



Australian Government  
AusAID

## Quality at Entry Report and Next Steps to Complete Design for Support to Trade and Transport Facilitation in the Mekong Subregion

<b>A: AidWorks details</b> <i>completed by Activity Manager</i>			
<b>Initiative Name:</b>	Support to Trade and Transport Facilitation in the Mekong Subregion		
<b>AidWorks ID:</b>		<b>Total Amount:</b>	\$6.0 million
<b>Start Date:</b>	1 December 2010	<b>End Date:</b>	July 2016

<b>B: Appraisal Peer Review meeting details</b> <i>completed by Activity Manager</i>	
<b>Initial ratings prepared by:</b>	Marcus Bartley Johns, Adviser, Bangkok
<b>Meeting date:</b>	17 September 2010
<b>Chair:</b>	Phillippe Allen, Minister-Counsellor, Bangkok
<b>Peer reviewers providing formal comment &amp; ratings:</b>	<ul style="list-style-type: none"> <li>– Sabrina Varma, Trade Adviser</li> <li>– Jenny Lala, East Asia Regional Section</li> </ul>
<b>Independent Appraiser:</b>	– Phil Sayeg, Independent Consultant
<b>Other peer review participants:</b>	Marcus Bartley Johns (AusAID Bangkok); Neal Forster, Matthew Lapworth, Kenneth Harri (Mekong Section); Alan Coulthart (Principal Infrastructure Adviser); Arnold Jorge (Trade Adviser); Arjun Goswami, Pradeep Srivastava (ADB Manila).

<b>C: Safeguards and Commitments</b> <i>(new!) completed by Activity Manager</i>		
<i>Answer the following questions relevant to potential impacts of the activity.</i>		
<b>1. Environment</b>	Have the environmental marker questions been answered and adequately addressed by the design document in line with legal requirements under the <i>Environmental Protection and Biodiversity Conservation Act</i> ?	Yes
<b>2. Child Protection</b>	Does the design meet the requirements of AusAID's Child Protection Policy?	N/a

<b>D: Initiative/Activity description</b> <i>completed by Activity Manager (no more than 300 words per cell)</i>	
<b>3. Description</b>	<p>The Greater Mekong Subregion (GMS) program has helped its members cooperate to achieve dramatic improvements in infrastructure connectivity. Australia has a long history of contributing to GMS infrastructure connectivity through iconic projects, like the My Thuan and Lao-Thai Friendship Bridges. In recent years, GMS governments have increasingly realised that improving physical infrastructure alone is not enough to achieve the significant increases in cross-border trade that they desire. This project will support efforts by Mekong subregion governments to reduce the non-physical barriers to trade by improving trade and transport facilitation (TTF).</p> <p>GMS governments have set out their priorities for progress in TTF in a "Program of Actions", endorsed by GMS Ministers on 20 August 2010. This Program of Actions was developed based on a thorough process of analysis and consultation, supported by ADB diagnostic work and lessons learned through implementation of the GMS Cross Border Transport Agreement (CBTA). AusAID has provided \$2.3 million to support CBTA implementation. The importance of this work has been affirmed by recent AusAID-funded research published by the Centre for International Economics.</p> <p>The proposed new project will be implemented from 2010-2016, and will put into practice the objectives set out in the TTF Program of Actions. Australia will finance the Program of Actions from 2010-11 to 2013-14 including key activities such as: detailed diagnostic work on the key constraints to TTF; capacity building to officials at borders and in line agencies; supporting negotiations and regional meetings on TTF, including to expand traffic rights; and, providing secretariat support to upgraded government bodies responsible for TTF. These activities will be focused in the countries of greatest need: Cambodia, Laos, and Vietnam.</p>
<b>4. Objectives Summary</b>	<p>The project is fully aligned with AusAID's Trade and Development policies; the Greater Mekong Subregion Strategy 2007-2011; and ASEAN, APEC, and other regional integration initiatives.</p> <p>The overarching objective for the project is a marked increase in cross-border trade in the GMS along the region's key land transport corridors. The costs of trade will be reduced through measures like reducing the number of documents required to export goods, streamlining quarantine processes, and improving the capacity of border authorities to implement agreements like the CBTA. The project's support to exchange of traffic rights negotiations will increase the coverage of the improved GMS TTF regime, allowing vehicles and goods to move directly between the region's key economic centres. The project will also lead to an improved capacity in Cambodia and Laos for the private sector to take advantage of reduced cross-border trade costs.</p> <p>Although the project is being delivered through the GMS program, its implementation will explicitly reinforce ASEAN's regional economic integration objectives. The ASEAN Secretariat has been closely consulted in the design of the project to ensure its implementation supports ASEAN objectives.</p>

<b>E: Quality Assessment and Rating</b> <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
<b>Criteria</b>	<b>Assessment</b>	<b>Rating (1-6) *</b>	<b>Required Action (if needed)</b>
<b>5. Relevance</b>	<p>The project has strong relevance to AusAID strategic and regional objectives. The project is clearly aligned with the objectives of the AusAID Mekong Subregion Strategy 2007-2011. Objective B2 of the Strategy is to "reduce non-physical barriers to achieve efficient and effective cross-border movement of goods, vehicles and people". The project is also clearly positioned as linked to relevant ASEAN Economic Community processes. Importantly, the activity is highly relevant to GMS countries' objectives. GMS Leaders, Ministers and Senior Officials have affirmed the importance of progress in TTF at successive GMS meetings. This has been underlined by the endorsement by GMS Ministers of the detailed GMS TTF Program of Actions in August 2010.</p>	5	n/a

E: Quality Assessment and Rating <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
6. Analysis and Learning	<p>The project design is based on a large amount of detailed diagnostic and analytical work. A number of diagnostic studies have been completed in recent years, including with Australian funding. Also relevant is the major ADB evaluation of TTF in the Mekong that was completed in late 2008. A Strategy and Work Plan document for TTF was developed in mid 2009, building on these earlier studies and extensive consultations with GMS countries. The slow implementation of the CBTA and the significantly less than expected traffic flows at CBTA pilot border crossings have produced a number of lessons for ADB that have been taken into account in the design of this new project.</p>	5	n/a
7. Effectiveness	<p>The objectives of the project are clearly stated. It has been designed to maximise the chance of achieving these objectives, including by building on the significant lessons learned through CBTA implementation, and ADB's extensive diagnostic work and country consultations. This is strengthened by the high level of political commitment to TTF reform in the GMS and the growing willingness by GMS countries to undertake required institutional reforms.</p> <p>The visibility of Australia's support for this project – and complementary projects in the Mekong subregional program – will be maximised through agreement that ADB will publicise our support. Direct bilateral engagement with GMS governments and AusAID participation in the annual calendar of GMS meetings will also support this objective.</p> <p>Risks and means of managing them, where possible, have been identified in the ADB Design and the AusAID Design Summary and Implementation Document. Key AusAID risks include: Australia receiving insufficient visibility of its GMS TTF support; a failure to position GMS as a 'test-bed' for related ASEAN reform; and AusAID retaining insufficient capacity to manage its involvement in the project following the move of the Mekong Hub to Hanoi in 2011.</p>	4	AusAID (Bangkok and Canberra) to confirm responsibilities for engagement in this project by December 2010, with engagement points in the project outlined in the AusAID Design Summary and Implementation Document.
8. Efficiency	<p>This project represents good value for money. Trade facilitation has the potential to deliver an exceptionally high rate of return on the initial investment in terms of increased trade, economic growth and poverty reduction. This has been highlighted by AusAID-funded research by the Centre for International Economics, published in August 2010. For example, the research found that for each reduction in the average time of trade by one day, GDP in each Mekong country could increase by up to 1.2 per cent.</p> <p>The staff involvement, dollar-for-dollar, will be higher than usual. To ensure the project achieves its objectives, AusAID staff should participate in a minimum of three high-level GMS meetings, as noted in the DSID. Participation in at least one annual review mission would also be advised to support ongoing AusAID M&amp;E. However, the visibility and monitoring benefits of this involvement are considerable.</p> <p>ADB has been chosen as the partner for this project given their lead role on TTF in the GMS, and their history of engagement on TTF issues in the subregion.</p>	4	n/a

E: Quality Assessment and Rating <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
9. Monitoring and Evaluation	<p>As a technical assistance project focused on policy dialogue and reform, effective monitoring and evaluation will be essential in demonstrating that the project has achieved tangible results. For example, well-conducted surveys of cross-border traffic at selected crossings, or measurement of the time taken to travel between selected city pairs, will be needed to demonstrate whether the activity has had an impact. Demonstrating results in some areas of the project will be easier than others. For example, supporting negotiations on exchanges of traffic rights should result in an expansion of the territory vehicles are able to travel to under CBTA, opening up new city pairs for cross-border trade.</p> <p>The peer review and consultations with ADB confirmed the need for a dedicated M&amp;E specialist, particularly to define subproject 1 indicators at the start of project implementation, and to evaluate results in the closing stages of subproject 1.</p>	4	<p>ADB to develop detailed M&amp;E indicators for subproject 1, with assistance from M&amp;E consultant at start of implementation</p> <p>ADB to consider whether overall indicators for Design and Monitoring Framework need to be revised, e.g. trade volume targets may need be revised upwards</p>
10. Sustainability	<p>The project's sustainability depends on the extent to which high level commitments for reform translate into institutional will in each GMS country to make significant progress on the TTF agenda.</p> <p>Another key consideration is the extent to which ASEAN TTF initiatives create pressure on GMS TTF reform. At present, GMS initiatives are far more advanced, and this project has been designed explicitly to provide a 'test-bed' for ASEAN reform on initiatives like the ASEAN Single Window.</p> <p>ADB's environmental assessment and safeguards policies apply to this project, and have been discussed with the AusAID Environment Adviser. No separate environmental assessment for this activity by AusAID is required.</p>	4	<p>Continued monitoring by ADB and AusAID will be required to ensure that the high level of will and institutional changes on GMS TTF translate into sustained reform.</p> <p>Regional developments in TTF, particularly on the ASEAN level, will also need to be monitored, as they may create additional pressure on TTF implementing agencies in the 5 ASEAN GMS countries.</p>
11. Gender Equality	<p>ADB will undertake a comprehensive, 12-month technical assistance project to assess potential gender and social impacts (not HIV as this is addressed by existing AusAID-ADB project) of improved TTF in the GMS, and devise strategies to address these impacts. The gender work, while separately financed through Australia's \$1 million contribution to the ADB Gender and Infrastructure Multi-Donor Trust Fund, will be closely linked with the work undertaken through this TTF project. The ADB teams responsible for leading each project will coordinate closely. The AusAID Gender Unit has been closely involved in the proposal to address gender in the TTF project in this manner, and has supported the approach.</p>	5	<p>AusAID to continue close engagement with ADB on possible gender and social impacts of increased TTF in the GMS</p>

* Definitions of the Rating Scale:			
Satisfactory (4, 5 and 6)		Less than satisfactory (1, 2 and 3)	
6	Very high quality; needs ongoing management & monitoring only	3	Less than adequate quality; needs to be improved in core areas
5	Good quality; needs minor work to improve in some areas	2	Poor quality; needs major work to improve
4	Adequate quality; needs some work to improve	1	Very poor quality; needs major overhaul

**E: Next Steps** *completed by Activity Manager after agreement at the Appraisal Peer Review meeting*

Provide information on all steps required to finalise the design based on *Required Actions* in "C" above, and additional actions identified in the peer review meeting

Who is responsible

Date to be done

The peer review did not produce specific recommendations to amend the ADB Design beyond those agreed in the lead up to the meeting.

n/a

n/a

The Independent Appraisal recommendations on improving the M&E framework have been addressed by the design amendment, as circulated to peer review invitees on 6/9/10, to include a dedicated M&E specialist. The recommendations on restructuring the consultant team have also been adopted.

However, while there were no recommendations to amend the design, the QAE reports and peer review participant comments flagged a number of issues for AusAID and ADB to monitor closely as implementation proceeds. These have been noted in Section C above.

**F: Other comments or issues** *completed by Activity Manager after agreement at the APR meeting*

- Work-plan after Subproject 1: To allow flexibility within the project's broad objectives, the design contains a detailed work-plan for the first subproject only. Activities in the first phase (to end 2012) will focus on a combination of capacity building, supporting negotiations and meetings, and the technical diagnostic work required to generate further progress in TTF. The end of subproject one will provide an opportunity to take stock of progress to date, determine whether further support is warranted, and define a detailed work-plan for subproject 1 if we and ADB decide to continue.
- AusAID Disbursement and Funding Arrangements: AusAID funding will be provided in four payments of \$1.5m per Australian Financial Year from 2010-11. ADB has structured the activity in three subprojects, with a budget of \$2m for the first subproject from 2010-2012. Our objective in structuring payments will be to balance ADB's need for a predictable disbursement schedule with our need to ensure implementation proceeds on time and that funds are used effectively. Funds for this activity will be drawn initially from the IFGI Budget measure and (from 2011-12) from the Mekong program budget.
- Burma: Burma is not – at this stage – explicitly excluded from the project. As the project will need to be presented to the ADB Board for approval on a no-objection basis, it is possible some Board members would raise concerns. AusAID Bangkok has reported on this issue by cable in June 2010. The AusAID Burma will desk will be developing an Australian position on this issue, in consultation with AusAID Bangkok and the Australian Executive Director's office at the ADB in Manila.

**F: Approval** *completed by ADG or Minister-Counsellor who chaired the peer review meeting*

On the basis of the final agreed Quality Rating assessment (C) and Next Steps (D) above:

☒ **QAE REPORT IS APPROVED**, and authorization given to proceed to:

☒ **FINALISE** the design incorporating actions above, and proceed to implementation

or: ☐ **REDESIGN** and resubmit for appraisal peer review

☐ **NOT APPROVED** for the following reason(s):

*Philippe Huen*  
< name of MC / ADG >

*Philippe Huen*  
signed:

*6/10/2010*  
< date >