

# Building Links to Prosperity: Roads and Railways in the PRC

- In 1992, the PRC had the lowest road density in the world relative to area or population. Its railways were experiencing severe capacity bottlenecks.
- Between 1997 and 2005, the road network of the PRC grew from 1.23 million km to 1.93 million km. This involved construction of a national trunk highway system and an arterial road network composed mainly of expressways. The railway network grew from 65,970 km to 75,438 km, while capacity was augmented by double-tracking and electrification. Investment in both transport modes featured modern technologies, project management methods, and steady reform of subsector policies and institutional arrangements including greater commercial orientation and new approaches to cost recovery.
- Roads and railways absorbed 27 of the 58 ADB loans to the PRC approved in 1997–2005.

## Background

The period 1997–2005 is of deep significance for roads and railways in the **People's Republic of China** (PRC). It began with plans for sustained infrastructure investments to address well-known blockages. But the **1997 East Asian financial crisis** that struck in July set off profound changes. Faced with a possible downturn in **economic growth**, the Government decided to "pump prime" the economy by increasing investment in public works, especially those linked to the **highway system**. By providing development finance and consistent support and advice throughout, the Asian Development Bank (ADB) acted as a trusted **development partner** at a turning point in the history of the PRC. In 2006, the Operations Evaluation Department undertook a **Sector Assistance Program Evaluation of Asian Development Bank Assistance for Roads and Railways in the People's Republic of China** to help prepare ADB's next **country partnership strategy** for the PRC in 2007.<sup>1</sup> It fed the **country assistance program evaluation** for the PRC conducted at the same time with the same intent.

The study looked into strategic direction, program alignment and performance, ADB influence and performance, and lessons of experience. Its methodology included a retrospective situation analysis

of the roads and railways, a comparator assessment of other donor assistance, an analysis of strategic fit, evaluations of completed ADB projects, studies of poverty reduction impacts of roads and railways, assessments of the performance of ADB technical assistance, a survey of ADB performance and client orientation, and a comparison of projects "with and without" ADB assistance.

The study framed analyses as top-down and bottom-up assessments. The first integrated strategic positioning, performance and client orientation, and contribution to development results. The second considered the relevance, effectiveness, efficiency, sustainability, and impact of lending operations in **roads** and **railways** approved in 1997–2005 and rapidly assessed ongoing projects. The bottom-up assessment also reviewed technical assistance to **roads** and **railways** approved over the period.

## Summary of Findings

Combining top-down and bottom-up assessments, the study rated ADB's sector assistance as successful overall. Strategic positioning in both subsectors was rated high. Performance and client orientation were deemed to have been substantial in both cases. Contribution to development results was judged significant to moderate: in the early stages, value added

was very significant in mobilization of finance, incorporation of standard provisions to strengthen subsector governance, and introduction of market-based principles, approaches to public health, and poverty impact monitoring. However, value added declined as national and provincial governments built such features in their own projects.

With ADB's help, roads and railways in the PRC underwent a remarkable transformation over 1997–2005—both in terms of network expansion and upgrading, and through modernization and reform of policies and institutions. The Government's programs in the two subsectors were well conceived, and there were both strong commitment and capacity to carry them out. By providing development finance from the onset, and consistent assistance and advice, especially in the road subsector, ADB played a valuable role in realizing accomplishments. An important part of ADB's approach was the constancy of its help over the years. However, by the end of the period—with the national trunk highway system nearing completion and the railways network having grown in capability and sophistication to become worthy of comparison against international standards—this chapter in ADB's support to the subsectors was nearing its conclusion. The study showed that, with exceptions, the standard package of ADB assistance and most special project features were by then no longer adding much value relative to domestically financed investments. If ADB continues to back roads and railways in the PRC, it must identify areas that offer scope for value addition. It must then adjust the types of activities that it supports, the way it provides assistance, and the needed ADB staff skills.

### Recommendations

- Formulate new focus and priorities for lending assistance to the roads and railways taking into account the Government's priorities and ADB experience and resources. In doing so, (i) pursue policy dialogue to identify areas for strategic focus and value addition; and (ii) adopt project components and special features appropriate to project location and related priorities.
- Enhance the performance of technical assistance to roads and railways by (i) rationalizing resource allocation for project preparatory technical assistance in relation to estimated requirements and local conditions; (ii) adopting a longer-term

engagement and increasing allocation for advisory technical assistance to provide state-of-the-art knowledge products and services; (iii) making use of more inputs from high-quality national consultants; (iv) bringing in world class and PRC-experienced international consultants; and (v) providing necessary staff and incentives for excellence in project design and supervision.

- Increase responsiveness to client concerns by (i) pursuing further discussion with the Government to explore how to make use of ADB's new lending products and modalities; (ii) simplifying business procedures to reduce transaction costs associated with ADB's project processing and administration procedures; (iii) piloting country systems for environmental safeguard compliance where capacity is evident, and assisting in strengthening that in other safeguard areas; (iv) attaching local roads, link roads, and detailed poverty monitoring frameworks to expressway projects strictly on a demand-driven basis and in line with ADB's enhanced poverty reduction strategy; (v) further strengthening the PRC Resident Mission with a transport sector specialist and delegating to it more project-related work and responsibility for advisory services to clients; and (vi) matching ADB staffing to the focal areas in which ADB can continue to add value to roads and railways in the PRC.

### Feedback

**ADB Management's Response** considered the study a timely and valuable input toward the new country partnership strategy. ADB's Management agreed in general with the thrust of the findings and recommendations and was encouraged that the report by and large confirmed the importance of several ongoing ADB-wide reform initiatives. The key findings and recommendations of the study fed the Development Effectiveness Committee's review of the **country assistance program evaluation** for the PRC, summed up in the related **Chair's Summary of the Development Effectiveness Committee Discussions**.

<sup>1</sup> ADB. 2007. *Sector Assistance Program Evaluation of Asian Development Bank Assistance for Roads and Railways in the People's Republic of China*. Manila. Available: <http://www.adb.org/Documents/Reports/SAPE/PRC/SAP-PRC-2007-04.pdf>