

## **MANAGEMENT RESPONSE TO THE COUNTRY ASSISTANCE PROGRAM EVALUATION ON THE SUCCESS DRIVES DEMAND FOR MORE INNOVATIVE AND RESPONSIVE SERVICES FOR THE PEOPLE'S REPUBLIC OF CHINA**

On 3 May 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### **I. General Comments**

1. We welcome OED's Country Assistance Program Evaluation (CAPE) for the People's Republic of China (the PRC). We find it analytically sound and well prepared. The CAPE is timely and will provide an important input into the preparation of our Country Partnership Strategy (CPS) for the PRC.

2. We note the CAPE finding that ADB's program for the PRC has been successful overall, and that ADB's development strategies and priorities have been well-aligned to those of the country. We are also pleased to note the finding that the country assistance program for the PRC has brought in successful development experiences and value-added technical, financial and management expertise under various lending and non-lending operations.

3. We agree in principle with all the recommendations made in the report. Though we have some specific comments as presented in Section II below, we are encouraged to note that the recommendations made in paragraph 216 of the report generally validate the importance of the on-going ADB-wide reform initiatives such as the middle income country initiative, the innovation and efficiency initiative, and the on-going review of resident mission (RM) policy.

### **II. Comments on Specific Recommendations**

4. **Diversification of the Lending Program.** We agree with the suggestion that in a country like the PRC, with a wide range of development challenges, an assistance program which perhaps has focused too narrowly on transport should be broadened. A few more carefully selected sectors could be added, with focus on certain geographic areas. This will be part of our discussions with the Government as we prepare a new CPS for the PRC for 2008–2010.

5. **Quality of Nonlending Operations.** We agree that while the vast majority of the advisory technical assistance (TA) projects are rated as satisfactory, there is room to improve the quality of TA operations. We note that these issues are currently being reviewed as part of the ongoing ADB initiative on TA management.

6. We also agree that it is important to ensure efficient allocation of TA resources to the areas of highest priority. However, we believe that it would be inadvisable to further reduce the allocations of project preparatory technical assistance (PPTA) in infrastructure sectors (as proposed in the CAPE report) since (i) PPTA allocations have already fallen in real terms while project complexity has increased; (ii) PPTA funds are being used for bringing safeguards and economic and financial analysis to the required ADB standards, and for

innovative project design, rather than for engineering design as in the past; and (iii) many of the projects are in new subsectors and thus not repeat projects, due to change in inter-sectoral balance in the lending program.

7. **Increasing Private Sector Operations.** We agree that ADB needs to increase private sector operations in the PRC and should have a clear strategy to support private sector operations. A joint team from our East Asia Department and Private Sector Operations Department has been constituted to develop a private sector operations strategy for the PRC as part of the new CPS preparation process. Staff skills mix in PRC Resident Mission (PRCM) will be assessed against the emerging operational requirements under private sector and non-sovereign operations as part of the on-going RM policy.

8. **Deepening Regional Cooperation Initiative.** We agree that PRC can play a strategically important role in regional cooperation initiatives. The proposed CPS for 2008–2010 will therefore include regional cooperation as one of its strategic pillars. Guided by ADB's regional cooperation and integration strategy and the Government's own strategic priorities, it will focus on: easing institutional constraints to regional integration, building regional infrastructure to promote trade and transit, promoting regional financial integration, and supplying regional public goods.

9. **Increasing ADB Responsiveness to Client Concerns.** We agree in principle with the suggestion that ADB should delegate more authority to PRCM and strengthen PRCM staff capacity. However, such decentralization/delegation also involves additional costs which need to be considered. The ongoing review of the RM policy will inform these recommendations.

We agree with the suggestion that ADB should move toward the use of country systems for safeguard policies. However, this will be further considered after the forthcoming safeguard policy update is completed, which will define the criteria under which country systems may be considered for pilot testing and application.