



Validation Report

Reference Number: PCV: PRC 2009-22
Project Number: 33442
Loan Number: 1850
December 2009

People's Republic of China: Ganzhou–Longyan Railway Project

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
EA	–	executing agency
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
GLR	–	Ganzhou–Longyan Railway
MOR	–	Ministry of Railways
IED	–	Independent Evaluation Department
M&E	–	monitoring and evaluation
OCR	–	ordinary capital resources
PCR	–	project completion report
PRC	–	People's Republic of China
RRP	–	report and recommendation of the President
SAPE	–	sector assistance program evaluation
WACC	–	weighted average cost of capital

NOTE

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

Key Words

people's republic of china, adb, asian development bank, railways, transport, lessons, independent evaluation department, performance evaluation

Director	H. Hettige, Independent Evaluation Division 2, Independent Evaluation Department (IED)
Team leader	N. Singru, Senior Evaluation Specialist, Independent Evaluation Division 2, IED
Team members	R. Lumain, Senior Evaluation Officer, Independent Evaluation Division 2, IED C. Roldan, Assistant Operations Evaluation Analyst, Independent Evaluation Division 2, IED

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PROJECT COMPLETION REPORT VALIDATION

A. Basic Project Data		PCR Validation Date:	December 2009	
Project Number:	33442		Approved	Actual
Loan Number:	1850			
Project Name:	Ganzhou–Longyan Railway Project	Total Project Costs (\$ million):	775.0	781.4
Country:	People's Republic of China	Loan (\$ million)	200.0	199.4
Sector:	Transport/Railways	Total Cofinancing (\$ million):	0.0	0.0
ADB Financing (\$ million):	ADF: 0.0	Borrower (\$ million):	575.0	582.0
	OCR: 200.0	Beneficiaries (\$ million):		
Cofinanciers:	None	Others (\$ million):	0.0	0.0
Approval Date:	30 October 2001	Effectiveness Date:	21 Mar 2002	2 Apr 2002
Signing Date:	21 December 2001	Closing Date:	31 Dec 2006	16 Jan 2008
Project Officers:	Name:	Location:	From	To
	R. Soin	ADB headquarters	2001	2001
	J. Lacombe	ADB headquarters	2002	2002
	M. Parkash	ADB headquarters	2002	2005
	W. Fang	PRC Resident Mission	2005	2008
Validator:	T. F. Jones III, Consultant	Director:	H. Hettige, IED2	
Quality Control Reviewers:	N. Singru, Senior Evaluation Specialist, IED2 R. Lumain, Senior Evaluation Officer, IED2			

B. Project Description (summarized from the report and recommendation of the President)

- (i) **Rationale.** The Ganzhou–Longyan Railway (GLR) Project (the Project) is situated in the mountainous, less developed, and poor areas in southern Jiangxi and western Fujian provinces.¹ This region has natural resources and is known for its scenic landscape and historical sites. Poor accessibility and lack of economic transport have limited the development of these resources, and the region has remained less developed with considerable poverty. The poverty incidence was 21% compared with 12% in the People's Republic of China (PRC) as a whole. The main cause of poverty was insufficient opportunity for earning income. Transport capability needs to be developed to catalyze economic activity and create employment and income-generating activities. The Project was to provide efficient and low-cost transportation for passengers and goods, which would increase the development of natural resources and industry bringing more income to the local community and thus help reduce poverty. The Project's connection to the national railway network was to improve traffic maneuverability, reduce constraints, and increase overall railway efficiency.
- (ii) **Objectives or expected outcomes.** The goal of the Project was to promote sustainable economic growth that would help reduce poverty in the two provinces traversed by the Project. This was to be achieved by providing economic railway transportation in the less developed areas to create the conditions necessary for developing local resources and generating employment and income-enhancing opportunities that would raise living standards.
- (iii) **Components and/or outputs.** The project scope comprised (a) constructing a 277 kilometer (km) single-track, standard-gauge railway between Ganzhou and Longyan, including subgrades, bridges,

¹ Asian Development Bank (ADB). 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the People's Republic of China for the Ganzhou–Longyan Railway Project*. Manila (Loan 1850–PRC, for \$200 million, approved on 30 October).

culverts, and tunnels; (b) laying railway track; (c) constructing new railway stations; (d) providing modern technology and equipment for signaling, communications, management information system, freight and container yard operation, and track maintenance; (e) providing training on the use and maintenance of modern equipment; (f) protecting the environment and mitigating adverse environmental effects; (g) acquiring land and resettling affected people; (h) providing consulting services for design, construction supervision and quality control, procurement, environmental monitoring, and monitoring of resettlement and social impact; and (i) strengthening institutional capabilities in the railway sector (e.g., Ministry of Railways [MOR]).

C. Evaluation of Design and Implementation (project completion report assessment and validation)

- (i) **Relevance of design and formulation.** The Project was highly relevant at appraisal and at completion (Section D[i]). It was the 10th of 15 Asian Development Bank (ADB) interventions in the railway sector in the PRC since 1989. The railway, which traverses less-developed areas in the mountainous regions of southern Jiangxi and western Fujian provinces, was to play an important role in reducing poverty in the region (Section B[i]). The railway infrastructure provided the project region with economical transportation facilities (i.e., for raw materials, agricultural products and industrial goods) that stimulated natural resource exploitation and the development of processing and tourist industries. In particular, the railway connected the prosperous coastal areas in the east and inland areas in the west thereby stimulating movement of commodities and people. Project design also included a number of added features linked to strategic priorities of ADB. These include full-cost tariff, commercialization, new technology for railway operations, and link roads.
- (ii) **Project outputs.** Project outputs were largely as envisaged at appraisal with some adjustments following detailed evaluation on the ground during construction to incorporate unforeseen efficiencies and more modern technologies, improve safety, and include means to limit the local negative impact of the original design. The institutional capacity strengthening component was reduced when ADB provided technical assistance to provide a greater input for evaluating the PRC's accession to the World Trade Organization. This is described in the project completion report (PCR) of the Project.²
- (iii) **Project cost, disbursements, Borrower contribution, and conformance to schedule (as relevant to project performance).** The actual project cost was \$781.4 million, slightly greater than the appraisal estimate of \$775.0 million. Civil works were 26% higher than the appraisal estimate. A few other items were higher, while savings were experienced for other project items mainly due to low bid prices. Also, some items were included in the civil works contracts that were estimated separately in the appraisal estimate. This is covered in the PCR.

Counterpart funding was arranged by the Government (Borrower). Needed funds were readily available, although there is evidence that some resettlement works were underfunded. Appendix 10 of the PCR states that "The cost of land acquisition and resettlement was not adequately funded." Although agreements were made between MOR and the Jiangxi and Fujian provincial governments, such costs would be covered by a lump sum from MOR and any shortfall covered by the provincial governments. This appears not to have been fully done or to have caused some difficulties with resettlement and compensation (Appendix 10 of PCR). The PCR, however, states that the affected persons were generally satisfied with the compensation (para. 35 of PCR).

Most project components were completed ahead of schedule but start-up activities like prequalification were delayed. While the PCR states that the trials were completed 15 months ahead of schedule, trials and operations required a total of 33 months compared with 8 months estimated at appraisal and were completed 12 months later than expected thus requiring a loan extension of over a year. Consulting services were late in commencement and, if that was the only

² ADB. 2008. *Project Completion Report on the Ganzhou-Longyan Railway Project in the People's Republic of China*. Manila.

outstanding matter, would have required an extension of the loan closing date of about 8 months. Also, although not shown on the implementation schedule in Appendix 5, purchase of some track inspection equipment was delayed and finally completed in July 2007.

- (iv) **Implementation arrangements, conditions and covenants, related technical assistance, and procurement and consultant performance.** Originally, there were to be two implementing agencies. These were consolidated in 2004 and implementation was then undertaken by the single agency.³ As envisaged at appraisal, an agency under the GLR Construction Headquarters was responsible for land acquisition, house demolition, and relocation, while the counties were ultimately responsible for compensation.⁴

According to the PCR, most of the loan covenants have been complied with or are being complied with. Noncompliance involved having an operating ratio of not higher than 70%, which may take some time to eventuate. Two covenants are also being complied with, including the placement and construction of industrial siding⁵ and the construction of station access and link roads, all of which are necessary to realize the Project's full benefits.

A technical assistance to address the impact of accession to the World Trade Organization was approved by ADB to replace that consultant component provided under the Project. It addressed the same issue in greater depth and is the subject of a published ADB report.⁶

The PCR concludes that the performance of the contractors, suppliers, and consultants was satisfactory. The validator agrees.

- (v) **Performance of the Borrower and Executing Agency.** The PCR concludes that the performance of MOR, the executing agency, was highly satisfactory considering the effective control of construction schedule, quality, and cost; efficient procurement processing, and efficient arrangement for operation. The PCR presents a strong case based on technical achievements for this high rating. However, MOR's performance was marred by two issues. First, there were shortcomings relating to the local government budgets for resettlement and land acquisition. The PCR (Appendix 10) states "the cost of land acquisition and resettlement was not adequately budgeted" and goes on to describe the poor fiscal condition of the local governments. Second, the average freight tariff of the GLR was set at CNY0.10 per ton-km, although the operating cost for freight transport of GLR was estimated to be CNY0.13 per ton-km. This indicates subsidization of the GLR by the MOR, affecting sustainability in the long term. In view of these issues, MOR's performance is downgraded to "satisfactory."

The PCR makes no mention of the performance of the Borrower, but since the Borrower did make most funds available in a timely manner, a "satisfactory" rating can also be concluded.

- (vi) **Performance of the Asian Development Bank.** ADB's performance is rated "satisfactory," and this validator agrees. The PCR presents its reasons for this rating. ADB continues to face a typical problem of insufficient resources as evidenced by the fact that ADB's resettlement review was weak (Appendix 10 of PCR). ADB needs to address this issue.

³ Project implementation was originally under the joint supervision of the Shanghai and Nanchang railway administrations. Two construction headquarters were established—one under each administration. In May 2004, railways in Fujian Province were merged into Nanchang Railway Administration (NRA) in a streamlining of the MOR internal organization. Subsequently, NRA through the Ganzhou–Longyan Railway (GLR) Construction Headquarters, undertook full responsibility for construction of Ganzhou–Longyan railway (para. 15 of the PCR).

⁴ The resettlement offices under GLR Construction Headquarters were responsible for the coordination, fund raising, and internal monitoring for land acquisition and resettlement of the Project (para. 16 of the PCR).

⁵ MOR has specific requirements that must be met before a siding can be constructed.

⁶ ADB.2007. *World Trade Organization Accession: Challenges and Opportunities for Railways in the PRC*. Manila.

D. Evaluation of Performance (project completion report assessment and validation)

- (i) **Relevance.** The Project conformed to ADB's country operational strategy and the PRC Government's objective of greater developmental emphasis on poor interior and underserved areas by improving transportation linkage with growth centers. The formulation was thorough and appropriate. The Independent Evaluation Department's (IED's) sector assessment program evaluation (SAPE) for roads and railways sectors in the PRC has identified the important need for value addition such as provided in this Project.⁷ The PCR does not mention any of these relevance indicators but focuses on the impacts of the Project. There remains room for improvement in the PCR assessment. Despite this, the Project is appropriately rated "highly relevant" based on its technically sound formulation and relevant design to achieving development goals.
- (ii) **Effectiveness in achieving outcome.** The Project was implemented as planned with no significant changes. The quality of completed works was found to be high. The PCR rated the Project as highly effective in achieving its stated outcomes (Table 1). On its first full year of operation in 2006, railway traffic reached 1,749 million ton-km and 498 million passenger-km. Freight and passenger traffic increased by 25% and 48%, respectively, in 2007. The Project is highly effective in reducing network transportation costs by relieving congestion in the national railway network and neighboring highways. A tariff of CNY0.10 per ton-km and CNY0.14 per passenger-km is about one-half the tariff needed for full cost recovery. The PCR reported that the Project helped induce investments of CNY6 billion. The introduction of modern technology and equipment is a value added and an effective component.

Table 1: Project Achievements vis-à-vis Expected Outcomes

Expected Outcome	Project Achievements
1. Develop rail transport to improve accessibility	<p>The Project enjoys a competitive advantage in the passenger market. It primarily serves long-distance passengers, tourists, and local travelers. To date, long distance travel demand continues to increase.</p> <p>The Ganzhou-Longyan Railway (GLR) offers affordable access to key areas of employment: (i) for rural people going to the cities of Ganzhou and Longyan, and (ii) for connections to long-distance destinations such as Guangzhou in the vicinity of Xiamen.</p> <p>GLR also enjoys an obvious competitive advantage in shipping bulk materials. Initial freight traffic has been largely transit traffic (about 85%).</p>
2. Increase productivity and reduce transportation costs	<p>Transit freight traffic has represented a high proportion of the total traffic, reflecting the advantages of routing traffic over GLR as opposed to the highly congested original route. GLR relieved the burden on highways, and particularly for transporting such bulk cargos as iron and copper ore, coal, and barite.</p>
3. Induce industrial and natural resources development	<p>The Yudu industrial development zone was established in 2001. In 5 years, 102 enterprises have moved to the zone.</p> <p>Demand is growing in the project area for transportation of mineral ores, construction material, cement, fertilizer, and timber.</p> <p>The opening of GLR has given greater rail access to Xiamen port, and this is reflected in the increased number of containers arriving at the port by rail. The container traffic has been slow to grow, and there remains potential for further growth in transporting containers from the region to Xiamen and the ports of Hong Kong and Shenzhen.</p>

Source: Asian Development Bank. 2008. *Project Completion Report: Ganzhou-Longyan Railway Project*. Manila.

⁷ ADB. 2007. *Sector Assistance Program Evaluation of ADB Assistance for Roads and Railways in the People's Republic of China*. Manila.

The PCR rated the Project as "highly effective." This rating is validated.

- (iii) **Efficiency in achieving outcome and outputs.** The recalculated economic internal rate of return (EIRR) is estimated at 14.2% compared with the appraisal estimate of 14.4%. This indicates that the Project is "efficient" but not "highly efficient."⁸ The PCR has included an assessment of the implementation performance of the Borrower and MOR in the efficiency section. This is inappropriate and should have been included under the previous section on "Performance of the Borrower and the Executing Agency." Although the PCR rates the Project as "highly efficient," the economic evaluation does not support this. The Project is rated as "efficient" in light of the EIRR calculated by the PCR.
- (iv) **Preliminary assessment of sustainability.** The quality of completed works appears to be good. The financial internal rate of return (FIRR) was recalculated at 4.27% compared with the 6.4% rate estimated at appraisal. The weighted average cost of capital (WACC) is estimated at 2.23%. This seems to be a low rate. The WACC at appraisal was estimated as 3.4%. Recently completed expressway projects in the PRC estimate the WACC at 3.5% and a recently completed railway project with similar financing estimated the WACC as 4.9%. In view of this, the 4.27% FIRR for the Project may be considered marginal at best. The low FIRR relates to a low tariff, less than half of that estimated at appraisal that would have allowed for full cost recovery. While the PCR points out the advantage of the GLR in terms of attracting bulk cargo, there is likelihood that the local and medium distance traffic will be retained by the road subsector especially when the parallel expressway is completed. This will put pressure on revenues of the GLR and limit the funding for maintenance, thus affecting sustainability. However, in view of the fact that the MOR is a large corporation with considerable resources, its financial strength suggests a reasonable assurance of GLR's operational sustainability. The PCR's rating of the Project "likely to be sustainable" is validated.
- (v) **Impact (both intended and unintended).** The PCR has rated the impact as "positive." This rating does not conform to the project rating guidelines (footnote 8). The impact rating should be on a scale of substantial, significant, moderate, or negligible. In view of the information presented by the PCR, the project impact is rated "significant."

Adverse environmental impacts were reportedly minimized during construction, and the PCR explained this at some length. Environmental mitigation measures were adequate and effectively implemented. Despite issues relating to the funding sources for resettlement, the resettlement procedures were implemented satisfactorily and there were no outstanding issues linked to land acquisition.

The PCR reported significant economic development and poverty reduction impacts in the region. The counties and cities traversed by the railway experienced considerable growth in income attributable in large part by construction generated employment as well as general economic growth of the project area. Per capita gross domestic product in the counties and cities along the GLR alignment increased by an annual average of 21% per year from 2000 to 2006. The fiscal revenues of local governments increased by an annual average of 31% per year. The incidence of poverty has diminished significantly. The number of people living in poverty within eight counties and districts along the alignment decreased by 21% despite most poverty lines being raised. The per capita income of farmers rose by 32%–53% in those counties and cities during the same period. The Project could be seen as having contributed to these poverty impacts. However, the GLR has limited feeder road connections suggesting that there could be other reasons affecting economic development, besides the railway itself. Cities and counties have a much larger catchment area and their reasons for growth probably reflect a wide variety of factors not just GLR. Most of the impacts

⁸ As per IED guidelines on preparing performance evaluation reports for public sector operations (ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila), a project is rated "efficient" if the recalculated EIRR is between 12% and 18%. Even unquantified benefits are taken into account by adjusting the rating by a maximum of 2%, the recalculated EIRR is still within the range of 12% and 18% which is considered "efficient."

thus far are the result of construction activities. Its construction directly contributed to poverty reduction by providing employment.

Although economic linkages such as roads and sidings are not yet fully in place, the opening of the project railway has created conditions conducive to economic development not only along its length but also regionally. As in the case of other railway projects, significant positive impacts are likely to be felt in the medium to long term. Until date, local enterprises have benefited from GLR in terms of transportation of bulk raw materials such as cement, limestone, and coal. The development of the GLR has resulted in external capital investments in the project impact area, e.g., new industrial parks are being in the vicinity of GLR. Overall, the validator considers net positive impacts from the GLR are likely to become "significant" in the medium to long term.

E. Overall Assessment, Lessons, and Recommendations (validation of project completion report assessment)

- (i) **Overall assessment.** The formulation and design of the Project is technically sound and highly relevant to achieving its development goal. The GLR has provided the project region with railway infrastructure that can stimulate natural resources exploration and development of processing and tourist industries. Project outputs were implemented as planned with no significant changes. Its main components were completed and open to traffic ahead of schedule.⁹ The quality of completed works is high. The targeted outcomes of the Project have been achieved. The reevaluation of the EIRR indicated that the Project is economically feasible. The financial strength of MOR provides reasonable assurance for the financial sustainability of GLR. Poverty incidence diminished substantially as GDP and per capita income grew significantly from 2001 to 2006. The Project is considered highly relevant, highly effective, efficient, and likely to be sustainable. Based on these evaluation ratings, the Project is rated "successful" on the high side (Table 2).

Table 2: Overall Assessment

Criterion	Weight (%)	Rating	Rating Value
Relevance	20	3	0.6
Effectiveness	30	3	0.9
Efficiency	30	2	0.6
Sustainability	20	2	0.4
Overall Rating			2.5

Note: Overall assessment is guided by the following range: Highly Successful if the overall weighted average is greater than 2.7. Successful if the overall weighted average is between 1.6 and less than 2.7. Partly successful if the overall weighted average is between 0.8 and less than 1.6. Unsuccessful if the overall weighted average is less than 0.8.

- (ii) **Lessons.** The PCR suggested several logical and appropriate lessons. In addition, the validation report had identified the following lessons for the East Asia Department to take on board: (a) the source of funding land acquisition should be clearly identified at appraisal stage. Taking into account the fact that provincial governments are likely to face budgeting issues, MOR should be made responsible for ensuring smooth and timely availability of funds; and (b) construction of railway tracks and expansion of railway network needs to be accompanied by complementary investments such as construction of industrial sidings, and rail station access and link roads.
- (iii) **Recommendations.** The PCR makes several recommendations of both a general and project specific-nature based largely on the lessons learned. General recommendations include (a) resettlement plans pay greater attention to station sites and be updated after detailed measurement is conducted; (b) affordability for local governments to provide compensation funds

⁹ This related to civil works being completed ahead of schedule but ignores the fact that according to the implementation schedule in the PCR, which shows that test and operations required 33 months as opposed to 8 months at appraisal. Consulting services were also retained quite late as was certain equipment purchase; these would have necessitated an extension of the loan closing date.

should be evaluated at appraisal and a mechanism should be in place so that the compensation funds can be provided adequately and in a timely manner; (c) the quality of external monitoring and evaluation should be improved to facilitate timely reporting of any discrepancy with the resettlement plan and necessary corrective action; and (d) in future projects, ADB should strengthen its resettlement safeguard supervision at an early stage of project implementation. Project-related recommendations include (a) one more pair of local trains be scheduled on the Ganzhou–Longyan Railway to serve local travelers, the number of long-distance trains be increased, and the Ganzhou–Longyan should take measures to complete the construction of the planned industrial sidings and undertake proactive marketing; (b) local governments should improve urban public and review the existing planning and service coordination arrangements to promote travel by train; (c) the Ganzhou–Longyan should compete on the bases of prices, improved logistics management and quality of service, and offer services that the expressway cannot; and (d) a project performance evaluation be conducted in 2011. These recommendations are appropriate and should be considered during both preparation and implementation of future projects. The value addition of ADB's assistance will be enhanced when the Government develops the link roads enhancing the environment for economic development in the project impact area. ADB needs to engage in dialogue with the Government to enable this. Finally, ADB needs to address the issue of insufficient in-house resources for carrying out resettlement reviews (section C[vij]).

F. Monitoring and Evaluation Design, Implementation, and Utilization (project completion report assessment and validation)

The monitoring and evaluation by MOR was carried out satisfactorily. An external agency (Research Institute of the Southwest Jiaotong University) was engaged to carry out monitoring and evaluation for the resettlement activities. However, the monitoring and evaluation reports were found to be lacking in quality (Appendix 10 of PCR). Moreover, ADB's resettlement review was weak.

G. Other (e.g., safeguards, including governance and anticorruption; fiduciary aspects; government assessment of the Project, as applicable) (project completion report assessment and validation)

Environmental and resettlement safeguards were generally adhered to with some shortcomings. Similarly, governance was also generally good except for some difficulties by the local governments in providing adequate budget for resettlement, improvement of local roads and bus connecting services. Funds were forthcoming from the borrower and corruption unlikely given the timely undertaking of most activities and overall cost being generally within estimates.

H. Ratings	PCR	IED Review	Reason for Disagreement/Comments
Relevance:	Highly Relevant	Highly Relevant	The PCR's assessment has room for improvement.
Effectiveness in Achieving Outcome:	Highly Effective	Highly Effective	
Efficiency in Achieving Outcome and Outputs:	Highly Efficient	Efficient	The recalculated EIRR is within the range of 12% and 18% which is considered "efficient" (Section D[iii]).
Preliminary Assessment of Sustainability:	Likely	Likely	Subsidies from MOR are expected to sustain the Project.
Borrower and Executing Agency:	Highly Satisfactory	Satisfactory	MOR performance was marred by several issues (Section C[v]). The PCR has not evaluated the Borrower performance.
Performance of ADB:	Satisfactory	Satisfactory	
Impact:	Positive	Significant	The PCR has not used appropriate scale of rating the project impact.
Overall Assessment:	Highly Successful	Successful	Based on the evaluation criterion shown in Table 2.
Quality of PCR:		Satisfactory	

I. Comments on PCR Quality

The PCR is comprehensive and in compliance with ADB Project Administration Instruction on PCRs and evaluation guidelines of IED. It has room for improvement in the following areas:

- (i) The PCR's assessment of relevance discusses the impacts of the Project rather than the consistency with the government's strategy and ADB's objectives, project design, and other criteria for relevance. The PCR needs to adhere to guidelines and also be in line with the guidelines for preparing a project performance evaluation report.
- (ii) The financing plan in the basic data should have mentioned the loan from the China Development Bank. Currently, it shows this loan under "Borrower Financed" amount.
- (iii) The project schedule should have analyzed the cause of the delay (1 year) in installation of the equipment.
- (iv) The PCR should have used appropriate rating for the project impact.
- (v) The quality of the design and monitoring framework has room for improvement. The outputs and outcomes have not been identified correctly. The impact indicators appear to be remote from the Project and could have been improved.

J. Recommendation for the Independent Evaluation Department Follow-Up

The Project could be evaluated during the next country assistance program evaluation exercise.

K. Data Sources for Validation

Data sources used in the preparation of this project validation report included project preparation documents, the PCR, implementation reports and other relevant ADB reports such as related PCRs.

REGIONAL DEPARTMENT'S RESPONSE TO THE PROJECT COMPLETION REPORT VALIDATION REPORT

On 16 February 2009, Director, IED2, Independent Evaluation Department (IED), received the following comments from the PRC Resident Mission, East Asia Department.

We agree with the ratings provided by the PCR Validation Report. Given below are clarifications on some specific issues covered by the PCR.

- (i) The PCR assessed the relevance of the Project by comparing with the broad objectives of ADB's strategy for the PRC and the focuses of ADB's strategy for the railway sector. Specific project design features were discussed, such as link road and stations, railway commercial operation, and application of new technologies to reflect the value addition of the project.
- (ii) On the "Efficiency in Achieving Outcome and Outputs", the PCR followed paragraph 24 of Appendix 2 of the Project Administration Instruction 6.07A (revised on January 2009), stating "Assess the efficiency of investment (wherever possible, by financial and economic revaluation or other cost-effectiveness measures) and efficiency of process." The PCR recalculated the FIRR and EIRR for assessing the investment efficiency, and evaluated the efficiency of project implementation for the purpose of assessing the process efficiency. The PCR rated the Project as "highly efficient" even though the EIRR is less than 18%, for consideration of the high implementation efficiency which was demonstrated by the fact that the trial operation started 15 months ahead of schedule.
- (iii) The PCR evaluated separately the Project's environment impact, resettlement impact, and socioeconomic impact. The impacts in economic development and poverty reduction were significant, the adverse environment impacts were minor and had been mitigated effectively, and the project had no impact on indigenous people. The PCR thus used "positive" to summarize the project's diverse impacts.
- (iv) The PCR explored the possibility of higher tariffs. On the ground of the railway's competitiveness, especially for the need to attract local traffic, it was concluded that the room for tariff increase in the short term is limited. This was confirmed by the international consultant's report on Ganzhou–Longyan Railway Marketing and Business Development Study. Instead, traffic volume is more important for the financial sustainability of the railway and a competitive tariff is critical for the traffic growth.
- (v) Of all the equipment procured under the Project, only the procurement of track inspection car was delayed as the PCR reported. The track inspection car is not a critical item as it is used for track maintenance required after the rail is in operation for certain period of time. The delay was insignificant and did not affect the project implementation.