

Validation Report
October 2017

People's Republic of China: Xinjiang Urban Transport and Environmental Improvement Project

Reference Number: PVR-519
Project Number: 40643-013
Loan Number: 2526



Raising development impact through evaluation

ABBREVIATIONS

ADB	- Asian Development Bank
DMF	- design and monitoring framework
EIRR	- rates of return
EMDP	- ethnic minority development plan
FCDI	- financial charges during implementation
IA	- implementing agency
LAR	- land acquisition and resettlement
O&M	- operation and maintenance
PCR	- project completion report
PLG	- Project Leading Group
PMO	- project management office
PRC	- People's Republic of China
TOR	- terms of reference

NOTE

In this report, "\$" refers to US dollars.

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PROJECT BASIC DATA

Project Number	40643-013	PCR Circulation Date	28 Jul 2016	
Loan Number	2526	PCR Validation Date	Sep 2017	
Project Name	Xinjiang Urban Transport and Environmental Improvement Project			
Sector and Subsector	Transport		Urban roads and traffic management	
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth			
Safeguard Categories	Environment		A	
	Involuntary Resettlement		A	
	Indigenous Peoples		A	
Country	People's Republic of China		Approved (\$ million)	Actual (\$ million)
ADB Financing (\$ million)	ADF: 0.00	Total Project Costs	187.2	149.0
	OCR:100.00	Loan	100.0	97.8
		Borrowers	87.2	51.2
		Altay City Government	17.3	7.9
		Changji City Government	25.7	20.9
		Hami City Government	10.1	8.2
		Kuytun City Government	15.3	4.5
		Turpan City Government	18.8	9.7
		Beneficiaries	0.00	0.00
Others	0.00	0.00		
Cofinancier		Total Cofinancing	0.00	0.00
Approval Date	29 Jun 2009	Effectiveness Date	24 Nov 2009	27 Nov 2009
Signing Date	26 Aug 2009	Closing Date	31 Dec 2014	26 Jun 2015
Project Officers	R. Mamatkulov L. Wang B. Jie	Location ADB headquarters PRC Resident Mission PRC Resident Mission	From Jun 2009 Dec 2012 Jul 2013	To Dec 2012 Jul 2013 Jun 2015
IED Review Director	N. Subramaniam, Director, IESP			
Team Leader	T. Yokota, Senior Evaluation Specialist, IESP			

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, IESP = Sector and Project Division, OCR = ordinary capital resources, PCR = project completion report, PRC = People's Republic of China.

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I. PROJECT DESCRIPTION

A. Rationale

1. During project preparation stage, Xinjiang was one of the poorest provinces in the People's Republic of China (PRC) and lagged behind other regions in terms of economic growth. In 2007, 8% of its urban population and 12% of its rural population lived below the official poverty line. To spur the economic development of the western region including Xinjiang, the government launched the National Strategy for Development of the West—aimed at stimulating economic

development and raising living standards. In November 2008, the government further launched a fiscal stimulus package in Xinjiang that largely focused on infrastructure development.¹

2. Increasing urban population, industrialization, and economic development resulted in greater demand for urban infrastructure services, such as roads and solid waste management. The main mode of transportation between cities in Xinjiang was by road. Rapid growth in volume of vehicle and passenger transport placed increasing pressure on the road network and capacity expansion. An efficient road network was important to raise the living standards of the poor and to cope with the increasing demand for municipal services resulting from economic growth and urbanization.

3. The project was designed to improve urban road infrastructure, traffic management and safety, and environmental sanitation in the five fast-growing cities of Altay, Changji, Hami, Kuytun, and Turpan. It was also designed to achieve the environmental objectives approved in the city master plans and in the PRC's Eleventh Five-Year Plan, 2006–2010. Most of the project roads were inside the five cities and did not directly link to regional highways. However, positive impacts were anticipated in terms of expected regional growth. Four of the cities were in the busy north–west transport corridor to the Kazakhstan border. In contrast, Altay required investment to develop infrastructure for its rapid tourism growth. The project was consistent with the Asian Development Bank's (ADB) Urban Sector Strategy (1999) and ADB's Country Partnership Strategy (2008–2010),² which aimed to strengthen inclusive growth, improve the environment, catalyze investments, and improve governance.

4. The loan modality adopted was project investment. The project was intended to complement other ADB-financed projects in Xinjiang, including the Xinjiang Municipal Infrastructure and Environmental Improvement Project, which aimed to improve road infrastructure and utility services in Alashankou land port, in the Kanas scenic region, and in Yining City of Xinjiang.

B. Expected Impacts, Outcomes, and Outputs

5. The project's expected impact was sustainable socioeconomic growth and improved living standards in the five cities of Xinjiang Uygur Autonomous Region. Its envisaged outcome was improved urban road infrastructure, traffic management, and environmental sanitation in the cities of Altay, Changji, Hami, Kuytun, and Turpan.

6. The project's expected outputs in the following cities were (i) Altay—three new roads constructed, 16 existing roads upgraded, and five new bridges constructed; (ii) Changji—nine new roads and one new bridge constructed; (iii) Hami—three existing roads upgraded; (iv) Kuytun—13 existing roads upgraded and two new bridges constructed; (v) Turpan—six new roads constructed, and eight existing roads upgraded; and (vi) in all cities—environmental sanitation facilities and equipment provided and institutional management capacity improved.

¹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Xinjiang Urban Transport and Environmental Improvement Project*. Manila.

² ADB. 1999. *Urban Sector Strategy*. Manila and ADB. 2008. *Country Partnership Strategy: People's Republic of China, 2008–2010*. Manila.

C. Provision of Inputs

7. The project was approved on 29 June 2009. The loan agreement was signed on 26 August 2009 and it became effective on 27 November 2009. The actual closing date was 31 December 2014, almost 6 months after the target closing date although there was no extension. The loan account was kept open beyond the original loan closing date of 31 December 2014 to complete imprest account liquidation.³

8. The estimated project cost was \$187.2 million of which \$100.0 million (53.4%) was proposed for ADB financing and \$87.2 million (46.6%) was counterpart funding. At project completion, the actual cost was \$149.0 million. ADB financed \$97.8 million, and counterpart funding was \$51.2 million. The reduction in project cost of \$38.2 million was a result of savings from reduced base cost (\$8.8 million), unused contingencies (\$21.7 million), and reduced financial charges during implementation (FCDI) (\$7.7 million).

9. At appraisal, it was assessed that 374 person-days of international consulting services and 770 person-days of national consulting services were needed to support the project management offices (PMOs) and implementing agencies in project management, implementation, and institutional capacity building. Three contracts were awarded for consulting and capacity development. The main international consulting contract to EASEN Ltd was signed almost 2 years late and comprised 198 person-days for an international consultant and 1,122 person-days for national consultants.

10. The project was classified as category A for environment, land acquisition and resettlement (LAR), and indigenous peoples. Environmental impact assessments, environmental monitoring plans, and required mitigation implementation measures were prepared. Four resettlement plans were prepared during project preparation and three updated plans were prepared during implementation. LAR was conducted in accordance with all applicable PRC laws and regulations and with ADB's Involuntary Resettlement Policy. Xinjiang is predominantly an ethnic minority region of Western PRC, and Hohai University was engaged to prepare ethnic minority development plans (EMDP) and environmental monitoring and evaluation (M&E) plans for each project city. The project provided ethnic minorities the opportunity to fully participate in all project cycle stages. Implementing an environmental management development plan promoted ethnic minorities' participation and mitigated adverse impacts on them.

11. The Gender and Development Cooperation Fund⁴ of ADB provided \$150,000 for the Turpan Women's Ethnic Minority Cultural Tourism Development subproject to improve and strengthen ethnic minority women's economic empowerment. The grant project supported capacity building of ethnic minority women through skills development. It also supported them in initiating small business funds, participating in small enterprise development, and in highlighting their cultural heritage. Thus, the grant project enabled them to benefit from the infrastructure improvements.

D. Implementation Arrangements

12. The envisaged implementation arrangement was that Xinjiang Uygur Autonomous Region Government was to be the executing agency for the project. A Project Leading Group (PLG) was

³ ADB. 2016. *Completion Report: Xinjiang Urban Transport and Environmental Improvement Project in the People's Republic of China*. Manila.

⁴ This is under the auspices of TA 6143-REG: Promoting Gender Equality and Women Empowerment.

to be established to provide overall guidance and support to the project and liaise with ADB, the Ministry of Finance, and the National Development and Reform Commission. A regional PMO was to be established under the PLG and was to be chaired by the director of the Xinjiang Construction Bureau.⁵ The PMO members included officials from the Xinjiang Construction Bureau, Xinjiang Finance Bureau, and Xinjiang Development and Reform Commission. The PMO was to undertake day-to-day activities including coordination and liaison relating to the project. The municipal government of each project city established PLGs and PMOs that were to be responsible for project implementation, liaison, financing, and overseeing the work of implementing agencies (IAs). In each project city, the construction bureau was to be the IA responsible for project component construction and operation and maintenance (O&M) of the project facilities.

13. The actual implementation arrangement was the same as envisaged. The regional PMO coordinated the work of the local PMOs and implementing agencies prepared reports for ADB. Design institutes carried out detailed engineering design for the various IAs to PRC road standards. Preparation of bid documents, tendering, and bid evaluation were undertaken by a procurement agent recruited using domestic funding. Local contractors implemented civil works supervised by staff from supervision institutes.

14. Consultants assisted with meeting project objectives by providing project management services; and training on procurement, financial management, audits, contract management, traffic management, and social safeguards policy compliance. A small tourism development grant supported ethnic women's skills development, initiated small business funds, assisted small enterprise development, and provided small business start-up grants for establishing handicrafts shops, beauty salons, tailor shops, and home stay businesses (para. 11).

15. The PCR reported that loan covenants were generally complied with. No conditions or covenants were modified, suspended, or waived. Minor cases of noncompliance occurred, however, such as the semiannual external monitoring report on LAR as required under the loan agreement. A serious delay in submitting the monitoring and evaluation reports was noted during the project review mission in July 2013.⁶ The government's project completion report (PCR) was also late. ADB provided training to the PMO, IAs, and project management consultants to address noncompliance issues.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

16. The PCR rated the project *highly relevant* and fully aligned with the government's development strategy and to ADB's sector strategies. The project design was consistent with the PRC's National Strategy for the Development of the Western Region, the Eleventh Five-Year Plan, ADB's Urban Sector Strategy (1999), and ADB's Country Partnership Strategy (2008–2010).

17. This validation views the project as well aligned with the government and ADB strategies. The project was designed to improve urban transport infrastructure and environmental sanitation in four cities located along the transport corridor connecting the PRC's northwest region to the

⁵ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Xinjiang Municipal Infrastructure and Environmental Improvement Project*. Manila.

⁶ ADB. 2013. Memorandum of Understanding for the Review Mission to the People's Republic of China: Xinjiang Urban Transport and Environmental Improvement Project. Back-to-office report. 16 July (internal).

countries in Central Asia and to a fifth city—Altay—a relatively small and remote city to the north of the province with a high ethnic minority population. This city required investment to develop its transport infrastructure for tourism growth. A focus of all city projects also included improvement in transport infrastructure planning, road safety, traffic control, and provision of municipal waste collection equipment and public toilets.

18. The project design and formulation was defective in some areas. For instance, there were no clear design and monitoring framework (DMF) targets for the output on institutional management capacity, except for a general target of improved traffic management, city planning, financial management, landscaping, and road maintenance. It was also noted that the cost estimate for the project was overestimated by \$38.2 million. This comprised an \$8.8 million decrease in base cost (largely a reduction in LAR, design, and consulting services costs), a \$21.7 million decrease in contingencies, and a \$7.7 million decrease in FCDI.⁷ A physical contingency estimate of 10% was reasonable but it was unused and price contingencies appeared to have been overestimated because the London interbank offered rate dropped after the 2008 financial crisis and remained low throughout implementation. Financial charges during implementation was overestimated and should have been calculated and internally reviewed following the ADB financial management guidelines.

19. Notwithstanding the project's positive strategic alignment with government strategies and with the ADB country strategy, cost estimates were overestimated at appraisal, and there were no transformative or innovative effects in the project design or significant demonstration value for other projects. This validation, therefore, views the project *relevant*.

B. Effectiveness in Achieving Project Outcomes and Outputs

20. The PCR rated the project *highly effective*. It noted the construction or upgrading of 95.6 kilometers (km) of roads, introduction of improved traffic control, provision of traffic monitoring equipment, improvement in road safety, and public transport accessibility. New environmental sanitation infrastructure and equipment increased the volume of collected and treated municipal waste. The Women's Ethnic Minority Cultural Tourism Development grant enabled ethnic minority women to participate in small tourism business highlighting their unique cultural heritage.

21. The expected project outcomes were upgraded urban roads, traffic management, and environmental sanitation. For the outcome indicators for the five cities for which targets were provided, the project was successful in meeting some outcome targets, as follows: (i) urban road density increased by 10%–12% in two cities (target: 0.7%–0.9%); (ii) public transport running time reduction decreased by 15%–22% in two cities (target: 45%–62%); (iii) municipal solid waste collection increased by 13%–56% in three cities (target: 10%–100%); (iv) traffic accidents per 10,000 vehicles reduced by 52%–73% in five cities (target: 3%–25%); and (v) incidence of environmental sanitation-related disease reduced by 1%–14% in four cities (target: 10%).

22. In April 2010, ADB approved a minor change in scope for the Turpan component that canceled seven out of the 14 roads under the existing project scope with the objectives of conserving the old Turpan City as a historical heritage site, and providing road development to the new Turpan City. Subsequently, a change in ADB financing was approved in August 2010, reflecting needed financing because of the updated procurement plan.

⁷ Footnote 3.

23. Output targets in the five cities were generally met: (i) 95.6 km of new and upgraded roads in five cities were completed against a DMF target of 103 km; (ii) 29 new toilets were constructed in the five cities against a target of 40 toilets- but one large toilet block was constructed in Changji instead of eight smaller toilets due to late signing of the toilet contract and the need to use counterpart funds after project completion date; and (iii) 79 solid waste collection and road maintenance trucks were procured in the five cities to improve solid waste collection and road maintenance against a target of 56 trucks.

24. Some 200 participants participated in 15 domestic training courses and domestic and overseas study tours on financial management, audit, procurement, contract management, traffic management, and social safeguards policy. No targets for institutional strengthening were provided in the DMF except for a general target of improved traffic management, city planning, financial management, landscaping, and road maintenance. Since the international consultant for institutional strengthening was appointed late, and a separate consultant was overdue in providing monitoring and evaluation and EMDP reports, the institutional strengthening component of the project was assessed to be being implemented less than effectively.

25. The PCR noted that ethnic minority women's involvement in the tourism economy is limited. Under the project, women's participation, training opportunities, and capacity building were promoted, assisted by the \$150,000 grant for the Turpan ethnic minority women (para. 11). A total of 1,208 temporary jobs (24% of total jobs) were provided to local women in the five cities, including vulnerable ethnic minorities during construction, and 367 (44%) permanent jobs were given to women on completion, for the operation of the project.

26. LAR issues were generally adequately addressed in compliance with national and local regulations. LAR impact was minimized through the optimization of construction design. Affected persons were compensated as required. In some cases, sections of road construction were canceled due to the difficulty of gaining agreement on LAR issues.⁸ Five subprojects affected by LAR issues were completed and commissioned on time. It was noted, however, that there was a problem in the submission of external LAR monitoring reports (para. 15).

27. Environmental impact assessments and environmental management plans were followed and mitigation measures and public consultation programs as defined in the environmental management plan were implemented. Regular field inspections and public consultations were undertaken by IAs. Environmental monitoring was conducted regularly. Considering the long winter season in Xinjiang, ADB approved the PMOs' request that submission of environmental monitoring report be on an annual basis, instead of semiannual as stated in the covenants.

28. The road construction and environmental sanitation targets were generally met but institutional strengthening components were less than effective due to the late (43% of time elapsed) appointment of the international consultants charged with planning, designing, quality control of construction, training, and safeguards monitoring.⁹ Given that the roads and sanitation components comprised 99% of base cost, this validation considers the project *effective*.

⁸ Qiaodong road was reduced by 0.5 km to avoid land acquisition, while four households in Turpan City's Yucai road could not reach a consensus on the compensation rate with the relevant departments, hence, these households did not move.

⁹ Government of the People's Republic of China. 2015. *Project Completion Report: ADB Loan 2526-PRC Xinjiang Urban Transportation and Environmental Improvement Project*. Xinjiang.

C. Efficiency of Resource Use

29. The PCR rated the project *efficient*. The PCR's recalculated economic internal rates of return (EIRRs) for the road development components were 19.1% for Altay, 21.4% for Changji, 17.9% for Hami, 23.8% for Kuytun, and 19.9% for Turpan. When combined, the average EIRR is 20.8%, which is higher than the 19.7% at appraisal and above ADB's social discount rate of 12.0%. On costs, lower actual costs (59%–95% at individual component level) contributed positive EIRR tendencies. However, on benefits, the lower actual traffic volumes undermined the EIRR benefits derived from some of the five components.

30. At completion, EIRRs were recalculated for vehicle types, annual average daily traffic, and traffic demand for each city road in the five cities. Vehicle fleets consisted of a mix of motorcycles, passenger cars, buses, and trucks. These were converted to passenger car units by using typical conversion factors.¹⁰ Road traffic projections were projected throughout the 25-year assumed economic life by employing traffic growth rates based on socioeconomic trends that considered gross domestic product, population, and vehicle ownership.

31. Construction was completed on time without a loan extension. Most subprojects were completed and put into use ahead of schedule. Only \$2.2 million was canceled because of minor LAR issues that could not be solved before project completion. Loan savings were reallocated promptly. Training enhanced implementation efficiency and helped ensure project sustainability.

32. The EIRR reevaluation was conservative compared to the calculation at appraisal. Benefits from environmental improvement to the communities and from the institutional strengthening subcomponent were not quantified because of lack of data. Based on the project's EIRR on completion and its delivery of the planned outputs, this validation rates the project *efficient*.

D. Preliminary Assessment of Sustainability

33. The PCR rated the project *highly likely to be sustainable* due to (i) project facilities being designed and constructed to required engineering standards, (ii) the capacity building and training component covered operation and maintenance (O&M) of project assets, and (iii) the allocation of adequate O&M budgets in the five cities.

34. The standard used in the construction of completed projects was also reasonable according to review missions, but whether the project facilities met the required engineering standards and specifications is uncertain. This is because the international consultants responsible for overseeing the quality of construction were only appointed when 43% of the allotted contract time had elapsed (para. 44).

35. Financial rates of return for all subprojects were not calculated at appraisal or on completion. Key aspects of the financial sustainability of both revenue and nonrevenue-generating projects are the (i) financial capacity of the agencies involved, (ii) prospects for the demand for services or products, (iii) cost-recovery mechanisms, and (iv) availability of resources for O&M of the project outputs. All subprojects involved public infrastructure managed by government departments with limited or no revenue-generating capacity. For these subprojects, the financial sustainability analysis was based on recent accounts of the local governments up to 2014. All five cities' recent 5 years' fiscal revenues and expenditures and average fiscal surplus

¹⁰ Motorcycles and cars were converted as 1.0, buses and light trucks as 1.5, and heavy trucks as 3.0.

as percentages of fiscal revenues were reviewed (footnote 3). The review indicated acceptable fiscal risk since it was expected that fiscal revenues of the city governments would grow in line with economic development, providing more mobility for the city government to finance the debt service and O&M costs of the subproject.

36. Since the project management consultants were appointed late, then there is a query on whether a review of design and quality of projects constructed in the first 2 years was undertaken, this validation assesses the project to be on the borderline of *likely sustainable*.

III. Other Performance Assessments

A. Preliminary Assessment of Development Impact

37. The PCR did not provide a rating for development impact but noted that the project improved the living standards of the local people, promoted sustainable socioeconomic growth, and directly benefited 1.65 million local people including 610,000 ethnic minorities.

38. The development impact assessment was focused on long-term, far-reaching changes to which the project has plausibly contributed. Based on the PCR, the DMF impact target from baseline year 2006 was to have the disposable income of urban households, suburban farmers, and herdsmen increased by 40%; and to have the proportion of poor population reduced by 30%. The targeted increase in the disposable income was exceeded with incomes of urban residents increasing by 87%–194% in the five cities, and by 145%–321% in rural areas near the five cities between 2006 and 2014.

39. The project gave ethnic minorities, mainly Uygur, the opportunity to participate in the project. Ethnic minorities were prioritized for employment and skills development training in construction and post-project operation. Of the 4,946 unskilled jobs filled by residents during implementation, 952 jobs were provided to ethnic minorities, who also secured 175 permanent jobs during operation. Some 80,000 people in the project areas, including ethnic minorities, benefited from health and hygiene awareness activities.

40. The project improved urban road network infrastructure and service facilities that supported tourism development in the project areas. In Altay, the main tourist center, 24.5 km of roads were completed. Tourist numbers in the five cities increased, generating more job opportunities and increasing the income of local people. From 2008 to 2014, the total tourism revenue increased by 315% in Changji, by 216% in Hami, and by 95% in Altay City (footnote 3). The project provided employment and income-generation opportunities, together with improved urban infrastructure and environmental sanitation facilities.

41. No data was provided in the PCR to support the achievement of the impact performance target of reducing the proportion of poor people in the five cities by 30%. However, this validation recognizes the impact on economic development of the five cities and rates the project development impact *satisfactory*.

B. Performance of the Borrower and Executing Agency

42. The PCR rated the borrower's performance *satisfactory*, as obligations during implementation were fulfilled, ownership and commitment to the project were demonstrated, and the Xinjiang PMO coordinated and communicated with the different government agencies and

ADB. The Xinjiang Finance Department managed the imprest account well and processed fund withdrawal and reimbursement applications in a timely manner.

43. Most project outcomes were met; counterpart funds and all necessary support were provided in a timely manner. PLG meetings were held and quarterly and annual progress reports were submitted although some of these were submitted late. Bidding and construction at the early stages of implementation were well ahead of schedule.

44. In some areas, however, the borrower did not perform well. To expedite project implementation, the Xinjiang Uygur Autonomous Region Government requested advance contracting for the recruitment of consultants, training, and procurement of goods and civil works. Although advance action was agreed—including the recruitment of individual consultants for project set up, and the design and bid document preparation—the international project management consultant's contract was delayed for almost 2 years. It only commenced in August 2011, 21 months after loan effectiveness when 41 out of 47 contracts had been awarded, and when 43% of the allotted contract time had elapsed. Thus, a good proportion of the work completed in the first 2 years did not benefit from project management, design review, and overview of construction supervision. The bulk of the international project management consultant's work appeared to be (i) progress reporting, (ii) provision of advice on procurement, (iii) contract management and payment review, (iv) support to ADB missions, (v) preparation of the project performance management system, (vi) review of the implementing agencies' financial management systems, and (vii) arranging study tours and training. Reasons for the delay in appointing the project management consultants were cited in the PCR as the PMO having taken significant time to discuss and finalize the terms of reference. There is, therefore, a question as to whether the required quality of design and construction of some of the roads met the required standards.

45. The submission of environmental, resettlement, and EMDP monitoring reports was not of the required frequency, and late at times because of data collection difficulties. The quality of the reports was average, and it usually took significant time to incorporate ADB's comments. To solve these noncompliance issues and strengthen capacity, ADB provided a training held in Urumqi on 6 June 2013 for the PMO, IAs, and the consulting firm.

46. PMO staff shortages and personnel changes also occurred in the last 2 years of implementation because they were reassigned to the autonomous region-wide poverty reduction program. The PMO completed the project on time on December 2014 and the imprest account was closed in June 2015. With the joint efforts of the executing and implementing agencies, the project was awarded as one of the eight "best performing projects" by the PRC country portfolio review mission in 2014 (footnote 9). Despite some issues during implementation, given that the project eventually met most of its targeted outcomes and outputs, this validation rates the borrower and executing agency's performance *satisfactory*.

C. Performance of the Asian Development Bank and Cofinanciers

47. The PCR rated the ADB performance *satisfactory*, considering the conduct of loan review missions, responsiveness to borrower requests, quick procurement review, and timely processing of contract variation requests. Timely processing of scope changes in the last year of implementation ensured the effective use of the loan proceeds.

48. This validation considers that ADB showed flexibility in addressing issues that emerged during project implementation. ADB conducted five missions, including inception review in

February 2010 and midterm review in October 2012. Missions included visits to the project sites to monitor civil works and to meet with the staff and officers of IAs. Members of the consulting team responsible for environmental and social safeguards participated in review missions—particularly in later missions when the quality of the evaluation and monitoring and EMDP reports was found lacking and these were drawn to the PMO’s attention.

49. Reference was made to the late appointment of the project management consultants (para. 44). ADB should have been more proactive early in the project by driving the appointment of the consulting team and insisting on amending the terms of reference (TOR) to include clauses that will ensure that the design, review, and advisory services were included. This would have allowed for an independent review of the design institute’s designs and increased the weight given to the independent review of construction supervision to ensure compliance with PRC design standards.

50. A covenanted requirement was that “each IA shall ensure that all the works of the Project are designed and constructed in accordance with national standards and specifications, and that the construction supervision, quality control, contract management, and completion inspection and acceptance follow applicable national laws and regulations (Schedule, paragraph 4).” It is noteworthy that \$7.9 million was budgeted in the report and recommendation of the president cost estimates and financing plan for survey and design (footnote 5) against \$2.8 million spent, and \$1.5 million budgeted against \$0.9 million spent (footnote 3) for capacity building and institutional strengthening. The main activities of the project management consultants appeared to have been capacity building and focused on safeguards review and training. Insufficient attention may have been given to the need for design review and construction supervision—particularly as the projects were well underway by the time the consultants were mobilized. The delay in appointing the consultants may have been caused by the Borrower but ADB should have been more proactive during implementation in checking compliance with this covenanted requirement.

51. Otherwise, the performance of ADB staff throughout the implementation of this project had been reasonable. The standard of the monitoring and supervision missions and the quality of reporting contributed to project success. The shortcoming of ADB was its non-anticipation of the need for the timely appointment of the project management consultant and to have a more comprehensive design review and construction supervision inputs in the project management consultant’s TOR. This validation views the performance of ADB *satisfactory*.

IV. Overall Assessment, Lessons, and Recommendations

A. Overall Assessment and Ratings

52. Overall, the project was rated *highly successful*. This validation’s overall assessment of the project is *successful* in view of lower ratings on relevance and effectiveness. Under the core criteria, the project is *relevant, effective, efficient, and likely sustainable*. With issues of cost estimation at appraisal and the absence of transformative or innovative effects in project design, this validation views the project *relevant*, instead of *highly relevant*. Since not all outcome and output targets were met and there were some issues on safeguards implementation, this validation views the project *effective*, instead of *highly effective*.

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Highly relevant	Relevant	Cost estimates for the project, FCDI, and financial contingencies at appraisal were high—resulting in \$38.2 million cost overestimate. There was also the absence of transformative or innovative effects in project design or significant demonstration value for other projects.
Effectiveness	Highly effective	Effective	7% of the output targets were not achieved, such as urban roads, and there were some issues in monitoring and reporting.
Efficiency	Efficient	Efficient	
Sustainability	Highly likely to be sustainable	Likely sustainable	The PCR assessment of sustainability did not discuss institutional capacity for O&M. The section referred to the financial reevaluation for financial sustainability (PCR, Appendix 8). However, the financial reevaluation estimated required O&M costs and did not reflect the financial capacity of the governments for O&M.
Overall assessment	Highly Successful	Successful	The overall rating was recalculated.
Preliminary assessment of impact	Not provided	Satisfactory	
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Satisfactory	The quality of the PCR is rated satisfactory. However, the PCR could have better highlighted the project's deficiencies, especially issues related to the lessons learned.

ADB = Asian Development Bank, FCDI = financial charges during implementation, IED = Independent Evaluation Department, PCR = project completion report.

Note: From May 2012, IED views the PCR rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Source: Independent Evaluation Department.

B. Lessons

53. This validation confirms most of the lessons identified in the PCR, particularly the need to ensure the prompt appointment of the project management consultants. Additional consideration should have been given to the provision of the following, which addresses the problems encountered:

- (i) Future projects can better articulate outcome and impact of urban development to overall inclusive economic development and environmental sustainability of the subregion.
- (ii) The TOR for the project management consultants appeared to focus on training and safeguards monitoring. More technical input should have been included in the TOR to ensure that latest developments in highway design and traffic control technology were included in the highway components and traffic control systems provided.
- (iii) Xinjiang is a region of the PRC with a high ethnic minority population and high unemployment. Hence, more emphasis should have been placed on improving job creation opportunities for the ethnic minority women. For future projects, greater supervision by ADB and the executing and implementing agencies is needed to ensure compliance to safeguards monitoring and reporting—to maximize project benefits.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

54. Baseline data was to be collected at the start of the project. The PCR pointed out that the availability of data for performance targets and indicators should be considered at project design stage, where gender and rural–urban disaggregated data is requested. Its unavailability caused some difficulty in establishing baseline disaggregated data right from inception.

55. Training was provided to the PMOs and IAs because of issues with evaluation and monitoring and EMDP preparation by consultants. Data should be collected from project outset by gender, age, and income source, creating an opportunity for gender analysis.

56. This validation finds the (i) collection of relevant data on expected project impacts, outcomes, and outputs; (ii) collection of data on project implementation; and (iii) utilization of the project's monitoring and reporting arrangements to inform decision making and resource allocation borderline *satisfactory*.

B. Comments on Project Completion Report Quality

57. This validation finds the quality of the PCR *satisfactory*. However, the PCR could have been more candid and discussed in more detail the project's shortcomings. These include the (i) almost 2 years' delay in the appointment of project management consultants, (ii) absence of an IA design review, (iii) poor performance and lateness by consultants in preparing evaluation and monitoring and EMDP reports, and (iv) staffing issues of PMOs. The PCR identified five lessons. However, these were not discussed in the former sections. The issues behind the lessons should be discussed in the assessment section.

58. There was a single paragraph in the PCR about gender issues in ethnic minorities and the percentage of ethnic minorities employed but there were few other comments about gender issues. Further comment on gender issues and how these could be better addressed in future projects should have been included.

C. Data Sources for Validation

59. This validation is based on documents such as the management review meeting minutes; reviews of the PCR; the report and recommendation of the President; inception, midterm, and completion loan review and mission reports; the EIRR on completion; and the borrowers' PCR dated March 2015 which was detailed.

D. Recommendation for Independent Evaluation Department Follow-Up

60. No further IED follow up is recommended.