

**MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION
REPORT FOR THE GUIZHOU SHUIBAI RAILWAY PROJECT IN THE
PEOPLE'S REPUBLIC OF CHINA (Loan 1626-PRC)**

On 14 June 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. We appreciate OED's evaluation of Guizhou Shuibai Railway Project. We agree with the overall findings and assessment of the above Project Performance Evaluation Report. We support the proposed follow-up actions relating to mining development in the project area and pricing policy.
2. We note that the pricing policy issue in the railway sector in the PRC has been an important element of ADB policy dialogue in recent years. The Guizhou Shuihong Railway Company Ltd. has fixed and adjusted its tariffs based on market and the two covenanted financial indicators of the Project—working and debt-service ratios—have been fully met.