of MTRs, as follows:

*Guidance for Conducting MTRs.* An issue that has emerged from this study is the need for specific guidance on MTRs. While flexibility is important in conducting MTRs, based on the outputs of the sample projects' MTRs, the information gathered from interviews, and the variability of information presented in the aide-memoire, the results indicate that ADB should consider reviewing the expected outputs from MTRs, particularly vis-à-vis ADB's greater results orientation and the other kinds of review missions that are part of the project implementation process, and provide specific guidance for conducting MTRs, including updating relevant PAIs. In updating the PAIs for MTRs, the following options may be considered:

- (i) An update of the PAI may include guidance on when an MTR is to be considered. Should MTRs be conducted only for projects that are facing implementation bottlenecks or are delayed in implementation? Or, given the increased attention to results orientation in *Strategy 2020* and to ensuring safeguards compliance, should they be made mandatory for all projects to provide an early comprehensive assessment of attaining expected project outcomes?
- (ii) If an MTR is to provide a comprehensive review and assessment of implementation progress vis-à-vis expected project outcomes, its appropriate timing or factors to consider in determining its timing can be advised. These can include status of loan covenant compliance, consultant recruitment, contract awards and disbursements, and project milestones for projects that may be process oriented or are phased.
- (iii) The present PAI gives guidance only on what is to be reviewed in a position paper and not on the minimum expectations of what an MTR has to achieve, particularly those that would differentiate it from a regular project review mission. ADB should consider updating the PAI to provide specific guidance on the principal function, objectives, scope and outputs of MTRs, similar to the guidance provided for project review missions. An updated PAI can provide guidance on the process and steps to be followed for MTRs, as well as the resources and the documentation required.

Where a project's Report and Recommendation of the President or loan agreement instructs the fielding of an MTR, the potential MTR date should be indicated in project monitoring documents, including project performance reports and quarterly progress reports. When it is decided that an MTR is to be undertaken beyond the indicated date, this should be

recorded and explained in the relevant review mission's aide-memoire or MOU, and noted in the project performance reports. This would serve as a reminder to ADB staff that an MTR had not yet been conducted, and provide documentation useful for monitoring implementation progress.

*Understanding of Project Administration Missions.* From the discussions of the Operations Evaluation Mission, there seemed to be confusion about when certain project-related decisions may be made during a project's implementation period. There is a need for improving the understanding of EAs and ADB project implementation staff of the different kinds of project administration missions that ADB undertakes, by emphasizing the differences in the objectives and outputs of these missions in project implementation seminars and including an outline summary in the "mission kits" projects divisions may provide to ADB staff in order to refresh their knowledge, among others. This would help align the expected with the actual project-related decisions and outputs for each kind of mission.

*Resources for MTRs.* If MTRs are expected to assess not only implementation performance but also cross-cutting, social, and safeguards issues in a project, resources may need to be increased. One project officer and one project analyst would not necessarily be able to assess all aspects of a project, particularly in two weeks; other specialists would have to be included to provide complementary skills. With ADB's greater results orientation and the need for reviewing cross-cutting and safeguards issues, ADB should consider increasing the allocation for the basic resources of MTR missions to include subject, cross-cutting, and/or safeguards specialists.

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## I. INTRODUCTION

1. The objective of this special evaluation study (SES) is to update the findings and results obtained by the 1998 SES on the midterm review (MTR) process of projects, with a view of enhancing the effectiveness of MTRs in improving the implementation, performance and results of projects. Specifically, this study (i) assesses the extent to which recommendations of the 1998 SES have been taken into consideration, and their continued relevance; (ii) documents the current MTR process; (iii) assesses the relevance and effectiveness of the current MTR process; and (iv) identifies issues for further consideration towards improving the relevance and effectiveness of the MTR process to improve project quality and performance. The study will provide inputs into the next *Annual Report of Portfolio Performance*.

2. Normally undertaken in the course of project implementation, the MTR is a milestone in project performance reviews, when major decisions, if necessary, regarding project design and implementation arrangements, among others, are made. MTRs assess whether project outcomes can still be attained; cover all aspects related to project implementation, e.g., institutional, administrative, organizational, technical, environmental, social, economic, and financial aspects; and recommend actions for identified project design and implementation weaknesses to facilitate implementation towards project outcomes.

3. This study follows the Operations Evaluation Department's (OED) guidelines for conducting evaluations. The evaluation team conducted document reviews, interviews, and visits to three countries. The study reviewed 20 project loans<sup>1</sup> (sample projects) in Bangladesh, Indonesia, and Viet Nam (see Appendix 1). The sampling of countries prioritized those with ADB assistance in several sectors, including infrastructure and social sectors, in order to minimize implementation variation arising from country-specific characteristics. Initially, the sample consisted of projects that conducted MTR missions in 2005 and 2006 and were still ongoing. These years were selected as they provided enough elapsed time to observe whether MTRs had potentially made a difference. For comparison purposes, the sample was later expanded to include additional projects that were approved at about the same time as the initial sample and were still ongoing. The 20 sample projects were approved between 2000 and 2002.

4. Of the 20 sample projects, 17 had conducted MTRs. Of the sample projects with MTRs, two were not required to conduct an MTR per se; instead, two comprehensive reviews during the life of the project were planned. Another sample project was not required to conduct an MTR, but fielded one nonetheless. Of the remaining three sample projects that had not conducted MTRs, two were from the energy sector and one was from the law, economic management, and public policy sector, which had planned on conducting one. Unless otherwise specified, the findings of this study are drawn from the 17 sample projects that conducted MTRs. For the purpose of this study, the elapsed time associated with the calculation of contract awards, disbursements and compliance of loan covenants is calculated from the date a loan was declared effective.<sup>2</sup>

5. The documents reviewed included each project's report and recommendation of the President (RRP), project performance reports (PPRs), MTR memoranda of understanding (MOUs) and aide-memoire, back-to-office reports (BTORs), and project completion reports

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<sup>1</sup> No projects financed through the multitranches financing facility were included, as the first of such loans was approved only in December 2005.

<sup>2</sup> This would be in line with the length of time projects are expected to be implemented as described in the "Implementation Schedule" or "Implementation Period" sections of the Report and Recommendation of the President (RRP), which assume commencement from loan effectiveness.

where available. Data on project performance and ratings were collected from PPRs and ADB's Central Operations Services Office. Relevant sections of ADB's *Project Administration Instructions* (PAI) and *Operations Manual* were also reviewed. Operations evaluation missions (OEMs) were fielded to Bangladesh, Indonesia, and Viet Nam between July and August 2008. Interviews were conducted with available project administration unit heads, project officers, and project executing agency (EA) and implementing agency (IA) officials.

## **II. BACKGROUND**

### **A. The 1998 Special Evaluation Study**

6. Recognizing its importance in improving project quality and achieving project outcomes, OED conducted an SES in 1998 of the MTR process at ADB. The SES reviewed the effectiveness of the MTR process for project lending, determining whether the process should be retained, and, if so, identifying broad lessons and recommending implementable steps and action plans for ADB and developing member countries (DMCs) toward improving its effectiveness.

7. The 1998 SES found that MTRs had an important role in improving ADB project quality, but this potential was found to be underutilized. The MTR is the only mechanism available for undertaking a comprehensive review of an ongoing project. The 1998 SES also found that the use of MTRs was arbitrary, primarily due to the perceived problem of limited staff resources and mission budgets.

8. The 1998 SES provided several detailed recommendations. A summary of the recommendations directly relating to MTRs is as follows:

- (i) The MTR process should be retained, including the option of waiving the MTR requirement for projects judged unlikely to benefit significantly from such a review.
- (ii) The loan agreement should specify a project milestone or date by which a decision should be made on whether or not an MTR is needed.
- (iii) A position paper should be prepared by that date assessing project progress, and issues and terms of reference for the MTR. MTR preparatory work should involve the EAs and/or IAs and other stakeholders, and interdepartmental consultations with key sector and country teams.
- (iv) Social and environmental aspects and issues should be thoroughly reviewed and compared with original assessments and related covenants.
- (v) An MTR should have an MOU with a time-bound action plan specifying necessary actions.
- (vi) ADB needs to allocate additional resources for project administration over and above the current allocation.

### **B. ADB Results Orientation**

9. Several changes have taken place at ADB since 1998 that highlight the importance of achieving results and development effectiveness. ADB reorganized in 2002 to improve the delivery of its development agenda to DMCs. The reorganization brought together country programming, lending, and grant activities in one region under one regional department instead of being in separate departments. At the same time, new business processes were introduced. Among others, the new processes sought to ensure better identification and conceptualization of projects at the early stages of the project cycle and to improve efforts in quality control.

10. In 2004, ADB initiated a reform agenda that includes “Managing for Development Results” for greater results orientation of its assistance and implementation activities. ADB adopted a new long-term strategy, *Strategy 2020*, in April 2008 that is results oriented. The strategy’s results framework at the level of operational effectiveness includes a measure relating to the disbursement ratio of public sector lending. Greater emphasis has been placed on achieving results and improving project implementation and performance. Project administration actions, particularly missions, have a major role to play in improving project implementation towards achieving results.

11. ADB has taken several steps towards improving project implementation. In project processing, some regional departments are closely monitoring project readiness to reduce start-up delays. The administration of projects is also being increasingly delegated to the resident missions (RMs), which provides an opportunity for closer monitoring and regular interactions with EAs or IAs for continuous refinement of the project. Between 2000 and 2006, the annual percentage of projects delegated almost doubled from 21% to 40%.

### **C. Project Administration Missions**

12. During the life of a project, several kinds of review missions may be fielded to monitor project implementation and provide advice on corrective action to improve implementation and performance towards a project’s stated outcome. The project administration missions that take place during implementation are the project inception, project review, special project administration, midterm review, and project completion review missions.

13. A project inception mission initiates project implementation and ensures that the government and the project EA understand ADB’s procedures. Project review missions review in detail the overall implementation progress based on the format of the PPR and any other information, and examine implementation problems. Project review missions also review project expenditures, track progress with procurement and disbursement, identify cost overruns or savings, assess the likelihood of attaining the project’s outcome, review the implementation schedule and loan closing date, and review compliance with particular law covenants. Where remedial actions are necessary, the project review mission will offer recommendations. Special project administration missions focus on specific implementation issues that are not covered by a project inception or review mission and cover, among others, information on procedures, procurement procedures, and implementation problems. A project completion review mission reviews the project at completion and prepares a project completion report.

14. **Midterm Review Missions.** An MTR mission is expected to be comprehensive in coverage, reviewing project implementation progress against the project’s stated impact, outcomes, and outputs. The current guidance for midterm reviews is provided in the PAI (Section 6.02, paras. 5–8), and is reproduced below:

“5. The MTR mission is normally carried out for every project. MTR missions are usually anticipated during project processing and are reflected in the report and recommendation of the President (RRP) and loan agreement. Regardless of whether it was anticipated or not during project processing, an MTR is undertaken for a project facing major difficulties that threaten the immediate objectives (purpose) of the project. For a project where an MTR mission is not necessary during project implementation, the director of sector division or the country director of RM responsible for implementing the project may waive the mission with justification.

6. The MTR mission assesses whether attainment of a project's immediate objective (purpose in terms of the logical framework) is still likely. A position paper and/or terms of references of the mission members will be prepared and attached to the mission authorization request seeking approval of the mission by the director of sector division or the country director of RM. The position paper is broad and includes

- review of institutional, administrative, organizational, technical, environmental, social, economic, and financial aspects of the project based on the assumptions and risks included in the logical framework and updated PPR;
- review of covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances;
- assessment of need to restructure or reformulate the project and the effects of this on the immediate objectives (purpose) and long-term goals of the project; and
- updating the project's design and monitoring framework where restructuring or reformulation is necessary or its immediate objectives will change.

7. An MOU is usually prepared by the mission. If restructuring or reformulation of a project is recommended, and its immediate objectives are likely to change, the MOU should be cosigned (in addition to the mission and the borrower/EA) by the authorities responsible for the changes recommended to the project and the design and monitoring framework. The back-to-office report of the MTR mission includes the mission's findings, recommendations, and time-bound action plan.

8. If an MTR mission recommends restructuring or reformulating a project, and its immediate objectives are likely to change, the mission prepares an issue paper and submits it to the director general for approval. The director general decides if reappraisal of the project and subsequent Management or Board approval is needed. The PPR is updated accordingly."

15. MTR missions comprise a small percentage of project administration missions. Between 2003 and 2006, ADB fielded an annual average of 688 project administration missions staffed by an average of about 5,014 professional staff-days, 2,229 national officer staff-days, and 1,842 administrative staff-days (project analysts). Of the missions fielded through 2006, an annual average of 31 (5%) were MTR missions (see Table 1).

**Table 1: Project Administration Missions**  
(As of 4th Quarter of the Fiscal Year)

Year	Total Active Project and Program Loans	Number of Project Administration Missions	Number of Projects	Number of Midterm Review Missions	Total Person-Days	Professional Staff-Days	National Officer Staff-Days	Administrative Staff-Days
2003	471	676	394	24	10,000	5,223	1,711	1,905
2004	462	692	387	41	10,465	5,045	2,230	1,996
2005	483	668	392	32	9,577	4,918	1,976	1,859
2006	501	733	399	26	10,190	5,266	2,571	1,732
2007	529	670	402	n/a	9,707	4,617	2,657	1,718
<b>Average</b>	<b>489</b>	<b>688</b>	<b>395</b>	<b>31<sup>a</sup></b>	<b>9,988</b>	<b>5,014</b>	<b>2,229</b>	<b>1,842</b>

<sup>a</sup> Average is calculated through 2006.

Sources: Quarterly Portfolio Update, Fourth Quarter 2003; Quarterly Portfolio Update, Fourth Quarter 2004; Quarterly Portfolio Update, Fourth Quarter 2005; Quarterly Portfolio Update, Fourth Quarter 2006; ADB. 2008. *Annual Report on 2007 Portfolio Performance*. Manila.

### III. STUDY FINDINGS

#### A. Changes in Instructions after the 1998 SES

16. **Project Administration Instructions.** This study has found that some of the 1998 SES recommendations have been adopted. The MTR process has been retained and includes a provision for waiving an MTR mission for a project where it is determined to be not necessary.

17. The guidance in the PAI for undertaking MTRs and fielding MTR missions did not change significantly between 1997 and 2008. While there was a change in 2001, the scope and coverage of MTRs remained the same. The change in 2001 implemented a recommendation of the 1998 SES by requiring the preparation of a position paper or terms of reference (TOR) prior to fielding an MTR mission, an instruction that still stands in 2008. The position paper should include a comprehensive review of the project's various aspects and loan covenants and an assessment of the need for restructuring or reformulating the project. If a restructuring is needed or if the project's immediate objectives will change, the PAI states that the project's design and monitoring framework (DMF) should also be updated. The instruction to prepare an MOU remained, and the preparation of a BTOR with a time-bound action plan was added.

18. However, the PAI does not provide specific guidance on the function, scope, and outputs of MTRs themselves, particularly vis-à-vis regular project review missions. Guidance is not provided to project designers and implementers on when an MTR is to be conducted—other than when a project is faced with major challenges—or when an MTR is *not* necessary. The specific tasks or the minimum outputs of an MTR, particularly vis-à-vis a project review mission, are also not listed in the PAI, unlike in the instruction for the latter.

19. **Loan Agreements.** The study reviewed the loan agreements and the RRP of the 20 sample projects. The majority (17) of the RRPs included a midterm or comprehensive review activity at a specific point in the implementation schedule as one of the project reviews (see Appendix 2); however, their inclusion in loan agreements was not consistent. The loan agreements for 12 of these projects explicitly included an MTR or a comprehensive review, while it was not indicated for the other 5 projects.

#### B. Relevance of MTRs

20. **Decision to Conduct an MTR.** The review of project documents and information gathered from interviews during this study indicated that MTRs were undertaken mainly because a comprehensive review was needed or required and/or major decisions needed to be taken to accelerate project implementation. For the former reason, projects were complying with a loan covenant in their respective loan agreements or following the provisions of their RRPs to undertake an MTR by a specific point of the implementation schedule. The decisions to conduct an MTR were discussed in previous project review missions or were communicated by ADB to the EAs months in advance. Currently, there seems to be no specific guidance on when MTRs may *not* be conducted.

21. A comprehensive review of a project's implementation progress and achievements against its design and stated objectives is needed by a certain point of the implementation schedule. While project review missions aim to cover all aspects of project implementation (see para. 12), they typically cover implementation progress only. Project review missions are typically one to one and a half weeks per project, depending on the nature of the project and its geographical area of coverage. Some project assumptions may have changed from the time the

project and project activities and arrangements were prepared, and these may need to be revisited against the project's objectives. For example, in a river erosion project, morphological changes took place in the river system after the project was designed, and additional activities were consequently needed to achieve the expected outcome. In a health project, the pilot activity to provide health insurance to the poor was rendered inappropriate by a government decree issued during its implementation; its provisions were not consistent with the decree. Additional activities were also identified to fill gaps in the original design. In the case of projects in Indonesia, most of the sample projects commenced implementation right after the national decentralization policy was instituted. There was a period of uncertainty over roles and responsibilities of government units and government procedures, during which time new regulations that affected project implementation were issued from time to time. The implementation period also included the post-tsunami period, which required large-scale emergency and reconstruction assistance, and changes in scope were undertaken in some projects to contribute to the reconstruction efforts.

22. The potential addition or cancellation of some project activities also sometimes required an MTR, as the activities were potentially significant enough to affect the project's outcomes. Among others, this could be brought about by a cofinancier's decision to withdraw its support. In the case of a livelihood project, the expected cofinancier of the accompanying technical assistance decided later not to provide support after project implementation had commenced. This required a review of the project's activities, its resource allocations, and output targets in the absence of the expected cofinanced resources.

23. While some projects were required by their loan agreements to field an MTR and did so, some were anticipated to need comprehensive reviews or MTRs to assess implementation arrangements after initial activities or subprojects were completed. This was the case for some projects that were process oriented; had subprojects, e.g. sector loans; had more than one EA or IA; or had phased implementation. Where there were subprojects, the selection criteria, implementation arrangements, and/or capacities of implementation partners or subcentral implementing groups needed review and refinement as appropriate. In the case of one phased project, a comprehensive review was expected at or near the completion of the first phase to assess its progress and review implementation arrangements vis-à-vis the objectives and the activities of the second phase, and to ensure that processes and procedures were valid and effective.

24. A sample-project in the roads subsector was not required to conduct an MTR but undertook one nonetheless. The EA requested an MTR because of (i) delays in all its subprojects, (ii) issues about the quality and completeness of works, (iii) additional road packages being proposed, and (iv) price increases. These required project rescoping, loan extension, and reallocation of loan proceeds.

25. For the two sample projects in the energy sector, the decision was made to forego their MTRs. The sample projects did not have nor were then expected to have major changes in activities; regular review missions were thought to be effective in resolving project implementation issues. Also, the RRP of these projects did not anticipate the need for an MTR. Some of the issues faced by these projects during implementation were related to procurement and contract monitoring.

26. **Timing of MTRs.** The timing of the MTR of 17 of the sample projects was indicated in their RRPs and loan agreements (Table 2). However, project directors and ADB staff generally held the view that the timing of the MTR should be flexible and need not necessarily be

undertaken at the midpoint of the implementation schedule or the time indicated in the RRP. Timing should take into consideration implementation progress, which is measured by physical progress, contract awards, and disbursements. In addition, enough time should have passed to collect information that would inform decisions.

**Table 2: Average Sample Project Contract Awards and Disbursements**

Country	No. of Projects	At RRP Midpoint		At MTR	
		Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Cumulative Contract Awards (%)	Cumulative Disbursements (%)
Bangladesh	4	35.7	21.5	33.8	25.0
Indonesia	6	24.9	16.4	38.3	32.8
Vietnam	7	19.3	14.0	35.4	23.6
All 3 countries	17	26.2	17.1	36.0	27.2

Note: "RRP midpoint" was calculated as the midpoint of the expected length of time for project implementation as indicated in the "Implementation Schedule" or "Implementation Period" of the project's RRP. The percentages of contract awards and disbursements were estimated from net loan amounts in US\$, which vary with the days' applicable exchange rates for the currency of the loan.

Sources: Project performance report data and OED staff estimates.

27. The sample projects conducted MTRs about 3.4 years after loan effectiveness on average (see Appendix 3), or about 65% through the implementation schedule<sup>3</sup> indicated in their RRP. Three of the sample projects were able to conduct the MTRs close to the implementation schedule midpoints indicated in their RRP, while seven projects fielded MTRs 4 years or more after loan effectiveness. By the estimated midpoint of the original implementation schedule, the sample projects had awarded about 26% of the contracts and disbursed about 17% of project funds. By the time the MTRs were fielded, the sampled projects had contracted about 36% of the loan amount and disbursed about 27% (see Table 2).

28. The timing of an MTR should be such that enough time is allowed to pass to gather sufficient information for making decisions while it should also be early enough to allow time for the changes it may recommend to be approved by the Government, which may take many months, and to be implemented. In the case of some projects, at about the project midpoint indicated in the RRP, subprojects were still being designed and/or prepared for procurement. In one project, progress at the midpoint was only 6%, and a decision was taken to conduct another MTR when more progress had been achieved, about a year later. In the case of Indonesia, some time was needed to have some experience with the project and the decentralization arrangements to identify gaps and weaknesses in project design and implementation. Major changes in a project's activities normally have to be reviewed by national agencies, e.g., planning- and finance-related agencies, and approved by higher authorities. In the three sample countries, this process could take months, and MTR timing should thus take this into consideration.

29. Some of the interviewed EAs and ADB staff held the view that, if many issues or problems arise early in implementation that might affect achieving project outcomes, the MTR could be brought forward. It was also felt that, when project implementation is proceeding smoothly, an MTR is not urgently needed. When the OEM was advised that an MTR was not necessary for a project, it noted that ADB had been responsive in the past; when problems arose, responses were prompt and appropriate.

<sup>3</sup> "Implementation schedule" here refers to those indicated in the main text and the project implementation schedule appendixes in RRP, which assume commencement after a loan has been declared effective.

30. When a project had subprojects or was in phases, the OEM was advised that an MTR might be useful at the completion of early subprojects or of a phase, which would thus provide an opportunity for reviewing and refining implementation arrangements, schedules, and project targets. In one sample project that is process oriented, two comprehensive reviews are indicated in the RRP; however, after 5 years of implementation, no such review has taken place to date. The OEM was informed that the project faces many implementation delays, and its contract awards 5 years after approval were only 33%.

31. **Scope of MTRs.** The review of the aide-memoire and MOUs, and discussions with government IA officials, indicated that the MTRs had broader scopes than regular reviews, had greater depth, and assessed longer periods of time. Regular review missions are important and needed, but they focus on implementation details, address immediate constraints, and can become routine. The MTRs of the sample projects, on the other hand, not only reviewed implementation progress but also assessed (i) project achievements and whether the project's outcome and impact could still be reached; (ii) project implementation schedules against remaining project activities and the possible need for loan extensions; (iii) original project design and implementation arrangements, including any need for modifications, particularly to align with government procedures; (iv) the original design and monitoring frameworks; (v) monitoring systems of the projects' development results and outcomes; (vi) compliance with loan covenants; and (vii) projects' social and environmental aspects. In the process, MTRs identified loan savings, reviewed potential additional activities, and recommended reallocations or cancellations of loan proceeds as appropriate. Some of the MTRs assessed the need to restructure or reformulate a project vis-à-vis its expected outcome. In some countries, MTRs have also pursued policy dialogue at government offices higher than those met with in previous project review missions. There was a perception on the part of some EAs and ADB staff that MTRs are accorded greater importance by relevant government offices than regular project reviews. MTRs also reviewed the implementation of safeguards measures and issues related to governance and financial management.

32. Issues taken up at MTRs by the sample projects were not "new" issues per se: These had been identified, if not discussed, in past project review missions. They included project management and implementation arrangements, additional project activities, loan reallocations, loan cancellations, and loan extensions. However, decision making was delayed until the MTR of some of the projects, as a comprehensive assessment of the project's implementation and progress was needed before a decision could be made.

33. The issue of new financing was tackled at the MTR of an education project. New bilateral cofinancing was expected, and additional activities and advance actions in additional districts needed to be discussed. In a water resource project, decisions on the proposed changes in the loan agreement were held off until the MTR. In a health project, about half of the contracts had been awarded by the time the MTR was fielded; thus, a major activity of the MTR was to identify the utilization of expected loan savings and potential loan extension.

34. **Could Issues Taken up at MTR Be Addressed by Regular Review Missions and During Project Preparation?** Projects generally face two kinds of implementation issues: (i) those specific to a project's design, and (ii) those that generally affect projects in the sector or the country due to regulatory or policy constraints. In the case where generic and/or sector constraints are affecting project implementation, a review mission specific to a single project would not necessarily be the best platform for addressing them. Country portfolio review missions and aid harmonization group dialogue can provide for a wider discussion. Some of the project-specific issues taken up during MTRs could have been addressed through regular

project review missions, close monitoring, and regular interaction between government and ADB project staff. These include staffing of project management, coordination, or implementation units, and recruitment of consultants. Several of the interviewed project directors stated that they are in frequent, regular contact with ADB staff and have been encouraged to seek ADB assistance when necessary. However, despite regular reviews and assistance, implementation may not necessarily improve, and a special project administration, mission or an MTR may be considered. Cancellations of loan amounts and extensions of loan closing dates can also be addressed by regular project review missions, as ADB's PAI does not require the fielding of an MTR before these actions may be approved unless additional information is necessary.

35. The implementation arrangements of some sample projects, it seems, could have benefited from better reviews during the project preparation stage. The consistency and potential conflicts between prescribed project arrangements and government procedures could have been better reviewed, and deviations from government procedures could have been more carefully considered. Some of the issues taken up at the sample projects' MTRs also relate to the project implementation capacity of the IAs and implementation partners. These could have been addressed through better capacity assessment of IAs and implementation partners and the provision of more capacity-strengthening activities to address gaps. The MTR of a water resource management sector project addressed issues that could have been addressed during project preparation; these included the challenges in expanding project coverage, organizational arrangements for rural development support, and the capacity of the central project office to review and appraise projects.

### **C. Effectiveness of MTRs**

36. **Outputs of MTRs.** The MTR missions were generally found by project directors to be helpful in improving project implementation. Within the stated outcomes of the sample projects, the MTRs generally (i) recommended remedial actions to improve implementation progress and prepared action plans for implementing them, (ii) reviewed project activities, (iii) identified loan savings and activities requiring more resources, (iv) assessed additional or new activities within the scope of the project, (v) recommended reallocation of loan proceeds to areas of need, (vi) recommended cancellations of some loan savings, and/or (vii) recommended extension of the implementation period and new loan closing dates. All recommended actions and agreements were recorded in an MTR mission's aide-memoire or MOU.

37. During the MTR of a river protection project, agreement was reached to increase river protection work and allocate more resources to community development. In a health project, the MTR supported new project activities in severe acute respiratory syndrome (SARS) prevention and waste disposal systems, which were deemed important and within the project scope. In a water resource management sector project, the MTR recommended restructuring the central project office for increased effectiveness and revised guidelines for rural development support, while the EA proposed a change of the loan modality from sector loan to project loan.

38. Social and environmental aspects and issues were covered by the MTRs of the sample projects. Aide-memoire and MOUs included paragraphs describing the status of project-related social issues and safeguards, and appendixes on the status of loan covenants provided updates on related safeguard covenants. However, the thoroughness of the reviews varied. While a social development and gender specialist was a member of some missions, the MTRs of the sample projects did not include safeguards specialists.

39. Based on the review of aide-memoire and MOUs, the focus of the MTRs seemed to be more on project inputs and improving project implementation. While most of the sample projects assessed the input achievements of project components and the input performance indicators, most of the reviewed documents did not assess in depth the likelihood of attaining the project outcome, which is a key expected MTR output. Only two of the sample projects presented a DMF in an appendix that outlined the status of progress towards the inputs, outputs, and outcomes; most of the other sample projects provided assessment statements indicating that project outcomes and impacts remained relevant.

40. The OEM observed that EAs' expectations about MTR outputs varied. Good quality technical reviews of the project design and activities were expected, particularly by those implementing process oriented, relatively "new" or "complex" designs, e.g., having subprojects, involving communities in project decision making, or "new" arrangements like decentralization. There was a clear expectation that the MTR would review the need for extending the loan closing date, and thus the implementation period. It was also expected that loan savings would be identified and approval decisions would be taken on proposed new activities.

41. For ADB, a midterm review was also useful in the delegation process of project administration from staff based in headquarters to staff in resident missions. The MTR provided receiving project officers the opportunity to better understand the project design, objectives, targets, implementation arrangements, complexities, and challenges.

42. **After the MTR.** Changes in project design and implementation normally have to be approved by relevant government agencies, i.e., the planning ministries or departments, if not higher offices; and loan cancellations normally have to be approved by finance ministries or departments. Recommendations and agreements arrived at during the MTRs of the sample projects became the basis for seeking approval for proposed changes in project design, implementation, and financing. In Bangladesh, changes in the earlier-approved associated government project planning document, viz., the development project proforma, require approval by the appropriate government agencies, a process that may take some months. A similar process is also present in Indonesia and Viet Nam. In subsequent review missions, project documents and interviews indicate that ADB staff monitored and followed up on the recommendations and action plans prepared at MTRs.

43. **A Year after the MTR.** One of the objectives of an MTR is to help facilitate project implementation progress. Table 3 shows the improvements in the proportion of awards contracted and disbursements achieved by the sample projects. Appendix 4 provides data for each sample project.

**Table 3: Sample Project Progress 1 Year after MTR**

Country	Number of Projects	MTR-Cumulative Contract Awards (%)	MTR-Cumulative Disbursements (%)	Improvement in Cumulative Contract Awards <sup>a</sup> (Percentage Points)	Improvement in Cumulative Disbursement <sup>a</sup> (Percentage Points)
Bangladesh	4	33.8	25.0	17.8	12.8
Indonesia	6	38.3	32.8	20.4	19.2
Viet Nam	7	35.4	23.6	13.0	14.0
All 3 countries	17	36.0	27.2	17.0	15.0

<sup>a</sup> The improvements were calculated as the difference between the cumulative percentage at 1 year after the MTR and the cumulative figure at MTR.

Sources: Project performance report data and OED staff estimates.

44. A year after the MTRs, average project cumulative contract awards increased by 17 percentage points from the MTR average of 36%, while average project disbursements grew from 27.2% to 42.2%. This study recognizes that some of the sample projects' designs required many preparatory activities early in implementation and most procurement activities were to take place later in the project period, while others, mainly projects in infrastructure, could use loan resources earlier. For the one sample project that is supposed to field comprehensive reviews but had not yet fielded one, cumulative contract awards and disbursements after about 3.4 years of loan effectiveness – the average fielding point of the sample projects with MTRs – were less than the average of the projects that conducted MTRs; the absolute and proportional growths in these indicators a year later were also less. This project also had many preparatory activities early in implementation. Given that MTRs provided solutions to project bottlenecks that could have prevented subsequent smooth project implementation, these 1-year increases indicate that actions taken during MTRs were to some degree effective in facilitating project implementation.

#### **D. Resources for MTRs**

45. **Government.** Based on agreements made on previous loan review missions, most of the EAs of the sample projects prepared MTR reports according to ADB requirements. The EAs mostly prepared the MTR reports using project resources. Most prepared the report in-house employing project staff and were supported by project consultants that already had this responsibility in their TOR, and one project contracted the preparation to an external group. In one instance, ADB supplemented the government's resources for the comprehensive evaluation of the financial status and analysis of water supply companies' activities. The preparation time of the MTR reports ranged from 2 weeks to 6 months.

46. During the MTR missions themselves, government project staff joined the field visits and participated in MTR meetings. Representatives of relevant government agencies, e.g., planning and finance departments participated in some MTRs, but their participation was often not full time. During the MTR mission, the cost to governments included the cost of field visits and the opportunity cost of project implementation staff time. Most of the interviewed project directors indicated that the cost of the MTR had already been allocated in the project's implementation budget.

47. The importance of having high quality experts, preferably independent, joining the MTR missions was emphasized by some project directors; otherwise, consultants would contribute no value to the project. This indicates an expectation that an MTR will bring independent expert assessment into a project.

48. **ADB.** On the part of ADB, the PAI requires the preparation of an issues paper or mission TOR before fielding an MTR. The review of documents in the files of sample projects indicated that issues papers were prepared for only eight of them, and TORs for only two sample projects.<sup>4</sup> MTR missions for projects administered from headquarters are normally allocated resources for fielding a project officer and one project analyst typically for about two weeks, which is longer than regular project review missions. This provision is similar to that indicated in the 1998 SES, i.e., two persons for 12 days. Depending on need, staff who are sector specialists, cross-cutting specialists and/or safeguard specialists also join MTRs and, if they are not available, consultants are recruited in their place.

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<sup>4</sup> The issues papers or TOR for three projects could not be located.

49. Of the 17 sample project MTRs, 8 were staffed by four or more ADB staff and consultants, while 3 were staffed by only two personnel (see Appendix 3). Additional ADB staff and consultants were specialists. Social development and gender specialists from the RMs joined a quarter of the MTRs, while economists were mainly recruited as consultants. While social development and gender specialists could be covering some safeguard issues, no safeguard specialists per se joined the MTRs. RMs also provided staff in the areas of project administration and financial management. Of the four projects that were cofinanced and whose cofinancing had not been reduced, two of the MTRs were joined by representatives of cofinanciers while for the third project, the MTR mission met with a cofinancier's representative. The MTR of the fourth project did not count a cofinancier's representative among its mission members nor were discussions held with them.

50. Of the 10 sample projects that were led by headquarters-based project officers, 3 of the missions were "back-to-back" with other missions. The OEM was informed that the MTR "mission days" of some projects delegated to RMs were not fully dedicated to the MTR as daily project administration responsibilities are spliced with MTR activities. The cost of fielding MTR missions from RMs for delegated projects is lower, as the cost of air transport is not incurred. When requesting for MTR resources, ADB project officers were mindful of a potential budget constraint.

#### IV. SUMMARY, LESSONS, AND ISSUES

##### A. Summary

51. **Implementing the Recommendations of the 1998 SES.** This study finds that the MTR process has been retained in the project administration activities, which is in accordance with a recommendation made by the 1998 SES. Most of the other 1998 recommendations were also generally implemented by the sample projects reviewed by this study. Most of the loan agreements of the sample projects specified an MTR or a comprehensive project review at a certain point of project implementation. Social and environmental aspects were reported in aide-memoire and MOUs, but the thoroughness of the reviews was variable. All the sample projects that conducted MTRs prepared aide-memoire or MOUs and identified necessary time-bound actions. Resources needed for the MTRs of some of the sample projects were greater than the allocation indicated in the 1998 SES; however, the staffing did not necessarily provide specialist services for other aspects of the project's design and implementation.

52. **Relevance of MTRs.** Based on the findings from the sample projects, the study finds that MTRs remain relevant to project administration for improving project implementation and performance. MTRs provided an opportunity for monitoring and assessing project progress, from a longer time perspective, against its expected outcomes. Regular project review missions tend to focus on implementation details and disbursements, while MTRs provide the time for stepping back and reviewing the project in a more comprehensive and holistic manner.

53. MTRs may have greater relevance in projects where assumptions made at project preparation have changed; when a project is process oriented, had subprojects, and/or is phased; and/or where there are issues that could not be resolved in previous review missions.

54. Issues addressed at MTR by the sample projects could not necessarily have been addressed during project preparation. The sample projects faced fluid implementation situations, e.g., Indonesian decentralization and the 2004 tsunami. These circumstances require flexibility in design and implementation, and close monitoring. However, some issues relating to

government procedures and arrangements and to implementation capacity could have been addressed during the project design stage. A comprehensive assessment of government procedures and arrangements could have informed areas where project procedures may have needed alignment, and a pragmatic assessment of implementation capacity<sup>5</sup> could have further informed the scope, design, and pace of project activities. Other issues relating to loan extensions and cancellations of loan amounts did not have to be decided upon at MTR, unless more information was needed for making the decision.

55. The timing of an MTR needs to be flexible, as circumstances vary across projects. An MTR need not be undertaken at midpoint, but it may be advanced or delayed according to the project situation. Implementation staff would have to monitor irresolvable issues, changes in design assumptions or in the implementation environment, implementation arrangements, contract awards and disbursements, and remaining time for implementation.

56. The importance of the MTR and its expected outcomes varied with the assessment of whether a project was proceeding smoothly or was delayed. Where it was going well, it was observed that an MTR was not needed urgently. Where implementation progress was delayed or contract awards and disbursements were falling behind the implementation schedule, the need for examining project design, implementation, and covenants became urgent.

57. **Effectiveness of MTRs.** The study finds that MTRs were effective in addressing a range of project design and implementation issues that they originally set out to tackle. Project issues were clarified; gaps and weaknesses were identified, and remedies proposed and implemented; and activities were adjusted as necessary within a project's stated outcome. MTRs arrived at agreements with EAs, captured in aide-memoire and MOUs, for improving project implementation; prepared action plans and new implementation schedules; reallocated loan resources from one activity to another as needed; identified loan savings; and cancelled loan savings. These helped improve implementation of activities that were delayed, such that contract awards and disbursements improved after MTR. MTRs have also been useful in improving the understanding of the roles and responsibilities in implementation, particularly when more than agency or government unit is involved in implementation.

58. The documentation of the sample projects' MTRs indicates that the needs for the attainment of project objectives and outcomes were not assessed in depth by most of the sample projects and that DMFs were seldom used in monitoring project achievements. These indicate that the MTRs of the sample projects have been less effective in assessing the likelihood of attaining the projects' expected outcomes.

59. **Resources for MTRs.** With the assumption that the issues that projects face before an MTR are already established, the study finds that MTRs were able to accomplish what they set out to do in helping improve project performance with the ADB resources allocated to them. Resource savings in conducting MTRs could be obtained only by delegating the administration of projects from headquarters to RMs, which yields savings in airfares and mission subsistence allowances. However, if MTRs are expected to cover various aspects of a project, more resources could be provided to MTR missions, particularly given that some of the MTR missions have been staffed with only the minimum number of ADB personnel, while others did not have

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<sup>5</sup> Guidance to staff for capacity assessment was issued after these projects were prepared. Para. 7 of PAI 3.01, dated February 2007, requires that the capacity of the EA to undertake procurement be assessed during project preparation. Para. 9 of OM G2/BP, dated 29 October 2003, requires an assessment of the capacity of the financial management system proposed by the EA to support project implementation and operation.

other specialists. Based on the discussions with some EAs, there was also an expectation that MTRs would provide expert assessment of the project and its implementation.

## **B. Lessons and Good Practices**

60. Based on the findings of this study, the following lessons and good practices related to MTRs are identified:

- (i) Projects that are process oriented, have subprojects, are decentralized, involve different government agencies, and/or involve interactions with communities are more likely to require MTRs. Given that issues may arise earlier for many of these in terms of project understanding, implementation capacity, and implementation coordination, their MTR missions may need to be fielded earlier than those for other projects.
- (ii) The decision on the timing of an MTR should be kept flexible. Given that there are start-up delays, it seems that the earliest time for such a decision is before the midpoint of the original project implementation schedule. However, when there are crucial issues that need to be tackled that would affect the entire project design and implementation, an MTR may be fielded earlier. Where decisions need to be taken, some implementation progress may also need to be achieved first and the implementation period may need to have elapsed somewhat to collect information to feed into decisions. However, the timing should be late enough such that enough information is gathered to inform decisions, and early enough for the needed changes to be approved through governments' approval processes and to be implemented.
- (iii) MTRs typically involve the services of the project officer and a project analyst for a comprehensive review. However, in addition to technical and project administration issues, safeguards and governance and financial management issues may also need to be addressed, which would require the involvement of more staff during the MTR.
- (iv) Coordination between staff from headquarters and RMs facilitate project implementation. For MTRs of delegated projects, where RM staff are not available, support from headquarters' specialists is desirable and should be included in planning for the required MTR resources, and vice-versa.
- (v) Including the preparation of a comprehensive MTR progress report in the TOR of project implementation consultants would be helpful to an EA. The TOR can specify that the progress report would focus not only on physical progress, contract awards, and disbursements, but also on progress in policy dialogue, institutional and capacity building, social and safeguard issues, key issues of the project to date, and proposed options to resolve them, among others.
- (vi) To keep the focus of the MTR on development effectiveness and results orientation, it would be useful for the MTR issues paper or mission TOR to include a preliminary assessment of attaining a project's outcome and output targets. As a monitoring instrument prior to MTR, the issues paper or mission TOR can also be provide an update on the DMF indicators, which can help identify results gaps.

- (vii) It would be good practice to provide guidance to project officers on what is to be reported in MTR aide-memoire and MOUs, which would include a section assessing the progress towards expected project outcomes, and an updated DMF with status of progress. This would help an MTR mission to keep its focus beyond inputs and implementation details and also to assess the likelihood of attaining project outcomes.

### C. Issues for Further Consideration

61. **Guidance for Conducting MTRs.** An issue that has emerged from this study is the need for specific guidance on MTRs. While flexibility is important in conducting MTRs, based on the outputs of the sample projects' MTRs, the information gathered from interviews, and the variability of information presented in the aide-memoire, the results indicate that ADB should consider reviewing the expected outputs from MTRs, particularly vis-à-vis ADB's greater results orientation and the other kinds of review missions that are part of the project implementation process, and provide specific guidance for conducting MTRs, including updating relevant PAIs. In updating the PAI for MTRs, the following options may be considered:

- (i) An update of the PAI may include guidance on when an MTR is to be considered. Should an MTR be conducted only for projects that are facing implementation bottlenecks or are delayed in implementation? Or, given the increased attention to results orientation in *Strategy 2020* and to ensuring safeguards compliance, should it be made mandatory for all projects to provide an early comprehensive assessment of attaining expected project outcomes?
- (ii) If an MTR is to provide a comprehensive review and assessment of implementation progress vis-à-vis expected project outcomes, its appropriate timing or factors to consider in determining its timing can be advised. These factors can include the status of loan covenant compliance, consultant recruitment, contract awards and disbursements, and project milestones for projects that are process oriented or phased.
- (iii) The present PAI instructs only on what is to be reviewed in a position paper and does not provide guidance on the minimum expectations concerning what an MTR has to achieve, particularly those that would differentiate it from a regular project review mission. ADB should consider updating the PAI to provide specific guidance on the principal function, objectives, scope, and outputs of MTRs, similar to the guidance provided to project review missions, and taking into consideration the requirements of projects financed through the multitranche financing facility. An updated PAI can provide guidance on the process and steps to be followed for MTRs, as well as the resources and documentation required.

62. Where the RRP or the loan agreement instructs the fielding of an MTR, the potential MTR date should be indicated in project monitoring documents, including PPRs and quarterly progress reports. When it is decided that an MTR is to be undertaken beyond the indicated date, this should be recorded and explained in the relevant review mission's aide-memoire or memorandum of understanding, and noted in PPRs. This would serve as a reminder to ADB staff that an MTR had not yet been conducted, and provide documentation useful for monitoring implementation progress.

63. **Understanding of Project Administration Missions.** From the discussions of the OEM, there seems to be confusion about when certain project-related decisions may be made during a project's implementation period. For example, cancellation of loan amounts that will not affect the project output targets and outcomes can be immediately performed; the PAI does not require an MTR to be fielded before the cancellations can take place. There is a need for improving the understanding of EAs and ADB project implementation staff of the different kinds of project administration missions that ADB undertakes, by emphasizing the differences in the objectives and outputs of these missions in project implementation seminars and including an outline summary in the "mission kits" projects divisions may provide to ADB staff in order to refresh their knowledge, among others. This would help align the expected with the actual project-related decisions and outputs for each kind of mission.

64. **Resources for MTRs.** If MTRs are expected to assess not only implementation performance but also cross-cutting, social, and safeguard issues in a project, resources need to be increased. One project officer and one project analyst are not necessarily able to assess all aspects of a project, particularly in two weeks; other specialists may have to be included to provide complementary skills. With ADB's greater results orientation and the need for reviewing cross-cutting and safeguards issues, ADB should consider increasing the allocation for the basic resources of MTR missions to include subject, cross-cutting, and/or safeguards specialists.

## SAMPLE PROJECT DESCRIPTIONS

**Table A1.1: Sampled Projects**

Loan No.	Project Name	Project Cost at ADB Approval (\$M)	Loan Amount at ADB Approval (\$M)	Cofinanciers (Amount Cofinanced at ADB Approval [\$M])	Loan Approval Date	Effective-ness Date	Year of Midterm Review
<b>Bangladesh</b>							
1771	Chittagong Hill Tracts Rural Development Project	60.30	30.00	DANIDA (15.00), <sup>a</sup> PKSF (3.60)	26-Oct-00	24-Oct-02	2005
1831	Second Small-Scale Water Resources Development Sector Project	78.00	34.00	Netherlands (24.30)	12-Jul-01	9-Nov-01	2005
1884/1885	West Zone Power System Development Project	402.10	60.20	KfW (30.00), NDF (10.00)	17-Dec-01	7-Nov-02	None
1941	Jamuna-Meghna River Erosion Mitigation Project	61.30	42.17	n/a	25-Nov-02	1-Apr-03	2006
1942/1943	Dhaka Clean Fuel Project	113.40	42.40	NDF (9.30)	26-Nov-02	17-Dec-03	None
1947	Urban Governance and Infrastructure Improvement (Sector) Project	87.00	60.00	n/a	28-Nov-02	25-Aug-03	2006
<b>Indonesia</b>							
1770	Marine and Coastal Resources Management Project	70.20	50.00	n/a	26-Oct-00	27-Sep-01	2005
1798	Road Rehabilitation (Sector) Project	250.00	190.00	n/a	11-Dec-00	28-Sep-01	2005
1810	Decentralized Health Services Project	87.00	65.00	n/a	14-Dec-00	25-Jun-01	2004
1863	Decentralized Basic Education	125.00 <sup>b</sup>	100.00	n/a <sup>b</sup>	29-Nov-01	20-May-02	2004
1909	Poor Farmer Income Improvement Through Innovation Project	70.92	56.00	n/a	15-Aug-02	17-Jul-03	2006
1962	Coral Reef Rehabilitation and Management II	41.25	33.00	n/a	6-Dec-02	7-Nov-03	2008
1964	Sustainable Capacity Building for Decentralization	63.64	42.22	Netherlands (8.54)	10-Dec-02	5-Sep-03	Not yet
<b>Viet Nam</b>							
1777	Rural Health Project	98.70	68.30	UNICEF (1.00), UNFPA (0.50), WHO (0.30)	9-Nov-00	30-Oct-01	2005
1855	Second Red River Basin Sector Project	156.20	70.00	AFD (30.00)	13-Nov-01	17-May-02	2005

Loan No.	Project Name	Project Cost at ADB Approval (\$M)	Loan Amount at ADB Approval (\$M)	Cofinanciers (Amount Cofinanced at ADB Approval [\$M])	Loan Approval Date	Effective-ness Date	Year of Midterm Review
1880	Third Provincial Towns Water Supply and Sanitation Project	98.00	60.00	AFD (11.00)	13-Dec-01	17-Sep-02	2007
1883	Central Region Livelihood Improvement Project	76.00	43.09	DFID (16.50) <sup>c</sup>	17-Dec-01	15-Sep-02	2007
1888	Provincial Roads Improvement Sector Project	100.00	70.00	n/a	18-Dec-01	3-Sep-02	2005
1979	Upper Secondary Education Development Project	80.00	55.00	n/a	17-Dec-02	22-Mar-04	2006
1990	Housing Finance Project	51.80	30.00	n/a	20-Dec-02	6-Jan-04	2006

ADB = Asian Development Bank, AFD = Agence Francaise de Développement, DANIDA = Danish International Development Agency, DFID = Department for International Development of the United Kingdom, KfW = Kreditanstalt für Wiederaufbau, M = million, n/a = not applicable, NDF = Nordic Development Fund, PKSF = Palli Karma-Sahayak Foundation, UNICEF = United Nations Children's Fund, UNFPA = United Nations Population Fund, WHO = World Health Organization.

<sup>a</sup> DANIDA cofinancing was expected in the project's Report and Recommendation of the President. However, DANIDA withdrew its initial support after the loan was approved by ADB's Board of Directors.

<sup>b</sup> A grant cofinancing of \$28 million from the Government of the Netherlands was approved after the midterm review, on 14 March 2006. The project's scope was increased and the project cost increased by the grant amount.

<sup>c</sup> The DFID TA cofinancing was reduced to \$13.0 million. The approval of the TA by DFID Management was delayed and the TA cofinancing agreement was signed on 4 May 2004.

**Table A1.2: Bangladesh Midterm Review Results**

<b>Loan No. and Title</b>	<b>MTR Findings and Agreements</b>
<p><b>Loan 1771-BAN:</b> Chittagong Hill Tracts Rural Development Project, \$30M</p> <p>MTR Mission fielding dates: 25–27 Dec 05; 23–27 Jan 06 (9 days)</p>	<ul style="list-style-type: none"> <li>• MTR Mission found the objectives and scope of the project remained the same as appraised despite the withdrawal by DANIDA of \$15M and a need to make a minor change in scope. This change in scope will not affect the overall objectives and rationale of the project.</li> <li>• MTR found the necessity to extend the loan closing date by 1 year (due to the delay in loan effectiveness by 2 years), but decision on this will be made after the 2007 Review Mission if the project makes good progress during this and the following year.</li> <li>• Based on the anticipated extension, a revised implementation plan was prepared.</li> <li>• A new time-bound action plan was prepared, which the EA and project management unit agreed to implement.</li> <li>• Reallocated ADB loan proceeds due to the withdrawal of \$15M DANIDA funds</li> <li>• The resulting shortfall after reallocation of loan proceeds due to DANIDA withdrawal will either be financed by the government or the scope of rural infrastructure work will be reduced.</li> </ul>
<p><b>Loan 1831-BAN:</b> Second Small-Scale Water Resources Development Sector Project, \$34M</p> <p>MTR Mission fielding dates: 15 Nov 05–7 Dec 05 (22 days)</p>	<ul style="list-style-type: none"> <li>• Reduced project performance targets (i.e., reduced project scale from 300 to 265–270 subprojects)</li> <li>• Revised implementation schedule, considering reduced targets</li> <li>• Roles of EA, IA, project management office, and other stakeholders to be clearly defined by the EA</li> <li>• EA asked to ensure continued O&amp;M of projects with a flexible exit strategy for support services</li> <li>• Resources reallocated to ensure quality of subprojects</li> <li>• New time-bound action plan prepared by MTR Mission, and EA requested to monitor its implementation</li> </ul>
<p><b>Loan 1941-BAN:</b> Jamuna-Meghna River Erosion Mitigation Project, \$42.17M</p> <p>MTR Mission fielding dates: 3 Sep 06–17 Sep 06 (15 days)</p>	<ul style="list-style-type: none"> <li>• Project found to be relevant, can be effective to reach targets with more effort, and likely to be efficient, but with significant challenges to attain sustainability due to two necessary actions lagging behind schedule</li> <li>• Computed possible risk of reducing EIRR of a project component from 17% to 12%</li> <li>• Comprehensive action plans developed by the MTR Mission covering group merger, social mobilization, participatory O&amp;M planning and implementation processes, transparency in maintenance works and construction quality control, financial management, and close monitoring and support by EA management</li> </ul>
<p><b>Loan 1947-BAN:</b> Urban Governance and Infrastructure Improvement (Sector) Project, \$60M</p> <p>MTR Mission fielding dates: 31 Jul 06–9 Aug 06 (10 days)</p>	<ul style="list-style-type: none"> <li>• Project to be extended for 6 months with a revised implementation schedule, considering the new loan closing date, agreed upon</li> <li>• MTR Mission, PMO, and EA agreed that the project development goals, targets, and indicators remain valid as appraised, considering the overall satisfactory project implementation as of MTR.</li> <li>• Project framework updated to reflect the agreed upon appropriate</li> </ul>

	steps to ensure attainment of the project's development results and outcome.
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ADB = Asian Development Bank, BAN = Bangladesh, DANIDA = Danish International Development Agency, EA = executing agency, EIRR = economic internal rate of return, IA = implementing agency, M = million, MTR = midterm review, O&M = operation and maintenance, PMO = project management office.

**Table A1.3: Indonesia Midterm Review Results**

Loan No. and Title	MTR Findings and Agreements
<p><b>Loan 1770-INO:</b> Marina and Coastal Resources Management Project, \$50M</p> <p>MTR Mission fielding dates: 28 Nov 05–16 Dec 05 (19 days)</p>	<ul style="list-style-type: none"> <li>• Discussed the possibility of extending the loan closing date but no final decision made, since the Mission believed it possible to finish the project earlier than anticipated on the assumption of increased efforts to accelerate the implementation. Decision on this issue contingent on a more detailed proposal and cost estimate to be prepared by the EA</li> <li>• One of the causes of the delay was a change in Indonesian fiscal policy, which affected the allocation of counterpart funds for the project.</li> <li>• Previous loan review mission recommended establishment of a core planning team to review lessons learned and prepare a consolidated work plan for all remaining loan-funded project activities, also in view of preparing for the MTR.</li> </ul>
<p><b>Loan 1798-INO:</b> Road Rehabilitation (Sector) Project, \$190M</p> <p>MTR Mission fielding dates: 21 Nov 05–5 Dec 05 (15 days)</p>	<ul style="list-style-type: none"> <li>• All six ongoing subprojects behind schedule: consultant's report says 50% progress, but physical inspection showed that unacceptable materials were used and progress was only around 20–25%.</li> <li>• Fuel price increases expected to affect the cost of a number of contracts and make them eligible for cost increases</li> <li>• Overall road policy component not progressing satisfactorily; however, extension of consultant's contract agreed upon</li> <li>• To assess the likelihood of achieving overall project objectives, preliminary socioeconomic review of one completed Batch 1 subproject was undertaken; overall findings were that the road rehabilitation project had benefited road users and increased the income and welfare of communities along and in the vicinity of the road.</li> <li>• Problem subprojects appeared to be due to variability of commitment of management and supervision at the provincial level and variability of contractors.</li> </ul>
<p><b>Loan 1810-INO:</b> Decentralized Health Services</p> <p>MTR Mission fielding dates: Phase 1: 3–12 Dec 2003 (10 days); Phase 2: 26 Feb–10 Mar 2004 (13 days)</p>	<ul style="list-style-type: none"> <li>• Project progress (in terms of disbursement) slow due to the weak capacity at the local level</li> <li>• Other constraints to the efficient implementation of the project: (i) Ministry of Finance's regulation preventing use of funds beyond the fiscal year; and (ii) some audit practices which are not conducive to cost efficiency.</li> <li>• Commitment of local authorities for health and family planning varies widely among provinces and districts; this reflects in the implementation progress at local levels</li> <li>• Mission emphasized need to consider all stakeholders in the local health system, in particular private health providers and other health projects, when appropriate.</li> </ul>

	<ul style="list-style-type: none"> <li>• Until the MTR, there was some hesitation in recruiting consultants, but the project management has agreed to use consulting services after realizing the gap between the local needs and locally available technical skills.</li> <li>• It was recommended that each province should identify local needs and develop provincial master plans for human resources development. Training and fellowships will then be determined by these provincial master plans.</li> <li>• There is a need to improve monitoring and evaluation since quarterly reports has always been delayed. Communication mechanisms between districts and provinces also to be revised and improved by strengthening electronic communication and information technology.</li> <li>• Many new districts have been created in the project area since 2001: it was agreed that project funds originally allocated for physical investments in the new districts would be maintained but managed by the “old” district or by the province.</li> <li>• There is a need to strengthen the central project coordinating unit to provide strong administrative and technical guidance to the provinces and districts.</li> <li>• A time-bound action plan was agreed upon.</li> </ul>
<p><b>Loan 1863-INO:</b> Decentralized Basic Education, \$100M</p> <p>MTR Mission fielding dates: 1–14 Mar 05 (14 days)</p>	<ul style="list-style-type: none"> <li>• Overall implementation of the project satisfactory</li> <li>• A major lesson learned by the project was that the concept of decentralized SBM was difficult for communities to understand, causing the slow pace of the project acceptance and poor quality of school development plans (lacking in a holistic approach on identification and prioritization of quality issues). The task of changing their mindsets was underestimated by the project, and it may take a generation before communities understand the full meaning of SBM. Hence, more time and inputs necessary, together with better guidelines, with relevant models and formats</li> <li>• Although a system of data collection was produced, less work went into the analysis and interpretation of the information gathered. Monitoring guidelines should also probe into more quantitative aspects of compliance. The knowledge gathered by monitors could be more useful if their TORs included local advisory services, guidance, and corrective measures.</li> <li>• On poverty targeting, the number of scholarships awarded by the project was only 1/10 of the number the government awarded under its own program, making the project’s coverage insignificant. Also, the scholarships did not target school dropouts or those who had never enrolled. Gender equality was also poor in project management and in school committees and District Education Boards.</li> <li>• The Mission found the project design and purpose to be still relevant. However, it was still early to assess the project’s impact. Sustainability and efficiency of project interventions could be improved if planning and preparation of district education development plans were better integrated with education planning and budgeting in provincial and district education offices.</li> <li>• There will be a probable change in scope after the government revises its proposal and budget estimates in light of the discussions with the MTR Mission and Dutch government (which will cofinance additional districts).</li> </ul>

<p><b>Loan 1909-INO:</b> Poor Farmers' Income Improvement through Innovation, \$56M</p> <p>MTR Mission fielding dates: 9–23 June 2006 (15 days)</p>	<ul style="list-style-type: none"> <li>• Project making satisfactory performance towards achievement of development objectives; for the objectives of improved farmers' access to information and refocusing agricultural research on rainfed and marginal areas, initial activities were a step in the right direction, but much more needs to be done to achieve these project objectives.</li> <li>• The EA raised the need for extension of the loan closing date by a period of 12 months in its midterm report but was advised that it would be pragmatic to review the performance in 2006 when all implementation arrangements are in place.</li> <li>• Given the ambitious targets of the government's new Medium Term Development Plan, 2004–2009 for the sector, EA wanted research on rainfed and marginal areas component of the project to play a major role in achieving these targets, but the project currently did not have sufficient funds for this. The Mission then advised the EA to submit an action plan to the government and ADB.</li> <li>• A time-bound action plan agreed upon</li> </ul>
<p><b>Loan 1962-INO:</b> Coral Reef Rehabilitation and Management Project II</p> <p>MTR Mission fielding dates: 11–22 Feb 2008 (12 days)</p>	<ul style="list-style-type: none"> <li>• The increasing efficiency in project implementation (based on accelerated rates of physical completion) shows that project was able to achieve basic improvements in human resources, planning, policy framework, budgeting, and implementation arrangements.</li> <li>• The infrastructure component is lagging behind due to the 10% cash counterpart requirement, lack of commitment among district and local parliament leadership and general lack of PMO and PIU active thrust in these activities in the past.</li> <li>• The EA requested an extension of project implementation period and loan closing date. The PMO will assess the implementation schedule and performance targets attainable by the loan closing date and make appropriate recommendations in this regard.</li> <li>• The mission noted that some inefficiencies in consultant mobilization may have occurred previously because of mismatch between project readiness and consultant mobilization schedule, resulting in consultant downtime. PMO was requested that in the future, consultants should be mobilized on a targeted and as needed basis to improve efficiency of deployment.</li> <li>• EIRRs were reestimated for four scenarios and ranged from 30.46% to 36.51%— much higher than the estimate of 19% at appraisal. This is due to the lower coral reef area used at appraisal of 6,000 ha, which the mission thinks is an error.</li> <li>• Some of the loan covenants are late in compliance. Hence the mission emphasized that (i) the National Steering Committee and Regional Advisory Committee meet on a regular basis to provide project guidance, direction, and coordination; (ii) the Borrower see to it that the villages are securing operation and maintenance counterpart funds for the social infrastructures; (iii) incremental staff should be reduced in future years; (iv) full PPMS should be achieved by June 2008; and (v) there is no evidence that environmental assessment are being properly implemented and in this regard requested PMO to appoint a focal person for the compliance with environmental as well as gender related covenants.</li> </ul>

- Indicative activities and follow-up actions were agreed upon.

ADB = Asian Development Bank, EA = executing agency, EIRR = economic internal rate of return, INO = Indonesia, M = million, MTR = midterm review, PIU = project implementation unit, PMO = project management office, PPMS = project performance management system, SBM = school-based management, TOR = terms of reference.

**Table A1.4: Viet Nam Midterm Review Results**

Loan No. and Title	MTR Findings and Agreements
<p><b>Loan 1777-VIE: Rural Health Project</b></p> <p>MTR Mission fielding dates: 5–22 December 2005</p>	<ul style="list-style-type: none"> <li>• The Mission's specific objectives were to review (i) achievements under each of the three project components; (ii) progress towards completing activities set out in the two approved procurement plans, and obstacles and other issues that could be addressed in order to complete these; (iii) compliance with loan assurances; and (iv) proposals for completing project activities and for utilizing loan savings.</li> <li>• Possible loan extension of 18 months to enable the project to meet its objectives and to implement a 3rd phase to include additional civil works, equipment, and training using loan savings</li> <li>• Unforeseen and previously unreported land acquisition issues (particularly, dispute with landowner over compensation) have come up in one site - the original project document resettlement or land acquisition for civil works – so future correspondence seeking approval from ADB on civil works-related matters should include a statement from the PMU on whether or not resettlement/land acquisition will now be required.</li> <li>• Budgets for recurrent costs including maintenance appeared to be severely constrained, as the 3% real increase in budgets where there were new health facilities had not been achieved in any sites. PMU was asked to raise this issue with the respective provincial authorities.</li> <li>• The component on Health Financing (B1) not implemented as the Government announced developments in health insurance policy and implementation procedures, making this component superfluous and running contrary to government strategy for comprehensive health insurance coverage by 2010</li> <li>• There could be a potential problem of noncompliance with ADB's Environmental Safeguard Policy, since in many sites, civil works had limited or no provisions for management of wastewater or proper disposal of medical wastes.</li> <li>• Some beneficiary health facilities not consistent with the civil works selection criteria, which sought to put an emphasis on works in district areas more than 2 hours from provincial towns, as some located in the city or provincial town</li> <li>• In a number of cases, the health facility stood alone in an isolated area without road access, electricity, and sewage/water system. Further, in some cases, provinces did not contribute funds for the infrastructure, so the facility could not be fully operational.</li> <li>• A comprehensive program for additional training including repeat training for new staff and for reinforcement should be included in Phase 3.</li> </ul>

<p><b>Loan 1855-VIE:</b> Second Red River Basin Sector Project</p> <p>MTR Mission fielding dates: 13 June–1 July 2005</p>	<ul style="list-style-type: none"> <li>• Difficulties experienced by the project could be traced back to assumptions made at project preparation and appraisal – mainly overestimated ownership of the project, by the EA.</li> <li>• Project preparation poor, as (i) PCR recommendations of predecessor project not taken into consideration, (ii) difficulties in expanding coverage not recognized, (iii) assumed the availability of a large JFPR grant, (iv) organizational arrangements for RDS not adequately assessed, (v) CPO's ability to review and appraise projects overestimated, and (vi) feasibility studies poorly prepared</li> <li>• A major change in scope will be sought from Management, as EA has decided to drop upland subprojects.</li> <li>• EA will propose to change the sector modality into project modality.</li> <li>• CPO will be restructured to make it more effective.</li> <li>• Revised guidelines on RDS will be finalized jointly by CPO, VRM, and CARE (an NGO engaged in RDS piloting).</li> <li>• Scope and implementation arrangements for Part B activity for improving governance of irrigation service will be changed to include a provision of local consulting services under each subproject for preparation of O&amp;M action plan instead of just the originally planned general study.</li> <li>• Six covenants will be revised as a result of the understandings reached during the MTR.</li> <li>• Gender Action Plan updated and revised in consultation with the EA</li> </ul>
<p><b>Loan 1880-VIE:</b> Third Provincial Towns Water Supply and Sanitation Project</p> <p>MTR Mission fielding dates: 19–29 Mar 2007</p>	<ul style="list-style-type: none"> <li>• The unresolved resettlement issue in Tay Ninh Province caused the low achievement in contract awards. After the MTR, this issue remained unresolved, but the PPMU promised to discuss the offer with affected peoples again and inform ADB on progress</li> <li>• The project had an estimated unutilized loan fund of about \$27.6 million. Project costs may have been overestimated at appraisal, since \$14 million was unallocated (earmarked for contingencies)</li> <li>• The Mission recommended to remobilize a social sector consultant, since the community participation part of the Community Environmental Sanitation Improvement component was lost</li> <li>• The Mission also recommended to use money from the loan savings to implement additional local small-scale sanitation works</li> <li>• The Mission also agreed in principle to the PPMUs' proposals for utilization of loan savings but recommended to remobilize consultants to update and expand the feasibility studies for each of the provinces</li> <li>• The Mission will support the request to extend the loan closing date for the purpose of implementing these additional works</li> <li>• The Mission found the project to be progressing well and likely to achieve its immediate objectives within the project completion date</li> <li>• Technical and financial sustainability likely to be achieved</li> </ul>
<p><b>Loan 1883-VIE:</b> Central Region Livelihood Improvement Project</p> <p>MTR Mission fielding dates: 27 Feb–5 Apr 2007</p>	<ul style="list-style-type: none"> <li>• The Mission reviewed (i) viability of the project, (ii) necessary arrangements to improve project performance in the remaining period of 2008–09 in light of the fact that there will be no funding for this period.</li> <li>• Adjustments in the consultants' and NGOs' activities for 2007</li> </ul>

	<p>were made to accommodate the reduction of DFID financing for the project management support component.</p> <ul style="list-style-type: none"> <li>• Project activities for 2008 and 2009 have been streamlined to focus on beneficial and effective subcomponents to ensure project effectiveness and sustainability after completion.</li> <li>• Considering the weak capacity of IAs, the Mission recommended to engage consultants and NGOs to support project management using ADB loan funds in 2008–2009 when DFID funds are no longer available.</li> <li>• Despite startup delays, the project has begun generating positive outcomes, and the Mission recommended the continuation of the project after completion of DFID support at the end of 2007.</li> </ul>
<p><b>Loan 1888-VIE:</b> Provincial Road Improvement Project</p> <p>MTR Mission fielding dates: 19–21 Oct and 31 Oct–9 Nov 2005</p>	<ul style="list-style-type: none"> <li>• Aside from review of overall status of project implementation and compliance with loan covenants, an added objective of the MTR mission was to assess the need to restructure or reformulate the project and the effects of this on its immediate objectives and long-term goals.</li> <li>• The Mission was very disappointed with the current status of the project, with overall progress of only 59% against an elapsed period of 77%.</li> <li>• The Mission noted that the project design is still applicable and that there is no need to restructure/reformulate the project.</li> <li>• Except for the component supporting the institutional strengthening and improvement in road subsector management of Vietnam Road Administration, where discussions were ongoing on how best to provide this support, the project's objectives were being met.</li> <li>• The mission was not satisfied with the current level of project implementation due to (i) delays in implementation of subprojects, (ii) poor performance of a number of contractors, (iii) poor performance in disbursements and contract awards, (iv) low quality of detailed subproject designs and site supervision, (v) current status of counterpart fund allocation and increase in counterpart fund requirement, and (vi) current status of ethnic minority development plan implementation.</li> <li>• Counterpart fund requirement will be increased by \$22.0 million due to (i) issuance of revisions to government decrees and circulars regulating increases in cost escalation norms, (ii) underestimation of land acquisition and of taxes and duties in the RRP, and (iii) positive escalation in exchange rate between SDR and US dollar.</li> </ul>
<p><b>Loan 1979-VIE:</b> Upper Secondary Education Development Project</p> <p>MTR Mission fielding dates: 20 Nov–1 Dec 2006</p>	<ul style="list-style-type: none"> <li>• The MTR Mission (i) assessed quantitative and qualitative achievements against goals, (ii) proposed necessary adjustment of scope and implementation arrangements, (iii) identified challenges and proposed time-bound remedial action plans, (iv) updated implementation schedule, (v) reviewed cumulative loan utilization and updated cost estimation and financing plan, (vi) visited one site for consultation meeting, and (vii) held dialogue with steering committee to expedite implementation.</li> <li>• Some changes in scope and implementation arrangements were made.</li> <li>• Since the declaration of loan effectiveness was delayed by 15 months, the project might need to be extended, but since it had</li> </ul>

	<p>made considerable progress, discussion on possible project extension and its length will be held in Dec 2007.</p> <ul style="list-style-type: none"> <li>• The Mission found overall performance and achievements of the project to be satisfactory.</li> <li>• The following recommendations were made by the Mission: (i) expand capacity of NPIU and keep their ownership strong, (ii) NPIU finance unit should recruit English-speaking staff with skill and familiarity of ADB's financial guidelines and operational policies, (iii) existing MIS should be redesigned to harmonize with ADB LFIS, (iv) NPIU financial unit should coordinate better with functional divisions and PPIUs, (v) M&amp;E indicators should be developed to assess project outputs and completed activities, and (vi) MOET's timely establishment of the effective internal procedures for appraisal and approvals of procurement plans is requested in line with the new policy on delegation of authority for approval for procurement plans of ODA projects to line ministries.</li> </ul>
<p><b>Loan 1990-VIE: Housing Finance Project</b></p> <p>MTR Mission fielding dates: 6–19 Sep 2006</p>	<ul style="list-style-type: none"> <li>• Coverage of MTR: (i) policy review, (ii) performance of PFIs, (iii) evaluation of the Housing Finance Facility, and (iv) review of implementation arrangements</li> <li>• Of eight policy objectives, two were achieved at end of 2005 and three were being broadly achieved.</li> <li>• Since subloan disbursements at MTR were limited, a detailed evaluation of performance of PFIs would be more appropriate in mid-2007 when disbursements expected to be about \$10 million</li> <li>• Despite disbursements in subloan, the Financial Management System had not been established as required by the Loan Agreement due to the failure in contract negotiations with the first-ranked bidder. However, negotiations with the third-ranked bidder concluded, and MIS procurement expected to be completed in October 2006</li> <li>• Due to (i) accreditation of PFIs taking more time than envisaged because of the time required to incorporate Loan Agreement revisions in the Housing Finance Onlending Agreement as well as in the Housing Finance Policy Manual, and (ii) disbursements under the project being minimal, scope of the MTR had to be modified accordingly to consider the actual progress made and issues identified during the first half of project implementation. As disbursements under the project expected to accelerate from January 2007, a more detailed MTR will be more appropriate in March–June 2007.</li> </ul>

ADB = Asian Development Bank, CPO = Central Project Office, DFID = Department for International Development of the United Kingdom, EA = executing agency, IA = implementing agency, JFPR = Japan Fund for Poverty Reduction, LFIS = Loan Financial Information System, M = million, M&E = monitoring and evaluation, MIS = management information system, MOET = Ministry of Education and Training, MTR = midterm review, NGO = nongovernment organization, NPIU = national project implementation unit, O&M = operation and maintenance, ODA = official development assistance, PCR = project completion report, PFI = participating financial institution, PPIU = provincial project implementation unit, PMU = project management unit, PPMU = provincial project management unit, RDS = rural development support, RRP = report and recommendation of the President, US = United States, VIE = Viet Nam, VRM = Viet Nam Resident Mission.

**REFERENCE TO MIDTERM REVIEWS IN RRP  
AND LOAN AGREEMENTS OF SAMPLE PROJECTS**

Loan No.	Loan Title	Loan Agreement	RRP
<b>Bangladesh</b>			
1771	Chittagong Hill Tracts Rural Development Project	None <sup>a</sup>	Yes <sup>b</sup>
1831	Second Small-Scale Water Resources Development Sector Project	Yes	Yes
1884/1885	West Zone Power System Development Project	None <sup>c</sup>	None <sup>c</sup>
1941	Jamuna-Meghna River Erosion Mitigation Project	Yes	Yes
1942/1943	Dhaka Clean Fuel Project	None <sup>c</sup>	None <sup>c</sup>
1947	Urban Governance and Infrastructure Improvement (Sector) Project	Yes	Yes
<b>Indonesia</b>			
1770	Marine and Coastal Resources Management Project	Yes	Yes
1798	Road Rehabilitation Sector Project	None	None
1810	Decentralized Health Services Project	Yes	Yes
1863	Decentralized Basic Education Project	None <sup>d</sup>	None <sup>d</sup>
1909	Poor Farmer Income Improvement through Innovation Project	Yes	Yes
1962	Coral Reef Rehabilitation and Management II	Yes	Yes
1964	Sustainable Capacity Building for Decentralization	None <sup>c, e</sup>	None <sup>c, e</sup>
<b>Viet Nam</b>			
1777	Rural Health Project	Yes	Yes
1855	Second Red River Basin Sector Project	None	Yes
1880	Third Provincial Towns Water Supply and Sanitation Project	None	None <sup>f</sup>
1883	Central Region Livelihood Improvement Project	None	None <sup>g</sup>
1888	Provincial Roads Improvement Project	None <sup>h</sup>	Yes
1979	Upper Secondary Education Development Project	None <sup>i</sup>	Yes
1990	Housing Finance Project	Yes	Yes

MTR = midterm review, no. = number, RRP = report and recommendation of the President.

Notes:

- <sup>a</sup> No explicit mention of MTR, but comprehensive reviews scheduled at the end of years 2 and 4 (Schedule 6, para. 16).
- <sup>b</sup> No explicit mention of MTR, but it is included in the Implementation Schedule (Appendix 6).
- <sup>c</sup> No MTR was conducted as of August 2008.
- <sup>d</sup> No MTR mentioned in both RRP and Loan Agreement, but both indicate two comprehensive reviews to be carried out in 2nd and 4th year of implementation (Schedule 6, para. 13).
- <sup>e</sup> No MTR mentioned in both RRP and Loan Agreement, but the latter requires two principal reviews to be carried out at the end of the 3rd year and middle of the 5th year of implementation (Schedule 6, para. 10).
- <sup>f</sup> No MTR mentioned in the RRP, but it requires a comprehensive review 24 months after the effectiveness of the loan agreement (Para 68).
- <sup>g</sup> RRP explicitly says that in lieu of MTR, comprehensive reviews will be undertaken at the end of years 2 and 4 (Para. 70).
- <sup>h</sup> No explicit mention of MTR in the Loan Agreement, but it requires a detailed review scheduled for December 2003 (Schedule 5, para. 6).
- <sup>i</sup> No explicit mention of MTR in the Loan Agreement, but it requires that the National Project Implementation Unit be staffed by a midterm review specialist (Schedule 6, para. 3).

Table A3.1: Midterm Review Information

Country	Loan No.	Loan Title	Loan Effectiveness Date	MTR Mission Dates		MTR Mission Days	No. of Months between Effectiveness and MTR Start	No. of Review Missions Prior to MTR			Remarks
				Start Date	End Date			Project Review	Special Administration	Total	
BAN	1771	Chittagong Hill Tracts Rural Development Project	24-Oct-02	25-Dec-05	27-Jan-06	8 (Intermittent)	38	2	3	5	Includes one SPA mission prior to effectiveness (29–30 Aug 01)
BAN	1831	Second Small-Scale Water Resources Development Sector Project	9-Nov-01	15-Nov-05	7-Dec-05	23	48	6	0	6	
BAN	1941	Jamuna-Meghna River Erosion Mitigation Project	1-Apr-03	3-Sep-06	17-Sep-06	13	41	5	4	9	
BAN	1947	Urban Governance and Infrastructure Improvement (Sector) Project	25-Aug-03	31-Jul-06	9-Aug-06	10	35	4	0	4	
INO	1770	Marine and Coastal Resources Management Project	27-Sep-01	28-Nov-05	16-Dec-05	19	50	3	0	3	Includes one SPA mission
INO	1798	Road Rehabilitation Sector Project	28-Sep-01	21-Nov-05	5-Dec-05	15	50	5	3	8	Reviews include two field visits
INO	1810	Decentralized Health Services Project	25-Jun-01	3-Dec-03	10-Mar-04	24 (Intermittent)	32	5	0	5	Includes workshop attendance and those conducted back-to-back with review missions for other projects
INO	1863	Decentralized Basic Education	20-May-02	1-Mar-04	15-Mar-04	15	22	4	2	6	
INO	1909	Poor Farmer Income Improvement through Innovation Project	17-Jul-03	9-Jun-06	23-Jun-06	15	35	2	0	2	
INO	1962	Coral Reef Rehabilitation and Management II	7-Nov-03	11-Feb-08	27-Feb-08	12	51	3	0	3	

Country	Loan No.	Loan Title	Loan Effective-ness Date	MTR Mission Dates		MTR Mission Days	No. of Months between Effective-ness and MTR Start	No. of Review Missions Prior to MTR			Remarks
				Start Date	End Date			Project Review	Special Administ-ration	Total	
VIE	1777	Rural Health Project	30-Oct-01	5-Dec-05	22-Dec-05	18	50	6	0	6	
VIE	1855	Second Red River Basin Sector Project	17-May-02	13-Jun-05	1-Jul-05	19	37	0	4	4	
VIE	1880	Third Provincial Towns Water Supply and Sanitation Project	17-Sep-02	19-Mar-07	29-Mar-07	11	54	10	1	11	
VIE	1883	Central Region Livelihood Improvement Project	15-Sep-02	27-Feb-07	5-Apr-07	n/a (Intermittent)	53	2	3	5	
VIE	1888	Provincial Roads Improvement Project	3-Sep-02	19-Oct-05	9-Nov-05	13	37	2	1	2	Reviews included one SPA mission
VIE	1979	Upper Secondary Education Development Project	22-Mar-04	20-Nov-06	1-Dec-06	12	32	5	0	5	
VIE	1990	Housing Finance Project	6-Jan-04	6-Sep-06 <sup>a</sup>	19-Sep-06	Intermittent	32	4	0	4	

BAN = Bangladesh, INO = Indonesia, MTR = midterm review, n/a = not available, No. = number, SPA = special project administration, VIE = Viet Nam.

<sup>a</sup> As project implementation progressed slower than expected by this fielding date, the project is expected to have another "midterm review" in the future.

**Table A3.2: Staffing of Midterm Reviews**

Country	Loan No.	Loan Title	No. of Specialists	No. of National Officers	No. of Analysts	No. of Consultants	Total	Remarks
BAN	1771	Chittagong Hill Tracts Rural Development Project	1	2	1	1	5	Consultant was a staff consultant.
BAN	1831	Second Small-Scale Water Resources Development Sector Project	1	3	1	3	8	Consultants were water management specialist, institutional specialist, and socioeconomist. A representative of the Royal Netherlands Embassy, Dhaka joined the mission.
BAN	1941	Jamuna-Meghna River Erosion Mitigation Project	2	1	3	2	8	Consultants were specialists in gender and water management associations.
BAN	1947	Urban Governance and Infrastructure Improvement (Sector) Project	1	1	1	0	3	
INO	1770	Marine and Coastal Resources Management Project	1	0	1	1	3	Consultant was an economist.

Country	Loan No.	Loan Title	No. of Specialists	No. of National Officers	No. of Analysts	No. of Consultants	Total	Remarks
INO	1798	Road Rehabilitation Sector Project	2	1	0	2	5	Consultants were specialists in the sector and in gender and social development.
INO	1810	Decentralized Health Services Project	2	0	1	0	3	
INO	1863	Decentralized Basic Education	3	0	1	1	5	Mission was joined by IRM's financial management and disbursement unit. Consultant was an education specialist.
INO	1909	Poor Farmer Income Improvement through Innovation Project	1	0	1	0	2	
INO	1962	Coral Reef Rehabilitation and Management II	1	1	0	1	3	Consultant was an economist.
VIE	1777	Rural Health Project	1	0	3	0	4	
VIE	1855	Second Red River Basin Sector Project	2	1	0	0	3	Representatives of AFD and the Government of Netherlands joined the mission.
VIE	1880	Third Provincial Towns Water Supply and Sanitation Project	2	1		2	5	Consultants were specialists, economic and financial analysts. The Mission met with a representative of AFD, the project cofinancier.
VIE	1883	Central Region Livelihood Improvement Project	1	1	1	0	3	Mission was joined by Country Director in kick off and wrap up meetings.
VIE	1888	Provincial Roads Improvement Project	1	1	0	0	2	
VIE	1979	Upper Secondary Education Development Project	1	1	0	0	2	
VIE	1990	Housing Finance Project	3	0	0	1	4	Consultant was a staff consultant.

AFD = Agence Francaise de Développement, BAN = Bangladesh, INO = Indonesia, IRM = Indonesia Resident Mission, MTR = midterm review, No. = number, VIE = Viet Nam.

## PROJECT PROGRESS AT VARIOUS POINTS OF THE IMPLEMENTATION SCHEDULE

Loan No.	Loan Title	At RRP Midpoint <sup>a</sup>			At MTR			One Year After MTR		
		Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%) <sup>b</sup>	Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%)	Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%)
<b>Bangladesh</b>										
1771	Chittagong Hill Tracts Rural Development Project	36.00	15.00	47.37	22.00	10.00	47.37	43.00	27.00	47.37
1831	Second Small Scale Water Resources Development Sector Project	34.00	22.00	77.78	34.00	22.00	77.78	53.00	36.00	77.78
1884/ 1885	West Zone Power System Development Project	39.00	12.00	10.00	58.00 <sup>c</sup>	33.00 <sup>c</sup>	10.00 <sup>c</sup>	62.00 <sup>c</sup>	53.00 <sup>c</sup>	9.00 <sup>c</sup>
1941	Jamuna-Meghna River Erosion Mitigation Project	40.00	33.00	22.22	40.00	36.00	24.14	56.00	47.00	24.14
1942/ 1943	Dhaka Clean Fuel Project	26.00	13.00	23.08	61.00 <sup>c</sup>	50.00 <sup>c</sup>	27.00 <sup>c</sup>	86.00 <sup>c</sup>	72.00 <sup>c</sup>	27.00 <sup>c</sup>
1947	Urban Governance and Infrastructure Improvement Sector Project	39.00	34.00	68.18	39.00	32.00	68.18	54.00	41.00	68.18
	<b>Average<sup>d</sup></b>	<b>35.67</b>	<b>21.50</b>	<b>41.44</b>	<b>33.75</b>	<b>25.00</b>	<b>54.37</b>	<b>51.50</b>	<b>37.75</b>	<b>54.37</b>
<b>Indonesia</b>										
1770	Marine and Coastal Resources Management Project	34.00	17.00	30.77	51.00	43.00	35.71	65.00	55.00	93.75
1798	Road Rehabilitation Sector Project	12.00	4.00	8.33	55.00	42.00	95.83	83.00	74.00	95.83
1810	Decentralized Health Services Project	21.00	16.00	46.67	21.00	16.00	46.67	54.00	40.00	70.59
1863	Decentralized Basic Education	34.00	26.00	84.00	24.00	24.00	81.82	42.00	40.00	88.00
1909	Poor Farmers' Income Improvement through Innovation	22.00	18.00	45.00	34.00	30.00	52.38	43.00	42.00	47.62
1962	Coral Reef Rehabilitation and Management II	34.00	31.00	52.94	45.00	42.00	47.06	Data not yet available		
1964	Sustainable Capacity Building for Decentralization	17.00	3.00	83.33	24.00 <sup>e</sup>	6.00 <sup>e</sup>	92.00 <sup>e</sup>	32.00 <sup>e</sup>	12.00 <sup>e</sup>	100.00 <sup>e</sup>
	<b>Average<sup>d</sup></b>	<b>24.86</b>	<b>16.43</b>	<b>50.15</b>	<b>38.33</b>	<b>32.83</b>	<b>59.91</b>	<b>57.40</b>	<b>50.20</b>	<b>79.16</b>

Loan No.	Loan Title	At RRP Midpoint <sup>a</sup>			At MTR			One Year After MTR		
		Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%) <sup>b</sup>	Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%)	Cumulative Contract Awards (%)	Cumulative Disbursements (%)	Covenants Complied With (%)
<b>Vietnam</b>										
1777	Rural Health Project	12.00	2.00	33.33	48.00	36.40	57.89	76.00	66.00	60.00
1855	Second Red River Basin Sector Project	8.00	9.00	42.86	8.60	8.70	42.86	12.00	13.00	45.45
1880	Third Provincial Towns Water Supply and Sanitation Project	13.00	7.00	30.43	52.00	21.00	28.00	60.00	37.00	36.00
1883	Central Region Livelihood Improvement Project	0.00	5.00	50.00	24.00	19.00	19.05	47.00	32.00	19.05
1888	Provincial Roads Improvement Sector Project	15.00	8.00	35.00	32.00	16.00	35.00	47.00	29.00	29.17
1979	Upper Secondary Education Development Project	32.00	19.00	69.23	29.00	16.00	69.23	44.00	36.00	69.23
1990	Housing Finance Project	55.00	48.00	64.29	54.00	48.00	64.29	53.00	49.00	75.00
	<b>Average<sup>d</sup></b>	<b>19.29</b>	<b>14.00</b>	<b>46.45</b>	<b>35.37</b>	<b>23.59</b>	<b>45.19</b>	<b>48.43</b>	<b>37.43</b>	<b>47.70</b>
	<b>Average, All Countries<sup>d</sup></b>	<b>26.15</b>	<b>17.10</b>	<b>46.24</b>	<b>36.04</b>	<b>27.18</b>	<b>52.54</b>	<b>52.00</b>	<b>41.50</b>	<b>59.20</b>

MTR = midterm review, no. = number, RRP = report and recommendation of the President.

<sup>a</sup> "At RRP midpoint" refers to the midpoint of the length of time projects are expected to be implemented as described in the "Implementation Schedule" or "Implementation Period" sections of the RRP.

<sup>b</sup> Excludes covenants deemed not applicable and those not yet due; those "partly complied with" are considered complied with.

<sup>c</sup> These projects did not conduct MTRs. Cumulative contract awards and disbursements were calculated about 3.4 years after loan effectiveness (the average elapsed time of the sample projects that conducted MTRs) and a year later.

<sup>d</sup> The calculation of the average included only sample projects that conducted MTRs.

<sup>e</sup> This project has yet to field the first of its two planned comprehensive reviews. Cumulative contract awards and disbursements were calculated about 3.4 years after loan effectiveness (the average elapsed time of the sample projects that conducted MTRs) and a year later.