



Validation Report

Reference Number: PVR-381
Project Number: 37490
Loan Number: 2339
December 2014

People's Republic of China: Eastern Sichuan Roads Development Project

Independent Evaluation Department
Asian Development Bank

ABBREVIATIONS

ADB	– Asian Development Bank
EIRR	– economic internal rate of return
FIRR	– financial internal rate of return
km	– kilometer
m ²	– square meter
O&M	– operation and maintenance
PCR	– project completion report
pcu	– passenger car unit
PPER	– project performance evaluation report
RRP	– report and recommendation of the President
SDEC	– Sichuan Dashaan Expressway Company Limited
SPTD	– Sichuan Provincial Transport Department

NOTE

In this report, “\$” refers to US dollars and CNY refers to yuan.

Key Words

adb, asian development bank, eirr, firr, people’s republic of china, lessons, performance evaluation, project completion report, pcu, road sector, sichuan dashaan expressway company limited, sdec, transport, transport systems

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PROJECT BASIC DATA

Project Number:	37490	PCR Circulation Date:	30 Jun 2014	
Loan Number:	2339	PCR Validation Date:	Dec 2014	
Project Name:	Eastern Sichuan Roads Development Project			
Country:	People's Republic of China		Approved (\$ million)	Actual (\$ million)
Sector:	Transport and ICT	Total Project Costs:	1,425.00	1,730.00
ADB Financing: (\$ million)	ADF: 0.00	Loan:	200.00	200.00
		Borrower:	1,225.00	1,528.70
	OCR: 200.00	Beneficiaries:	0.00	0.00
		Others:	0.00	0.00
Cofinancier:		Total Cofinancing:	0.00	0.00
Approval Date:	17 Jul 2007	Effectiveness Date:	22 Apr 2008	5 May 2008
Signing Date:	23 Jan 2008	Closing Date:	31 Dec 2012	19 Apr 2013
Project Officers:	M. Ojira S. Noda W. Zhang W. Zhang X. Guangrui	Location: ADB headquarters ADB headquarters ADB headquarters People's Republic of China Resident Mission People's Republic of China Resident Mission	From: Jul 2007 Oct 2007 Feb 2010 Jan 2011 Mar 2012	To: Sep 2007 Jan 2010 Dec 2010 Mar 2012 Apr 2013
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ADB = Asian Development Bank; ADF = Asian Development Fund; ICT = information and communication technology; IED2 = Independent Evaluation Department, Division 2; OCR = ordinary capital resources; PCR = project completion report.

I. PROJECT DESCRIPTION

A. Rationale

1. According to the report and recommendation of the President (RRP), Sichuan ranked seventh lowest of all provinces in terms of gross domestic product per capita at 61% of the national average.¹ About one-third of counties in the province were classified as poor. In the project area, 137,800 people were poor, which was equivalent to 6.5% of the provincial population. The main reason for high poverty was slow economic growth caused by inadequate infrastructure. The road network in the project area provided poor access to markets and social services, such as education and health, because of low-standard and

¹ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Eastern Sichuan Roads Development Project*. Manila.

poorly maintained roads that are often susceptible to closure from landslides, flooding, and snow falls. Only 39% of townships in the project area were connected with paved roads. Few villages had bus service, which was a vital element in the rural transport system because of low vehicle ownership.

2. Despite considerable investments in the road sector, the country's road network did not provide efficient transport to large parts of the country—particularly to poorer inland regions such as Sichuan. Better transport links were needed to improve economic efficiency, foster national and international trade, facilitate interregional integration, and reduce poverty. To enhance economic development and reduce poverty, the government implemented the Western Region Development Strategy, which aimed at reducing development disparities between the western and coastal regions. In Sichuan, the province planned to build 30,000 kilometers (km) of township roads and 20,000 km of village roads during 2006–2010 to ensure that 80% of the province's townships were connected by paved roads.

3. The operational strategy of the Asian Development Bank (ADB)² for the road sector supported the (i) construction of roads that connect major growth centers and link the hinterland economies; (ii) integration of the network so that the national trunk highway system is supported by a system of local roads; (iii) promotion of road safety and reduction of vehicle emissions; (iv) institutional strengthening to increase the commercial orientation and efficiency of expressway organizations; (v) improvement of highway planning and evaluation techniques; (vi) adoption of pricing policies to ensure optimum use of road transport capacity; and (vii) use of alternative methods of investment financing, including private sector participation. ADB road sector assistance targeted the less developed central and western provinces, where most of the poor live.

B. Expected Impact

4. The project's expected impact was the development of an integrated road transport system that supports the sustainable economic development of Sichuan province. Impact indicators were (i) increased gross domestic product in the project area from 9% in 2010 to 11% in 202, (ii) increased per capita rural income in the project area from CNY2,564 in 2004 to CNY5,000 in 2015, (iii) reduced bus fare and freight charges by 5% in 2015, and (iv) reduced road accidents and fatalities in the project area by 30% in 2015.

5. Other impact indicators were increases in the proportion of villages with paved road access from 55% to 100% by 2015, 100% in bus service availability by 2015, and expansion in road network by 4% annually.

C. Objectives or Expected Outcome

6. The expected outcomes of the project were improved road transport efficiency and safety in the project area for the expressway and local roads. The performance targets were (i) increase in expressway traffic volume by 7,800 passenger car units (pcu) per day at opening in 2012, (ii) decrease in expressway travel time from 3 hours before the project to 1.5 hours after the project, and (iii) the economic internal rate of return (EIRR) maintained at 14.1%.

² ADB. 2006. *Country Strategy and Program Update (2007–2008): People's Republic of China*. Manila.

D. Outputs

7. The project had four intended outputs. The first output was an improved road infrastructure and its associated equipment and facilities. This involved the construction of a 143 km, four-lane, access-controlled toll expressway from Dazhou to Wanyuan, including procurement and installation of equipment for road safety, toll collection, communications, traffic management, and vehicle-weighing stations. The second output was 430 km of upgraded local roads to improve access to poor, remote areas. The third was enhanced corporate governance by separating expressway construction and operations from the provincial government. The last was capacity building conducted on project management, quality control, road safety, and monitoring and evaluation.

E. Provision of Inputs

8. The total project cost at the time of approval was \$1.43 billion, but the actual costs increased to \$1.73 billion. The project completion report (PCR)³ discussed the project costs in terms of local currency for comparison purposes, in view of exchange rate fluctuations. It indicated that the actual project cost was CNY10.69 billion, which was slightly less than the estimated CNY10.90 billion at appraisal.

9. The PCR noted cost increases in the following items: (i) expressway works increased from CNY7.54 billion to CNY8.10 billion due to contract variations during construction; (ii) equipment cost increased from CNY192.7 million to CNY244.2 million due to the application of state-of-the-art equipment for tolling, communications, tunnel surveillance, and traffic safety; (iii) land acquisition and resettlement cost increased from CNY327.2 million to CNY791.8 million due to higher compensation rates based on recent government policy and regulations.

10. Reductions in costs on a few items were also registered. Costs associated with project design, supervision, and management decreased from CNY578.0 million to CNY417.2 million. The cost of local roads also dropped from CNY208.0 million to CNY179.3 million. Likewise, financing charges during construction decreased from CNY981.7 million to CNY943.3 million. The PCR indicated that all cost adjustments were fully covered by the contingencies envisaged at appraisal and savings of capital cost. The cost of national consulting services was reduced due to the shorter construction period while the lower financing charge was due to lower actual interest rates compared with those envisaged at appraisal.

11. The project was classified as Category A under the ADB environmental classification requirements. A summary environmental impact assessment was prepared based on the domestic environmental impact assessment and soil erosion protection plan in May 2006. The project was deemed unlikely to cause serious environmental effects if timely measures in the environmental management and monitoring plans were properly carried out. The PCR indicated that all contractors implemented mitigation measures in their construction schemes. Air quality at five survey sites and noise levels at nine sites met level II national standards.

12. The PCR also indicated that no cultural heritage issue in relic sites or districts was encountered during construction. All local roads improvement was based on existing alignments and rights-of-way. The alignment of the expressway was adjusted to avoid the Hua'e Mountain Nature Reserve. During the construction period, 7.6 million cubic meters of

³ ADB. 2014. *Completion Report: Eastern Sichuan Roads Development Project in the People's Republic of China*. Manila.

excavation materials were disposed at 42 sites. All disposal sites were subsequently restored and rehabilitated through retaining structure, drainage systems, and vegetative measures. Sound abatement measures were also implemented at 147 noise-sensitive locations.

13. At appraisal, the project impact for involuntary resettlement was classified as Category A. Initially, the proposed expressway was to require 11,685 *mu* of land.⁴ Some 13,000 households were to be affected by the land acquisition. Also, 137,700 square meters (m²) of buildings were to be demolished, affecting 1,148 households or 5,279 individuals. The use of 3,600 *mu* of land temporarily for construction purposes was also envisaged.

14. The PCR indicated that the updated resettlement plan anticipated the expressway construction to result in loss of land, houses, and other assets, with (i) 10,137 *mu* of land acquired permanently for the construction of the expressway, (ii) 10,823 households partially affected by permanent land acquisition, (iii) 255,926 m² of houses or buildings demolished, (iv) the relocation of 1,418 households with 5,498 individuals, and (v) the temporary use of 3,600 *mu* of land for construction purposes.

15. The PCR noted that land acquisition and resettlement were implemented based on the resettlement plan and complied with legislation and decrees. The project acquired 11,665 *mu* of land (an increase of 15.1% compared to the updated resettlement plan) that affected 9,464 households (a decrease of 12.6%). The project also resulted in the demolition of 388,928 m² of buildings and houses (an increase of 52%), affecting 1,594 households or 6,073 individuals (an increase of 10.5%).

16. The increase in the area of permanent land to be acquired was mainly due to (i) increased area of land needed for incremental access roads, as requested by local communities; (ii) design variation due to complex geological and topographic conditions; and (iii) incremental land acquisition due to landslides caused by flooding (PCR, Appendix 11, para. 2). The increased building demolition was mainly due to a government resettlement policy, which provides for a minimum compensation space for affected people at a rate of 30 m² per person. The local roads were built within the previous road alignment, thus, there were no land acquisitions or resettlement impacts.

17. The actual cost of land acquisition and resettlement was CNY792.0 million, an increase of 68% from the CNY471.4 million estimated in the updated resettlement plan, and 80% higher than the CNY439.0 million estimated at appraisal. The significant increase of costs was due to increased land compensation rates and preferential policy on house compensation. There were no ethnic minorities in the project area.

18. Of the consulting services, 38.5 person-months were provided by international consultants. Eight national consultants were engaged, providing 6,390 person-months of consulting services. No advisory technical assistance was attached to this project.

19. The project was financed by an ADB loan of \$200 million loan from its ordinary capital resources (14% of the total project cost). The remaining cost was jointly financed by the Ministry of Communications (\$229 million or 16%), the Sichuan provincial government (\$440 million or 31%), and a loan from the China Development Bank (\$556 million or 39%). The ADB loan was approved on 17 July 2007 and became effective on 23 January 2008. At project completion, there were small changes in the financing proportions because of local currency

⁴ *mu* = Chinese unit of measurement (1 *mu* = 666.67 m²).

appreciation. Financing from ADB was reduced to 11.6%. The PCR indicated that the ADB loan was effectively and efficiently utilized. The loan account was closed on 19 April 2013 with no loan savings.

F. Implementation Arrangements

20. The Sichuan Provincial Communications Department was to be the agency responsible for providing overall guidance to local communication bureaus for the local roads component of the project. The Sichuan Dashaan Expressway Company Limited (SDEC) was to be responsible for carrying out the construction, operation, and maintenance of the project expressway and the local roads. The general manager of the company was to act as the project director responsible for implementation and approval of contracts and payments. The project was to be implemented over 5 years from January 2008 to June 2012. The executing and implementing agencies for the project were as agreed at appraisal. The Sichuan Provincial Transport Department (SPTD) was the executing agency and the SDEC was the implementing agency.⁵ Project expressway construction began in January 2009, 12 months later than expected because of delays in signing the onlending agreement and interruptions caused by the Wenchuan earthquake during the bidding process. However, the project expressway was completed 2 months ahead of the original completion date. Local roads were completed concurrently with the completion of the expressway.

21. Loan and project agreements contained 26 covenants. The PCR noted that no covenants were modified or waived during implementation. All covenants were complied with, except in the case of partial compliance with the following financial conditions: (i) debt–equity ratio not to exceed 65:35, (ii) working ratio of not more than 15% during project expressway operation, and (iii) debt service coverage ratio of not less than 1.2 during expressway operation from the first year of full operation.⁶ Audit reports were submitted on time. The PCR also indicated that the reevaluated financial analysis showed that SDEC would be able to comply with the debt–equity ratio starting 2013, the working ratio starting 2014, and the debt service coverage ratio starting 2020 (Appendix 10, para. 7).

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

22. The PCR rated the project *highly relevant* to the government's plans and priorities for the development of the western transport corridor and to the ADB country strategy and program for the road sector. It indicated that the scope of the project was well defined and the overall design remained unchanged during implementation.

23. This validation finds that the project's intended outputs and outcomes were consistent with the country's development priorities and strategy and to the ADB country and sector strategies. However, in assessing relevance, the PCR largely based its rating on project objectives matching the country and ADB strategies. It also mentioned achievement of expected outcomes through road lengths and policy reforms. These should have been discussed in the section on "Effectiveness in Achieving Project Outcome and Outputs." This validation is of the view that the project's responsiveness to underlying development problems

⁵ The relationship between the Sichuan Provincial Communications Department and the SPTD was not clearly explained in the PCR.

⁶ The PCR stated erroneously (para. 19) that the covenanted debt–equity ratio was 60:40 and the working ratio as 12%.

was well established, especially in easing transport bottlenecks and meeting growth in traffic demand. The project's scope was well defined and the design remained generally unchanged throughout the project's implementation. In particular, the project expressway was designed and built in line with international prevailing practices. Given these observations, this validation rates the project *highly relevant*.

B. Effectiveness in Achieving Project Outcome and Outputs

24. The PCR rated the project *highly effective* in achieving outcome and outputs. It reported that the actual length of the completed expressway was 143.2 km, including a 3.6 km improved section. Road capacity increased to 50,000 pcu per day at its opening in 2012. Also, 430 km of local roads were completed. Road capacity increased by 400–2,000 pcu per day for class IV roads, and by 500–15,000 pcu per day for class II roads when these roads were opened to traffic. The PCR indicated that expressway operations were separated from provincial government functions with the establishment of the SDEC as an independent company responsible for implementation, construction, and operation and maintenance (O&M).

25. The PCR noted that a human resource development plan was prepared, which included 35 person-months of international training in expressway commercialization, highway operations and management, tunnel operations and management, intelligent transport systems, and financial management, among other things. At project completion, 31 person-months of overseas training were conducted and all envisaged training subjects were covered.

26. The PCR indicated that actual traffic volume for the expressway reached a daily average of 9,315 pcu during 2012–2013, which was higher than the traffic projections at appraisal. The travel time between Dazhou and Wanyuan was also shortened from 4.0 hours to 1.5 hours and the distance from 160 km to 143 km. Given these, this validation rates the project *highly effective*.

C. Efficiency of Resource Use in Achieving Outcome and Outputs

27. The PCR rated the project *efficient*. In terms of process efficiency, the PCR stated that the borrower and executing and implementing agencies were effective in ensuring efficient project implementation and provided timely and adequate counterpart funding. Planned outputs were achieved 2 months ahead of schedule, despite the initial start-up delay. The SDEC staff received training, which improved their skills in design, construction, environmental management, O&M, and road safety. The PCR also stated that international and national consulting firms, which were engaged to assist in project implementation, performed satisfactorily and established good working relationships with SPTD and SDEC. The Sichuan Provincial Highway Planning and Design Institute designed the expressway in line with national standards and international best practice. Civil works for the expressway were well implemented. Equipment was also supplied, installed, and commissioned according to schedule.

28. The reevaluated EIRR for the project expressway was 14.5%, compared to the appraisal estimate of 14.1%. The increase was mainly due to higher traffic volumes, a higher proportion of freight traffic, more savings in vehicle operating cost, and more time savings. A sensitivity analysis showed that the project was still economically viable when operating and maintenance costs were increased and economic benefits lowered. However, it was not clear how economic benefits were quantified from the information provided in the PCR, in terms of

how much of the traffic on the expressway was traffic that would have been generated without the project, how much was diverted from other roads, and how much was incremental.

29. The PCR discussed financial efficiency in the “Efficiency of Resource Use in Achieving Outcome and Outputs” section. Financial aspects of projects are issues related to sustainability—not efficiency—and should be discussed in the appropriate section of the PCR. On the whole, this validation rates the project *efficient*.

D. Preliminary Assessment of Sustainability

30. The PCR rated the project *most likely sustainable*. It indicated that the technology adopted for the project facilities was technically and commercially sound and trained personnel were in place to carry out the necessary maintenance of project facilities. The PCR also noted the display of a strong sense of ownership and commitment to the project by the provincial and local governments. Appropriate maintenance and operational policies and procedures were also in place.

31. Financial sustainability was ensured by setting toll rates at full cost recovery. The financial internal rate of return (FIRR) for the project expressway was recalculated at 4.0% after corporate income tax, compared to the appraisal estimate of 4.1%. The decrease was mainly due to higher periodic maintenance expenses. The weighted average cost of capital was 2.6%, lower than the appraisal estimate of 3.1%. This was mainly due to the lower interest rates of the ADB loan and the domestic loan. The project’s recalculated FIRR was higher than the revised weighted average cost of capital and, therefore, the project was considered to be financially viable. A sensitivity analysis to test the impacts of variations in operating and maintenance costs and revenues indicated that the project remained financially viable even when operating and maintenance costs rose by 20%, revenues fell by 15%, or both.

32. The PCR assessment of the financial performance of SDEC was limited to the discussion of the financial covenants associated with the loan. The financial analysis indicated that the debt–equity ratio will be complied with beginning 2013 and the working ratio complied with beginning 2014. The debt service coverage ratio will be complied with only beginning 2020. The maintenance cost during 2012–2013 was exceptionally high mainly due to flood damage, which caused the high working ratio. The PCR did not discuss the significance of these financial ratios in terms of the financial sustainability of the company.

33. After completion of the expressway, SDEC shifted its organization into an operating and maintenance-oriented structure, which included 7 administrative departments, 2 administrative divisions, and 10 toll stations. It has 79 administrative staff, 11 maintenance technicians, and 298 toll collectors who are mostly local residents or from the project areas. In addition, 690 workers from nearby villages and townships were employed for cleaning, planting, and expressway maintenance. The Sichuan expressway traffic police established a resident team—comprising two branches with 24 traffic police—that is responsible for traffic law enforcement, including regularly patrolling the expressway, enforcing traffic regulations, ensuring smooth traffic flow, and handling all traffic accidents and safety issues. The SPTD established a transport administration and enforcement team comprising two branches and 30 staff to manage the expressway’s physical assets. The PCR did not assess the company’s capacity to operate and maintain the project from an institutional perspective.

34. The specific details about the road maintenance program were not well discussed in the PCR. The implementation of training and the procurement of high-quality systems were

noted, but the ongoing maintenance program is essential to the sustainability of the project, particularly in an area where weather is a major factor. Although the sustainability assessment in the PCR lacked discussion of financial and institutional aspects of the project, in this validation's view, there is sufficient evidence to rate the project *likely sustainable*.

E. Impact

35. The PCR did not rate the project's impact. It indicated that the project significantly contributed to social and economic development in the project areas and in the Sichuan province as a whole. The PCR noted that the per capita gross domestic product growth rates in project areas ranged from 51% to 112% from 2007 to 2012. It also noted that local governments took measures to develop tourist sites that were not accessible before the project expressway was completed. As a result, tourists increased from 0.98 million persons in 2010 to 1.30 million in 2012, with tourism revenue increasing from CNY450 million in 2010 to CNY860 million in October 2013. Injuries caused by traffic accidents in project areas were reduced by 69.6% from 2007 to 2012. Fatalities were reduced by 70.4%. Bus services were also available to 91% of townships and 77% of villages in 2012.

36. Construction and operation of the expressway provided employment opportunities for the local population. During the construction peak in 2009, 3,179 local laborers were directly employed in the expressway construction, of which 427 were women and 1,210 were from poor households. During project operation, 65 local unskilled laborers were hired by the project expressway, including 19 from poor households and 55 women, accounting for 85% of total unskilled laborers hired. Locally procured construction materials and supplies also generated employment opportunities in the project areas. Based on these discussions, this validation rates the project impact *significant*.

III. OTHER PERFORMANCE ASSESSMENTS

A. Performance of the Borrower and Executing Agency

37. The PCR rated the performance of the borrower and executing and implementing agencies *highly satisfactory*. It indicated that SPTD and SDEC implemented the project effectively and efficiently. Project management during the preparation and construction phases was considered highly efficient and effective. Expressway construction and maintenance standards met international best practices. SDEC had sufficient capacity to manage large-scale work contracts. The project introduced an advanced internet-based project management system to ensure the effective use of project funds. Domestic funds were mobilized on time. Withdrawal applications were submitted in a timely manner and contractors were paid on time. This validation holds a similar view with the PCR and rates the performance of the borrower and executing and implementing agencies *highly satisfactory*.

B. Performance of the Asian Development Bank

38. The PCR rated ADB performance *highly satisfactory*. ADB conducted regular loan review missions during project implementation and provided advice to SPTD and SDEC on project implementation, land acquisition and resettlement, monitoring, and procurement matters. ADB processed the bid evaluation report for civil works packages following international competitive bidding procedures within 2 weeks. ADB reviewed and processed procurement documents efficiently. It also responded to requests from the borrower, SPTD, and SDEC efficiently and promptly. Withdrawal applications were processed and disbursed on

time. In this validation's view, the PCR did not provide evidence that ADB performed other than what was expected. Therefore, this validation rates ADB performance *satisfactory*.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

39. The PCR gave the project an overall rating of *highly successful*. The table below summarizes and compares the ratings given by the PCR and this validation's review of those ratings. Given the lower rating on sustainability, this validation rates the project *successful*. In this validation's view, the PCR lacked discussion on the financial and institutional aspects of the project, including road maintenance and, therefore, rates the project *likely sustainable*. This validation also did not agree with the PCR rating of ADB performance. The PCR did not provide evidence of ADB performance that were over and above those normally expected.

Overall Ratings

Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Highly relevant	
Effectiveness in achieving project outcome and outputs	Highly effective	Highly effective	
Efficiency in achieving outcome and outputs	Efficient	Efficient	
Preliminary assessment of sustainability	Most likely sustainable	Likely sustainable	The PCR lacked discussion of financial and institutional aspects of the project, including the road maintenance program (paras. 30–34).
Overall assessment	Highly successful	Successful	
Borrower and executing agency	Highly Satisfactory	Highly Satisfactory	
Performance of ADB	Highly satisfactory	Satisfactory	No evidence presented for a highly satisfactory performance (para. 38).
Impact	Not rated	Significant	
Quality of PCR		Satisfactory	See para. 43.

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.
Source: ADB Independent Evaluation Department.

B. Lessons

40. The PCR identified two lessons. The first pertained to starting procurement at the project design stage, and the second was about the need to avoid limiting improvements in access to poor remote areas to the project area, but also extending them to broader areas. This validation finds these lessons appropriate and has no other lesson to offer.

C. Recommendations for Follow-Up

41. The PCR made four recommendations. First, SDEC should train its staff on expressway O&M. Second, SDEC should explore other revenue sources, such as commercial operation of service stations and traffic information services for logistics, and to consider inviting private sector for O&M. Third, SDEC should maintain high road safety standards.

Fourth, preliminary designs of road projects should be prepared during loan processing. This validation supports these recommendations and has no other recommendation to offer.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Evaluation Design, Implementation, and Utilization

42. According to the RRP, a project performance monitoring system was to be established that was to comprise a set of indicators for evaluating project performance in relation to project impact, outcomes, outputs, and to socioeconomic and poverty impacts. The Sichuan Provincial Communications Department was to establish baseline and target values for the indicators prior to project implementation and update these during project implementation, and annually for 3 years after project completion. The project performance monitoring system was to be set up by an international consultant and was to be managed by an independent local institute. The PCR did not discuss the project performance monitoring system and, therefore, it was not possible to assess its design, implementation, and utilization. Moreover, the PCR did not indicate that the requirement for a project performance monitoring system was covenanted. If such a covenant existed, the PCR did not indicate whether it was complied with. A mission report dated 22 November 2010 indicated that the South West Jiaotong University was engaged to collect baseline data for the project performance monitoring system.

B. Comments on Project Completion Report Quality

43. The PCR was clearly presented, logically consistent, and followed ADB guidelines. However, the EIRR recalculation lacked details in terms of economic benefits, such as (i) how much of the expressway traffic was traffic that would have been generated without the project, (ii) how much was diverted from other roads, and (iii) how much was incremental. The PCR discussed the FIRR in the “Efficiency of Resource Use in Achieving Outcome and Outputs” section that should have been discussed in the “Preliminary Assessment of Sustainability” section. The PCR lacked assessment of financial and institutional aspects of the executing agency. On the whole, this validation rates the PCR quality *satisfactory*.

C. Data Sources for Validation

44. Data sources included the RRP, PCR, and loan review mission reports.

D. Recommendation for Independent Evaluation Department Follow-Up

45. The PCR suggested that a project performance evaluation report (PPER) be prepared in 2017. This validation supports the timing of the PPER. This validation recommends that the PPER be prepared together with the Central Sichuan Roads Development Project.