

Validation Report
May 2022

People's Republic of China: Guangxi Southwestern Cities Development Project

Reference Number: PVR-852
Project Number: 42010-013
Loan Number: 2657



Raising development impact through evaluation

ABBREVIATIONS

| | |
|-------|---|
| ADB | – Asian Development Bank |
| ASEAN | – Association of Southeast Asian Nations |
| EIA | – environmental impact assessment |
| EIRR | – economic internal rate of return |
| GAP | – gender action plan |
| GDP | – gross domestic product |
| GMS | – Greater Mekong Subregion |
| GPMO | – Guangxi Project Management Office |
| GZARG | – Guangxi Zhuang Autonomous Region Government |
| LAR | – land acquisition and resettlement |
| O&M | – operation and maintenance |
| PIA | – project implementing agency |
| PIC | – project implementation company |
| PRC | – People's Republic of China |
| PRCM | – People's Republic of China Resident Mission |

NOTE

In this report, “\$” refers to United States dollars and CNY to Chinese Yuan.

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|--------------------------------|---|
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PROJECT BASIC DATA

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|---------------------------------------|--|--|--|--|
| Project number | 42010-013 | PCR circulation date | 8 Oct 2021 | |
| Loan number | 2657 | PCR validation date | May 2022 | |
| Project name | Guangxi Southwestern Cities Development Project | | | |
| Sector and subsector | Transport Agriculture, natural resources and rural development Water and other urban infrastructure and services | Urban roads and traffic management Water-based natural resources management Urban policy, institutional and capacity development Urban water supply | | |
| Strategic agenda | Environmentally sustainable growth Inclusive economic growth Regional integration | | | |
| Safeguard categories | Environment | | A | |
| | Involuntary resettlement | | A | |
| | Indigenous peoples | | B | |
| Country | People's Republic of China | | Approved (\$ million) | Actual (\$ million) |
| ADB financing (\$ million) | ADF: 00.00 | Total project costs | 299.03 | 263.57 |
| | OCR: \$200 | Loan | 150.00 | 138.25 |
| | | Borrower | 73.48 | 120.73 |
| | | Beneficiaries | 0.00 | 0.00 |
| | | Others | 0.00 | 0.00 |
| Cofinancier ^a | China Development Bank | Total cofinancing | 75.55 | 4.59 |
| Approval date | 26 Jul 2010 | Effectiveness date | 24 Apr 2011 | 19 May 2011 |
| Signing date | 24 Jan 2011 | Loan closing date Financial closing date | 31 Dec 2015 – | 31 Dec 2018 19 Aug 2019 |
| Project officers ^b | G. An L. Wang J. Bai Z. Niu | Location ADB headquarters PRCM PRCM PRCM | From May 2011 Mar 2012 Sep 2013 Aug 2018 | To Mar 2012 Sep 2013 Jul 2018 Aug 2019 |
| IED review Director Team leader | N. Subramaniam, IESP S. Shin, IESP ^c | | | |

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, PRCM = People's Republic of China Resident Mission.

^a During appraisal, cofinanciers were to be China Development Bank, China Agriculture Development Bank, and Industrial and Commercial Bank of China. Only China Development Bank ultimately provided a loan (PCR, Appendix 2).

^b Data provided by the PCR team.

^c Team members: H. Hettige (quality reviewer), F. De Guzman (Senior Evaluation Officer), J. Supangco and J. Eerikainen (consultants).

I. PROJECT DESCRIPTION

A. Rationale

1. Guangxi Zhuang Autonomous Region (GZAR) or Guangxi, located in southern part of the People's Republic of China (PRC), is one of the poorest provinces in the PRC with per capita gross domestic product (GDP) at 65.6% of the national average. Out of 72 counties in Guangxi, 49 counties are classified either as national poverty counties (28) or regional poverty counties (21).¹ The three cities of Guangxi—Fangchenggang, Chongzuo, and Baise— are surrounded and dominated by counties with high incidence of poverty. These cities are strategically located at important intersections of Guangxi's transport network. Fangchenggang is a multimodal transport hub connecting the expressway and railway with deepwater seaports. Chongzuo is a regional logistics center in the Greater Mekong Subregion (GMS) transport corridor facilitating trade with the GMS countries through the land ports at Guangxi's border with Vietnam. Baise is a nodal city in the inter-province highway and expressway system. It provides the critical link for Yunnan and Guizhou provinces to the seaports at Beibu Gulf through the Guangxi transport system.

2. The Guangxi Southwestern Cities Development Project (the project) is located in the three cities mentioned above (para. 1). In Fangchenggang, urban unemployment rate stood at 2.9% in 2008, with 125,600 of rural population living in poverty. In Chongzuo, the urban unemployment rate in 2007 was below 5% and by the end of 2008, the population living in poverty was 585,500. In Baise, poverty among rural population was 0.71 million in 2008. At the time of project preparation, urban development was to play an important role in creating non-agriculture jobs for the rural poor and in improving the links of the local economy with the national market.

3. The government launched the National Strategy for Development of the West (NSDW) to help the 12 less-developed provinces and autonomous regions in western PRC (inclusive of GZAR) and accelerate economic development. The strategy invested in the development projects such as building or upgrading infrastructures to improve connectivity and productivity; to deploy and relocate strategic industries in less-developed provinces/autonomous regions; to facilitate economic transformation and create employment opportunities; and to promote urban development to improve the urban environment and living conditions.²

B. Expected Impacts, Outcomes, and Outputs

4. The envisaged project impact was better living conditions in the project cities and stronger ability of these cities to participate in and benefit from regional cooperation. The expected outcome was expanded and upgraded urban infrastructure and urban environment that will help the project cities meet their expansion needs up to 2020.

5. The expected project outputs focused on three project cities (para. 1). A common output for all three cities was for urban roads and related basic municipal infrastructure to be built in accordance to the city development master plan. Each city had output components as follows: Fangchenggang City was to upgrade coastal area free from tidal wave and coastal erosion with a public education square for mangrove protection. Chongzuo City was to improve environmental system of Shuikou Lake as an artificial urban wetland for the city with public signage for protection of urban wetland ecosystem. In Baise City, Longwang bridge across the Youjiang River was to

¹ ADB.2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to People's Republic of China for Guangxi Southwestern Cities Development Project*. Manila.

² Footnote 1 (Linked Document 3: Summary sector assessment).

be built. The outputs included capacity development which supported for stronger Guangxi Project Management Office (GPMO) and municipal project management offices that are able to meet the requirements of the Asian Development Bank (ADB), and project cities have more capacity to plan and implement an integrated and sustainable urban transport system. The capacity development component was designed to complement the infrastructure development to be funded under the project.

C. Provision of Inputs

6. The project was approved in July 2010 and became effective 10 months later. It was closed in December 2018 after a three-year delay and three extensions approved by the ADB.³ The delays in project completion were mainly due to the transfer of key personnel from the GPMO in the early stage of project implementation; prolonged government review and approval process for engineering designs. Other factors were delay in land acquisition and resettlement (LAR) in Fangchenggang and Chongzuo; and delay in reviewing and approving additional activities to utilize loan savings.⁴

7. The actual project cost was \$263.57 million which was 11.9% lower than the approved amount. The lower cost at completion was attributed to the cancellation of a few sub-outputs due to minor changes in scope and lower prices from competitive bids. ADB's share of financing also decreased by about 7.8% of the approved amount. The counterpart funding was \$125.32 million, with 96% from the government and the rest from a domestic bank (China Development Bank). ADB and counterpart financing ratio at completion was 52:48 against 50:50 at appraisal. This validation notes from the ADB review mission reports that the cancelled amounts could have been higher had ADB not agreed to the alternative use of loan funds for civil works and goods. At appraisal, 26 person-months of international and 115 person-months of national consultants was estimated to be required. At completion, 23.84 of international person-months and 152.74 person-months of national consultants were mobilized.

8. The project was classified category A for environmental safeguard. Each project implementing agency (PIA) prepared domestic environmental impact assessment (EIA) reports for specific project components and the summary EIA (SEIA) report was circulated to ADB in 2010. The report was based on the approved domestic EIA reports, including an environmental management plan (EMP) that stipulated environmental mitigation and monitoring programs. With the scope change, the GPMO prepared an environment due diligence report and a subproject addendum to the SEIA. The project was category A for involuntary resettlement. The project implementing agencies (PIAs) prepared three full resettlement plans, a full resettlement plan with due diligence, and a short resettlement plan for the respective component. The project was category B for indigenous peoples as ethnic minorities comprised 72.6% of the beneficiary population under the project.

³ ADB. 2021. *Completion Report: Guangxi Southwestern Cities Development Project in People's Republic of China*. Manila.

⁴ Other causes of delays were due to the relocation of power lines and ancestral temples, compensation for crops, house demolition and graves relocation arrangement (Fanchenggang); relocation of a temple on the side of Chengnanjiu Road (Chongzuo); relocation of power lines, demolition of fishing dam: ADB (East Asia Department). 2016 Consultation Mission to PRC. Guangxi Southwestern Cities Development Project. Back-to-office report. 27 June to 4 July 2016 (internal).

9. The project was categorized effective gender mainstreaming. A gender action plan (GAP) was prepared⁵ with the GPMO coordinating overall GAP implementation and PIAs responsible for implementing their respective activities under the GAP. GAP implementation addressed the needs of women in the project areas by promoting women's participation in decision-making and consultations, employment opportunities, and effective project participation through training and capacity building activities. The project achieved the gender targets as given in the design and monitoring framework (DMF) (PCR, para. 24 and Appendix 6).⁶

D. Implementation Arrangements

10. As envisaged, the Guangxi Zhuang Autonomous Region Government (GZARG) was the executing agency and acted through the Guangxi Development and Reform Commission. The GPMO (established under the GZARG) coordinated the overall project management, including the supervision of consultants and the organization of capacity development activities. The PIAs of each project city coordinated the implementation of their respective components with their project implementation companies (PICs), which conducted the day to day administration of their investment components including procurement and contract management on behalf of the PIAs.

11. In the first semester of 2011, project implementation was delayed due to key personnel changes in the GPMO (para 6). This subsequently stabilized as replacement staff were familiarized with their respective roles. The implementation arrangements were appropriate. The Ministry of Finance (MOF), the GZARG, and the cities complied with all the 66 loan covenants.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

12. The project completion report (PCR) rated the project relevant given its alignment and consistency with the government's development plans and strategies from appraisal to completion. It noted that the project road networks link effectively to the regional transportation corridors of the GMS and PRC-Association of Southeast Asian Nations (ASEAN) Free Trade Area which was to be transformed into economic corridors. Also, the PCR considered the project design sound and the financing modality was appropriate in delivering the project outputs.

13. This validation notes that the project was aligned with the government's Great Western Development Strategy⁷ which focused on livelihood improvement, regionally balanced and environmentally sustainable growth, among other thrusts. The project complied with the government's development objective of environmental-friendly urbanization in line with PRC's

⁵ The GAP was to promote women's participation and representation in decision-making and consultations, prioritize women for employment opportunities and promote the effective inclusion of women in all activities. Footnote 1.

⁶ The GAP targets achieved include: women filled 2,209 jobs (31% of the total) during construction (target: 20%); the GPMO and municipal project management offices each appointed one gender focal point to manage and coordinate work for the GAP, with the support of at least one gender focal point from the main contractors; and 85 decision makers and technical staff in provincial and municipal government agencies were trained through specially designed training programs, with 38.5% women professional participation (target: 30%). The project implemented and completed 13 of 15 GAP activities (87%) and achieved five of six quantitative targets (83%).

⁷ Initiated in 1999, the Great Western Development Strategy was a national strategy to promote regional development of the western region through a balanced approach with the support of developed provinces in the east. The geographic coverage includes Guangxi. The main components of the strategy included development of infrastructure (transport, hydropower plants, energy and telecommunications), enticement of foreign investment, increased efforts on ecological protection (e.g., reforestation), promotion of education, and retention of talent flowing to richer provinces.

Twelfth Five-Year Plan 2011–2015.⁸ The three project cities were also included as urban development priorities in Guangxi's Twelfth Five-Year Plan 2011–2015.⁹ It was aligned with ADB's Country Partnership Strategy for the PRC 2011–2015¹⁰ and the government's Thirteenth Five-Year Plan 2016–2020¹¹ with sustainable urbanization and urban-rural integration as strategic priorities in the project area. This validation also notes that the project was part of the national poverty reduction strategy to promote inclusive growth in the less-developed western PRC and part of the initiative to support accelerated urbanization and economic development in the poverty-stricken southwestern Guangxi.

14. Three minor changes in project scope and implementation arrangements were approved by ADB upon the request of the executing agency. These changes did not alter project outcome,¹² and based on the PCR DMF, all outcome targets were achieved. Based on the above discussions, this validation assesses the project relevant.

B. Effectiveness in Achieving Project Outcome and Outputs

15. The PCR rated the project effective as it had substantially achieved the envisaged outcome and most of the intended outputs. On outcome, the PCR noted that the increase in traffic speed exceeded the baseline 5% target which was set for the three project cities. For example, 14% speed increase in Fangchenggang (from 35 km/h to 40 km/h); 42% in Chongzuo (from 35 km/h to 50 km/h); and 63% in Baise (from 33 km/h to 54 km/h). Fangchenggang is better protected from the coastal flooding to once in 30-year under adverse climate scenarios, exceeding the target of once in 20-year protection level. The project created 22,348 jobs exceeding the 10,030 or 20% target increase, with women and ethnic groups accounting for more than 20% but falling short with the target for poor which was reported as 17%. This validation notes that out of three other outcome targets, two were achieved in 2019 or well after the initially defined 2015 target year. These were the increase coverage of primary underground municipal infrastructure in the direct project areas from zero in 2008 to 100% in 2019, and rehabilitation of Shuikou Lake as an urban wetland with stable water quality (class II) and opened to the public in 2019. One remaining outcome target related to the updated urban transport master plans for the project cities was not fully achieved, although recommendations of sustainable transportation were made for project cities in 2019.

16. On outputs, the PCR noted that most targets were substantially achieved. However, this validation finds that Fangchenggang and Chongzuo had shortcomings in completing the remaining 5.5 km and 2.1 km of urban roads, with only 89% and 84% of the targets achieved. Aside from this short fall for urban roads, the project achieved most of the target outputs.¹³

⁸ Government of the PRC. 2011. *National Economic and Development Twelfth Five-Year Plan 2011-2015*. Beijing.

⁹ Guangxi Zhuang Autonomous Region Government. 2011. *Guangxi Economic and Development Twelfth Five-Year Plan 2011-2015*. Nanning

¹⁰ ADB. 2012. *Country Partnership Strategy: People's Republic of China, 2011-2015*. Manila.

¹¹ Government of the PRC. 2016. *National Economic and Development Thirteenth Five-Year Plan 2016-2020*. Beijing.

¹² The three minor project scope changes pertained to the adjustment of ADB's financing percentage and the loan reallocation of savings from interest during construction (\$10.0 million) and capacity building (\$0.5 million)- approved in March 2014; scope change in Fangchenggang's and Chongzuo's urban roads and associated reallocation of the loan proceeds (\$12.7 million) and adjustment of ADB's financing percentage- approved in May 2015; and scope change in Fangchenggang's coastal protection and associated reallocation of the loan proceeds (\$15.0 million) and modification of ADB's financing percentage- approved in July 2018.

¹³ Outputs achieved on or before 2019 were as follows: Fangchenggang: 29.3 km of urban roads and basic infrastructure constructed (original target: 27.6 km revised to 33.1 km based on the scope change in 2015); 3.6 km of coastline upgrade and completed (original target: 9.2 km revised to 3.6 km based on the scope change in 2018); and public education facility for protection of mangroves opened. Chongzuo: 10.9 km of urban roads and related basic municipal infrastructure constructed (target: 13.0 km); Shuikou Lake rehabilitated; public awareness signage

17. On environmental safeguards, the environmental monitoring reports confirmed that the civil works were implemented strictly in accordance to applicable environmental laws, regulations and procedures, ADB's environmental guidelines and the EMP. No complaints on environmental impacts were received and only minor safeguard issues were reported and addressed. On involuntary resettlement, LAR was completed by the end of 2019. More land was acquired than planned following the collective land acquisition which villagers requested that pockets of land unsuitable for farming be acquired.¹⁴ The actual compensation rate was higher than in the resettlement plans, with total resettlement cost 134% higher than what was estimated. On indigenous peoples, the poverty and social analysis determined that the project did not have any adverse impacts on ethnic minorities except for those related to resettlement. This was addressed through specific actions contained in the resettlement plans to ensure that the interests, benefits and adverse impacts on the ethnic minorities were addressed. GAP implementation addressed the needs of women in the project areas. Women's participation was encouraged in decision-making and consultations, and employment opportunities were provided (para. 9). Based on the achievement of most of the outcome and the output indicators, this validation assesses the project effective.

C. Efficiency of Resource Use

18. The PCR rated the project efficient based on the recomputed economic internal rates of return (EIRR) and benefits identified for the project components. The recalculated EIRR for the whole project was 17.3% which was slightly lower than the appraisal estimate of 17.7%. The PCR noted that most of the subproject component's EIRRs exceeded the 12% hurdle rate except for the Fangchenggang road subproject where the recalculated EIRR of 11.2% was lower than the hurdle rate.¹⁵ The PCR opined that while traffic forecast was lower at completion, estimated benefits were higher due to time and vehicle operating cost savings. The identified economic benefits included vehicle operating cost savings, passenger time savings and reduction in road accidents which were considered as standard benefits for road projects. In general, the economic recalculation used the same methodologies and assumptions as at appraisal and are comparable. The difference in the results is due to estimated versus actual data used in benefit estimation.

19. For estimating the economic benefits for the coastal protection component, the appraisal and PCR assumed the land value increase attributable to the specific investment component, as 50% of the value of nearby flood free lands. For the Shuikou Lake environmental improvement, the benefit of the component was assumed at 10% of the land value increase in the nearby new urban center. This validation notes that using land values as economic benefits require more detailed description of the methodology including the attribution of the percentage increase in land value to the specific component. Using 50% and 10% of land values require a more thorough justification than the assumption itself. There are other benefits that should have been considered such as the avoided cost of annual damages due to flooding inclusive of plant, property and loss

installed and outreach materials distributed. Baise: 3.7 km of urban roads and related basic municipal infrastructures constructed; Longwang Bridge constructed. Capacity development: project implemented effectively; GPMD and municipal PMOs each appointed one gender focal point; and 85 decision makers and technical staff in GZARG and project cities trained with 36.5% women professional staff (target: 20 decision makers and 30% professional women).

¹⁴ The project demolished 34,769.1 m² of residential structures (28.4% more than the resettlement plan) and 22,165.2 m² of business and/or institution buildings (4.4% less than the resettlement plan) and acquired permanently 3,204.7 mu of land (3.8% more than the resettlement plan). Accordingly, the project construction affected 733 households and 4,002 persons because of permanent land acquisition, 151 households and 485 persons as a result of residential structure demolition, and 3 enterprises with 1,109 employees or students through business and/or institutions structure demolition (footnote 3).

¹⁵ This validation notes that PCR erred in noting the appraisal EIRR estimates for the Fangchenggang and Baise road subprojects were 19.5% and 15.3% compared to 13.1% and 13.3% as indicated (footnote 1).

of life. This validation notes that the PCR could have provided the EIRR recalculation tables for each component and not only for the overall project for a better appreciation of the results.

20. This validation notes the project's process efficiency deficient, given the three-year implementation delay (para. 6). While the project did not incur any cost overrun, it was unable to utilize the whole loan amount. This was due to scope changes and Fangchenggang city's assumption of the civil works cost of the Coastal Diike with urban plan changes. Also, subsequent development permits given to private enterprises were among other causes. Overall, the recomputed EIRRs were mostly higher than the hurdle rate of 12%; identified benefits were reasonable and acceptable although assumptions made need to be explained in depth; and there were cost savings generated. Based on these findings, the project is assessed efficient.

D. Preliminary Assessment of Sustainability

21. The PCR rated the project likely sustainable. Since the project is not revenue generating, the analysis of the city governments' financial condition formed the basis for determining the fiscal capacity of the three project cities to meet their debt service obligations for the ADB loan and the operation and maintenance (O&M) costs of project infrastructures over their operational life. The PCR noted that during project operation, the funds required for debt servicing and O&M accounts for less than 0.5% of the fiscal revenues of the project cities, indicating the project's minimal fiscal impact. All three cities would meet the project's debt service and O&M requirements without undue pressure on other expenditures as their percentage to total expenditures were small. The PCR and validation find the three project cities to have the financial capacity to meet loan servicing and O&M costs for project infrastructure.

22. The PCR noted that project facilities were constructed well and were of sufficient quality to meet their design life and generate the envisaged benefits. The validation notes that based on reports of ADB's loan review mission, Fangchenggang Road No. 1 implemented under the project was already severely cracked due to overloaded trucks using the project road. In addition, the coastal dike already showed lack of maintenance since its acceptance in December 2017.¹⁶ The designated O&M units for the project infrastructures participated actively in the project's capacity building activities, but there are early indications that these may not have been sufficient. Despite indications of institutional deficiencies in O&M in Fangchenggang due to the condition of Road No. 1, the project cities seem to have the financial capacity to meet loan servicing and O&M costs for project infrastructure supported by the results of the PCR financial reevaluation. Therefore, this validation assesses the project likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

23. The PCR rated the project's development impact highly satisfactory. The PCR noted that the project helped improve the living standards of the local population and created a convenient transportation environment. The project also contributed to sustainable socioeconomic growth and regional integration development in the three project cities. The PCR further noted that the project achieved or exceeded the specific targets for the three impact indicators. By 2019, Baise's per capita GDP was \$11,213 (2008 baseline, from \$1,580 to target \$2,370 by 2017); Chongzuo's

¹⁶ ADB (East Asia Department). 2018. Consultation Mission to PRC. Guangxi Southwestern Cities Development Project. Back-to-office report. 26-30 March (internal).

to \$8,246 (2008 baseline, from \$1,620 to target \$2,430 by 2017), and Fangchenggang's to \$13,784 (2008 baseline, from \$3,680 to target \$5,520 by 2017). By 2019, the urbanization rates for Baise was 63.3% (2008 baseline from 31.0% to target 40% by 2017); Chongzuo's was 50.2% (2008 baseline from 31.5% to target 40% by 2017); and Fangchenggang's was 64.4% (2008 baseline from 44.5% to target 60% by 2017). The PCR also notes that on the targeted 10% increase in economic activities with ASEAN countries for each city by 2019, Baise's economic activities with ASEAN countries was \$3,719 million (20.3% increase from 2008 baseline of \$489 million); Chongzuo's was \$22,020 million (29.3% increase from \$1,300 million); and Fangchenggang's was \$5,947 million (20% increase from \$797 million).

24. The validation assesses that it would be difficult to solely attribute to the project the increase in per capita GDP, urbanization rate, and economic activities with ASEAN countries considering that other socio-economic factors would also have contributed to these improvements. Given the attribution issue, the validation is constrained to provide a higher rating of the project's development impact as highly satisfactory and thus assesses the project's development impact satisfactory.

B. Performance of the Borrower and Executing Agency

25. The PCR rated the performance of the borrower and executing agency satisfactory. The PCR noted that the MOF as borrower fulfilled its responsibilities under the project including effective communication with ADB on requests for loan reallocation and loan closing date extensions. GZARG, as executing agency through the GPMO, coordinated capacity building activities and organized training for the project staff of the PIAs and the PICs in project management, procurement, construction management, disbursement, auditing, financial management, and safeguards compliance. The GPMO and PIAs monitored and reported on the progress of project implementation, quality, and costs during implementation. All variations were acted upon in accordance with government procedures and reported to ADB for prior approval. The three project cities provided adequate counterpart funds on time.

26. This validation notes however that the PIAs and PICs were deficient in implementing and completing LAR activities within schedule; the process for review and approval of engineering designs took a long time; and review and approval of additional projects due to scope changes was slow. The GPMO undertook a reorganization and restaffing with the transfer of key personnel from the GPMO in the early stage of project implementation which delayed project implementation early on. For, Fangchenggang, the city government and PIAs were slow to expedite the approval of coastal land-use certificate, planning and construction permits. They were also unable to stop the occupation of three sections of the coastal dike by private enterprises which violated current urban master plan and land use plan; affected the overall flood control function of the dike; and was an environmental risk.¹⁷ Based on the above discussions, the performance of the borrower and executing agency was assessed less than satisfactory.

C. Performance of the Asian Development Bank and Cofinanciers

27. The PCR rated the performance of the ADB satisfactory. ADB fielded review missions to monitor the progress of project implementation which included site inspections. It provided timely guidance and recommendations to the GZARG, PMOs, PIAs and the consultants on issues that surfaced during implementation. ADB responded quickly to borrower and executing agency

¹⁷ ADB (East Asia Department). 2014. Special Project Review Mission to PRC. Guangxi Southwestern Cities Development Project. Back-to-office report. 24-26 September (internal).

requests for scope changes, contract variations, extensions of loan closing and on-site training of GPMO and PIA officials and staff on procurement, financial management and loan disbursement.

28. The validation notes that ADB fielded 18 missions during loan fact-finding; loan appraisal; loan inception; 14 loan review missions; and project completion review. For more effective project loan administration, project administration was delegated to the People's Republic of China Mission (PRCM) in November 2011. Considering ADB's close monitoring and effective administration of the project loan, accommodation to relevant project staff for the conduct of on-site training, and close coordination with the executing and implementing agencies, the validation assesses ADB's performance satisfactory.

D. Others

29. A draft government project completion report was submitted but was largely incomplete. On the major criteria, the government rated the project highly relevant and very effective although the justifications for the rating were not well discussed. The project was rated successful overall, but no ratings were given for efficiency and sustainability. The performances of the borrower, the executing agency, GPMO, the Project Coordination Office and the project implementation agencies were rated satisfactory. Also, ADB's performance was rated satisfactory.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

30. The PCR rated the project successful overall. It rated the project relevant, effective, efficient and likely sustainable. The validation assesses the project relevant, effective, efficient and likely sustainable. Overall, this validation assesses the project successful.

Overall Ratings

| Validation criteria | PCR | IED review | Reason for disagreement and/or comments |
|----------------------------------|---------------------|------------------------|---|
| Relevance | Relevant | Relevant | |
| Effectiveness | Effective | Effective | |
| Efficiency | Efficient | Efficient | |
| Sustainability | Likely sustainable | Likely sustainable | |
| Overall Assessment | Successful | Successful | |
| Preliminary assessment of impact | Highly satisfactory | Satisfactory | Other socio-economic factors would also have contributed to achieve specific targets for impact indicators. |
| Borrower and executing agency | Satisfactory | Less than satisfactory | PIAs and PICs were deficient in implementing and completing project related activities |
| Performance of ADB | Satisfactory | Satisfactory | |
| Quality of PCR | | Satisfactory | Para. 35. |

ADB = Asian Development Bank, IED = Independent Evaluation Department, PIA = project implementing agencies, PIC = project implementation company, PCR = project completion report. Source: ADB (IED).

B. Lessons

31. The PCR noted that the application of a GAP was critical to successfully mainstream gender across outputs and to raise awareness on the benefits of focusing on gender equality issues in projects that address urban and coastal infrastructure and environmental improvements. This validation adds two project level lessons. First, specific requirements for land acquisition and resettlement need to be completed prior to project implementation. Obtaining the necessary clearances and permits early on to meet the pertinent safeguards compliances can help in identifying any risk or grievance issues that can potentially delay the execution of project activities. Under the project, some components were substantially delayed due to the prolonged site turnover including the issuance of the appropriate permits, such as coastal land-use certificate, planning and construction permits, and utility lines (footnote 3, para. 27). A greater consideration to these potential risks of safeguards aspect could support effective project implementation.

32. Second, adequate project related preparatory work, planning and risk assessment are crucial to improving project readiness. These efforts include assessment of the technical and administrative capacity of the executing and implementing agencies. Under the project, any reorganization of the agency, if necessary, needs to be clearly arranged and completed prior to project start-up. This helps the agencies in addressing the implementation issues on time. Likewise, skills training of agencies involved in the implementation enhances the preparation and quality-at-entry of the project.

C. Recommendations for Follow-Up

33. The PCR recommended for future projects to pay close attention to project readiness regarding LAR matters, particularly for those projects with category A LAR impacts. Also, continuous policy dialogues with the municipal governments were suggested to follow-up on the effectiveness and/or adoption of integrated urban transportation related policy recommendations through other ongoing ADB urban projects in these cities. This validation adds that the PRCM should periodically confer with the GPMO and the three project cities' government on the regular updating of data in the project performance management system (PPMS). This should include data on specific O&M activities and expenditures undertaken per project component. If possible, the operating entity responsible for the O&M of the project infrastructure should provide periodic reports on the physical condition of said infrastructure. On the study on integrated urban transportation funded by the project which included policy recommendations for consideration of the project city governments, PRCM should follow-up on the implementation of study recommendations and current status, if any.

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting

34. The PCR noted that the GPMO and PIAs complied with the project's monitoring and reporting requirements. A PPMS was developed and operational which was utilized for the preparation of quarterly project progress reports, reporting output performance and implementation progress. Monitors were engaged by the GPMO and PIAs to conduct safeguard monitoring for the environment, LAR and indigenous peoples. The GPMO submitted 11 environmental monitoring reports, eight resettlement reports and the project completion report.

B. Comments on Project Completion Report Quality

35. The PCR quality is rated satisfactory. The PCR provided substantial information and data on project implementation. However, there were several shortcomings that could have been further addressed. On sustainability, the PCR relied on the analysis of each project cities' financial condition with and without loan servicing and O&M costs which was a proper approach considering that the project is non-revenue generating. However, the PCR did not mention lapses in O&M (para 19) particularly for project funded infrastructure in Fangchenggang which is indicative of institutional or capacity deficiencies in O&M. Additional details related to the issue of using land valuation in the estimation of economic benefits could have been better explained. On development impact, the PCR did not fully assess the appropriateness of the impact indicators, especially the attribution issue in allocating improvements wholly to the project.

C. Data Sources for Validation

36. The data sources utilized for the validation included the report and recommendation to the President, PCR, project review mission reports, PRC's development plans and strategies, ADB country partnership strategies for the PRC and ADB publications on urban strategy and the GMS.

D. Recommendation for Independent Evaluation Department Follow-Up

37. The PCR noted that since the project infrastructures are all operational, the project performance evaluation report (PPER) can be undertaken after the circulation of the PCR. The validation recommends that the preparation of the PPER is undertaken after 2022 to allow the outcome and impact to be more visible and measurable.