

MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION REPORT FOR THE CHENGDU-NANCHONG EXPRESSWAY PROJECT IN THE PEOPLE'S REPUBLIC OF CHINA (Loan 1638-PRC)

On 2 January 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

A. Overall Assessment

1. Management appreciates OED preparation of an evaluation of the Chengdu-Nanchong Expressway Project. It is noted that the Project Performance Evaluation Report (PPER) rated this project as successful, but close to the lower limit of the highly successful rating, and that the Project is assessed as highly relevant, highly effective, highly efficient and likely to be sustainable. It is also noted that no issues are foreseen that could significantly downgrade the project assessment.

B. Findings, Lessons Identified, and Follow-Up Actions

2. With respect to the issue of using preliminary design documents as the basis for bidding documents, we note that this has been resolved following legislation issued in 2002 by the Ministry of Construction. We will continue our dialogue with the Government to ensure that bidding on ADB and domestically-financed projects only starts after the completion of detailed design.

3. On the issue of the inclusion of the local road component that linked to the expressway, we agree with the PPER's observation that it would have been preferable for the Sichuan Provincial government to assume responsibility for servicing and repaying this part of the loan rather than passing it on to Sichuan Chengnan Expressway Limited Liability Company. We note the reference in the PPER to the findings of the recent OED Study on poverty targeting. We note that OED recognized that the scope for stand-alone local roads projects is limited by government policy in PRC that requires any project financed by international financing institutions to be able to service and repay the loan.

4. The PPER confirms several resettlement-related lessons that were identified in the Project Completion Report (PCR) and are common to many transport projects in PRC. These lessons have been evident for sometime. Accordingly, ADB's responsible sector division (EATC), in collaboration with ADB's PRC Resident Mission and the Environment and Social Safeguards Division (RSES), has strengthened the procedures for handling resettlement issues in new projects approved after 2002 when ADB's Operations Manual F2, Involuntary Resettlement, was amended. Specifically (i) EATC actively pursues updates of resettlement plans from executing agencies (EAs) based on detailed design and measurement surveys; (ii) EATC has standardized its requirements for internal and external monitoring of resettlement; (iii) EATC recommends the establishment of resettlement management information systems for large expressway and railway projects; and, (iv) following the recruitment of an additional resettlement specialist in the East Asia Department (EARD), EATC will

include a resettlement specialist in review missions for projects under its administration, thereby enabling more effective supervision.

5. We support the proposed time-bound follow-up actions relating to road safety and to private sector participation and will advise the Sichuan Provincial Communications Department and the Sichuan Chengnan Expressway Limited Liability Company to implement these actions.