

# Focusing on Results in the Transport Sector of India

- **Transport** connects resources and markets, diversifies production, develops trade, and in so doing facilitates economic growth. **Rural roads** can also benefit the poor.
- The Government of **India** has made efforts to modernize, expand, and integrate **transport in India**. Notwithstanding the robust **development outlook**, billions of dollars are needed to sustain these efforts. As it improves public sector performance and accountability and acts as enabler rather than producer, the Government can mobilize private sector participation to bridge the resource gap and increase operational and managerial efficiency.
- **ADB's infrastructure operations** are in demand and **ADB and India** have worked on transport for twenty years. As of end-2006, ADB had made 25 loans totaling \$5.28 billion to the transport sector of India, or about one third of ADB's lending to the country. How has ADB's assistance performed? What strategic positioning should it adopt now?

## Background

The Asian Development Bank (ADB) has assisted the transport sector of India since the start of its operations there in 1987. Roads and highways at the national, state, and rural levels have made up 75% of lending, but ADB has also invested in railways and ports. As of end-2006, it had extended 27 advisory technical assistance grants for sector restructuring, institutional capacity building, system planning, tariff setting, and asset revaluation; and 31 technical assistance grants for project preparation.

In 2006, the Operations Evaluation Department conducted a **Sector Assistance Program Evaluation of the Transport Sector in India**.<sup>1</sup> It assessed the performance of ADB's assistance and identified areas where key stakeholders could manage better for development effectiveness and results. With the **Sector Assistance Program Evaluation of the Power Sector**, this aimed to inform the **Country Assistance Program Evaluation for India** to be completed ahead of the new **country partnership strategy** for India.

The study examined the operations approved in 1987–2005. It followed broadly the **Guidelines for the Preparation of Country Assistance Program Evaluation Reports** and used analysis frameworks

based on top-down and bottom-up assessments. The first assessment integrated sector positioning and quality of sector entry, contribution to development results, and ADB's performance. The second assessment looked at the relevance, effectiveness, efficiency, sustainability, and impact of operations.

## Summary of Findings

Combining the bottom-up and top-down assessments, the study rated ADB's sector assistance as partly successful overall, but on the higher side. This rating is based on concerns about implementation efficiency and sustainability. Since ongoing projects were also reviewed, the rating might change. Although the completed projects had achieved their expected outputs with satisfactory quality, they faced delays in implementation, time overruns, and reductions in scope. All ongoing projects continue to suffer implementation problems. It remains to be seen if efforts to address implementation problems will succeed. Upon completion, the projects were expected to provide the intended benefits. Policy changes in financing national highways could help address sustainability concerns.

Taking into consideration the size of the country and the relative contribution of ADB's assistance, the overall

impact has been modest with rural roads providing the highest potential impact on poverty reduction.

### Bottom-Up Assessment of Sector Assistance Program

Item	National Highways	State Highways	Rural Roads	Railways
Relevance	Relevant	Relevant	Highly relevant	Relevant
Likely Effectiveness	Effective	Effective	Effective	Less effective
Efficiency	Less efficient	Less efficient	Less efficient	Less efficient
Likely Sustainability	Less likely	Likely	Less likely	Less likely
Likely Impact	Modest	Modest	Substantial	Modest

ADB's support was deemed to have been relevant to the country's needs and to have addressed national and state concerns. The study found that ADB's strategic positioning and selection of priority areas had been significant. ADB's assistance had improved the quality of the road and railway infrastructure. ADB's value added contributed to promoting policy development, institutional strengthening, private sector participation, and compliance and public awareness of social safeguards. The main weaknesses identified were poor project design, delays in enforcement of safeguards, and lack of progress in addressing some key policy issues, particularly in the railways sector.

### Top-Down Assessment of Strategic Performance

Item	Rating
Sector Positioning and Quality of Sector Entry	Substantial
Contribution to Development Results	Modest but on the higher side
ADB's Performance	Modest
Overall Top-Down Rating	Successful

### Recommendations

The study advocated continued support to the roads and highways projects and made recommendations for improving project implementation:

- ADB must work closely with executing agencies to resolve problems that lead to implementation delays, both in individual projects and at the strategic level.
- ADB should give at least equal emphasis to good portfolio management and volume of loan approval. ADB's project administration in the transport sector must improve in frequency and quality.

- ADB must find ways to match the number and quality of staff to the increasing level of transport operations and ensure that they have adequate and appropriate experience and skills.
- Quality-at-entry must be improved. Project designs must take into account local variations in implementation capabilities and make better use of past experience to improve the design of future projects. In particular, implementation schedules should be better estimated.

The study also made recommendations for prioritizing ADB's strategic positioning:

- ADB support for reforms that promote private sector involvement should continue, at a higher level. Contract arrangements could be developed to maximize the benefits of private sector participation such that it not only replaces public financing but improves the quality of services.
- The railway policy reform program was formulated in 2002–2003. While its basic goals are sound, the approach to achieving these is yet to achieve the desired results. ADB should engage the Government and Indian Railways in policy dialogue to rework the agenda and identify a road map for developing further commercial orientation in operations.
- ADB should conduct more intensive policy dialogue on, and work with the Government to develop action plans for, (i) road safety, (ii) sector governance and corruption, (iii) institutional coordination, (iv) climate change, and (v) socially inclusive objectives. Road maps should refer to social parameters, to be mainstreamed into project designs with indicators. Advisory technical assistance could be leveraged to support each theme.

### Feedback

At the time of preparation of these *Learning Curves*, **ADB Management's Response** and the **Chair's Summary of the Development Effectiveness Committee Discussions** were not yet available for disclosure to the public. The study was completed in June 2007.

<sup>1</sup> ADB. 2007. *Sector Assistance Program Evaluation of the Transport Sector in India*. Manila. Available: <http://www.adb.org/Documents/Reports/SAPE/IND/SAP-IND-2007-09.pdf>