Report Number : ICRR0020788

1. Project Data

Project ID P110632	**Project Name** CN - Sichuan Small Towns Development
Country China	**Practice Area(Lead)** Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-80420	31-Dec-2016	169,950,000.00
Bank Approval Date	**Closing Date (Actual)**	
10-May-2011	31-Dec-2016	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	93,574,827.58	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Vibecke Dixon	Fernando Manibog	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The objective of the Project was to improve priority infrastructure in the Project Counties/ Districts in Sichuan Province (Financing Agreement, Schedule 1, page 5).

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had two components.

Component 1: Small Town Infrastructure Development (Appraisal estimate: US$165.9 million, of which the Bank would cover US$95.95 million; Total actual: US$137.91 million)

The component was to construct selected urban roads, water supply networks, storm and sewerage drainage networks, canal and river embankments and a wastewater treatment plant in eight towns located in eight different counties and districts of the Sichuan Province.

Component 2: Institutional Strengthening and Capacity Building (Total Appraisal estimate: US$3.8 million (fully Bank financed); Total actual: US$3.9 million).

This component was to provide technical assistance (TA) for project implementation by strengthening the institutional capacity of Project Implementation Units (PIUs), including TA for: i) project construction management and supervision (design review, advisory services, traffic safety audit and engineering supervision), and for traffic management capacity development; ii) on-the-job training for staff of the project counties/districts for operation maintenance and management (OMM) of their infrastructure investments; and iii) independent monitoring of Environment Management Plans (EMPs) and Resettlement Action Plans (RAPs) and training and study tours during implementation.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost, Financing and Borrower Contribution:

The total appraisal estimate for this project was US$169.7 million, of which US$100 million were to be covered through the Bank's loan proceeds and US$69.95 million were to be covered by the Borrower. The actual cost of the project amounted to US$142.06 million, of which the Bank proceeds amounted to US$93.32 million and the Borrower's contribution was US$48.74 million.

Dates:

The project was appraised on 07/19/2010, approved on 05/10/2011 and declared effective on 09/28/2011. The Mid-Term Review (MTR) was originally planned to take place in 2013, but due to significant initial implementation delays, the MTR was postponed until December 2015. The project went through a level II restructuring in January 2016. The original and actual closing dates were 12/31/2016, i.e., the project was not extended and finished on time as originally planned.

3. Relevance of Objectives & Design

a. Relevance of Objectives

At appraisal, the PDO was highly relevant to the sector context, the Bank's China Country Partnership Strategy (CPS) and the borrower's strategies. The Sichuan Provincial Government (SPG) had long wanted to limit migration to the major cities of Chengdu and Chongqing, and was promoting the development of smaller towns in order to provide livelihood opportunities to the urbanizing population while balancing economic and social needs. Some towns showed potential for sustainable economic development due to their geographic location, rapidly developing industries and service sectors or tourism resources, but deficiencies in their existing infrastructure hampered growth and caused deteriorating environmental conditions. Sanitation and water supplies were often inadequate, wastewater treatment was poor or nonexistent; flood protection measures were weak; and transport networks were inefficient.

At appraisal, the Bank and Sichuan province had 15 years of experience of working together in tackling urban environmental problems. At the time, the Government of China's (GoC) urban-rural integration policies promoted the integration of urban-rural social and economic development as a necessary requirement for the country to achieve its development objectives, and Chengdu, the provincial capital of Sichuan, was selected already in 2006 as a pilot city for the Urban-Rural Integration Program. At appraisal, the project was well aligned with three of the five main themes of the Bank's CPS for 2006-2010: i) reducing poverty, inequality and social exclusion; ii) managing resources scarcity and environmental challenges; and iii) improving public and market institutions. It was also well aligned with the objectives of China's 11th Five Year Plan (FYP 2006-2010) by focusing on infrastructure investments in small towns. The FYP aimed to facilitate the development of small towns and secondary cities as a key component of an optimized urbanization strategy for urban-rural integration and a more environmentally friendly society.

The project's objective remained relevant to country and Bank strategies throughout the life of the project until project closure. China's 12th FYP (2011-2015) emphasized urbanization in inland regions and smaller cities. The 13th FYP (2016-2020) steps up the pace of new urbanization to bridge the gap between urban and rural development and to facilitate urban and rural integration. Furthermore, as stated in the ICR (page 12, para 54), the National New-Type Urbanization Plan (2014-2020) outlines China's future urbanization and economic development, which is to be more environmentally sustainable and people-centered and aims to convert more rural migrants to urban residents. In the Bank's recent CPS (FY2013-2016), addressing the environmental and service delivery challenges faced by China's cities as they grow at unprecedented rates and scales, is set out as an important goal.

Rating
Substantial

b. Relevance of Design

The project design was simple and flexible. The project's components and activities were necessary and causally linked to achieve the objective. Sub-components under component 1 were chosen according to a set of criteria to ensure that all investments financed by the project would be "priority" investments. The PDO was simple and clear, albeit at input/output level ("improve priority infrastructure"), and its achievement was linked to relevant outputs and some intermediate outcomes in the Results Framework.

While the objective remained relevant throughout the project cycle and was a necessary response to a development gap in Sichuan Province, a significant shortcoming is the lack of clarity in the PDO formulation around what outcomes would be achieved through improving priority infrastructure. Focusing on "improved priority infrastructure" alone is not outcome-focused and does not help in understanding what development results were expected as a consequence of the project. The causal chain between funding and outcomes was clear, albeit with most targets at output level, as PDO was at output level. Exogenous factors and unintended effects were not identified.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
To improve priority infrastructure in the Project Counties/Districts in Sichuan Province.

Rationale
Outputs:
Length of roads constructed and/or upgraded (kilometers) (Intermediate Outcome Indicators, or IOI indicators 1-7) (Baseline was 0 for all towns):

Town	Target	Revised target	Achieved	
Puxin Town	13.22		13.6	**Achieved**
Penglain Town	8.84	10.99	11.61	**Exceeded**
Yingxi Town	2.66		2.64	**Achieved**
Fengming Town	4.05		4.82	**Exceeded**
Chonglong Town	3.29		3.29	**Achieved**
Panlian Town	2.81		2.81	**Achieved**
Liujiang Town		2.41	2.41	**Achieved**

For Yingxi Town, the road length was shortened due to optimization of preliminary designs. For Liujiang, the indicator was added during restructuring for the new road investment.

Length of water supply and drainage pipelines installed (kilometers) (IOI Indicators 8-16):

Town	Target	Revised target	Achieved	
Puxin Town	41.41		43.10	**Exceeded**
Penglai Town	14.94	19.25	19.25	**Achieved**
Shungqing District	9.55		10.63	**Exceeded**
Jialing District	14.43		14.43	**Achieved**

Hongchuan Town	18.76	20.84	20.84	**Achieved**
Fengming Town	12.48		12.53	**Achieved**
Chonglong Town	18.68		18.79	**Achieved**
Panlian Town	7.29		7.28	**Achieved**
Liujiang Town		13.10	13.10	**Achieved**

For Penglai and Hongchuan, approximately 4 and 2 kilometers (respectively) of drainage pipelines were added in the restructuring. For Liujiang, this was an additional investment at restructuring.

Length of river cleaned and length of river embankment rehabilitated (kilometers) (IOI Indicators 17-21)

Town	**Target**	**Revised Target**	**Achieved**	
Puxin Town	4.49		4.49	**Achieved**
Yingxi Town	2.75		2.75	**Achieved**
Huohua Town	5.89		5.90	**Achieved**
Hongchuan Town	9.20	11.44	11.44	**Achieved**
Panlian	1.47		1.47	**Achieved**

Under project restructuring, additional works were added for Hongchuan Town.

Increased water treatment capacity in Liujiang Town (cubic meter/day) (IOI Indicator 22):
Target (added at restructuring): 2,500; Achieved 2,500 on May 30th, 2017, 5 months after project closure. At project closure, on December 31st, 2016, the Water Treatment Plant was 80% completed. All works were completed by the end of April 2017. The test running was completed and the WTP was fully operational from May 30th, 2017. **80% Achieved**.

Outcome:
Increased population with access to road transportation (number of people) (Indicators 1-3):

Town	**Target**	**Achieved**	
Puxin Town	10,250	30,000	**Exceeded**
Panlian Town	7,200	20,000	**Exceeded**
Liujiang Town	5,000	5,300	**Exceeded**

In Puxin and Panlian, the local governments expanded construction of public rental and resettlement housing, which attracted a greater number of residents than expected to the area. The indicator for Liujiang was added at restructuring to measure achievement of the new investment road in Liujiang Town.

Travel time along selected traffic corridors (minutes) (Indicators 4-6):

Town	**Baseline**	**Target**	**Achieved**	
Penglai Town, Luogui Road	13	6	6	**Achieved**
Fengming Town, Binjiang Road south	27	8.5	8	**Achieved**
Fengming Town, North Outer Ring Road	20	7	7	**Achieved**

The results in Fengming Town, Binjian Road south segment was supported by optimization of the traffic signal system, which further reduced travel time.

Canal and embankment improvement, flood protection (Indicators 7-9):

Town	Baseline	Target	Achieved	
Yingxi Town	3-5 year flood	20 year flood	20 year flood	**Achieved**
Hongchuan Town	5-10 year flood	20 year flood	20 year flood	**Achieved**
Panlian Town	8-10 year flood	20 year flood	20 year flood	**Achieved**

In Yingxi Town, the embankments were lined and landscaped to improve flow, and sewerage was intercepted.

Canal and embankment improvement, water quality improvement (Indicators 10-11)

Town	Baseline	Target	Achieved	
Yingxi Town	Less than Class V	Class IV	Class IV	**Achieved**
Hongchuan Town	Less than Class V	Class IV	Class IV	**Achieved**

Number of agreed Operations, Maintenance and Management (OMM) plans operationalized (number) (Indicator 12):
Baseline: 0, Target: 25; Achieved: 25. **Target Achieved**.

Increased population with access to water supply, Liujiang Town (number) (Indicator 13):
Baseline: 0; Target: 20,000; Achieved: 20,000. **Target Achieved**.

Despite the lack of an outcome-focused PDO (as discussed in Section 3b of this ICR Review), the ICR does provide some indications as to what the underlying intended final outcomes of the project would have been (beyond "improved priority infrastructure");

"(Promotion of) local economic development and improve environmental services" (ICR, page 3, under Component 1);

- "Unlocking the potential for economic growth (that was hampered by the lack of infrastructure) and to stop the deterioration of the environment" (ICR, page 1, para 2);
- "Address key deficiencies in existing infrastructure to improve accessibility, livability, productivity and environmental sustainability important for unleashing [the towns'] development potential" (ICR, page 15, para 55); or
- "Address the environmental and service delivery challenges of small towns in Sichuan" ([that] China's cities face as they grow at unprecedented rates and scales.) (ICR, page 14, para 54).
- "Support urban expansion, promote urban-rural integration and improve local environment and livability by completing [priority infrastructure]" (ICR, page 18, para 69).

These would all have been relevant and adequate formulations of PDO indicators for this project. With a PDO at output level, the RF did not identify relevant indicators to capture the project's achievements in contributing to results at a higher level. However, the ICR does report on some of the potential impacts the project might have had on boosting economic growth in these small towns and on improving their environment. Here are a couple of examples drawn from the ICR:

For Puxin Town (ICR, page 16,para 59): "An outcome was that the (infrastructure) investments attracted private enterprises and public institutions to move into the new area, including a real estate developer, hospital, theme park, sports center, vocational education college, traffic police bureau, etc. At the same time, Puxin authorities expanded public rental housing schemes and resettlement housing construction in the area. Increased housing coupled with expanded job opportunities triggered a population increase". These are clear indications that the infrastructure investments contributed to boosting the local economy.

Similarly, for Yingxi Town (ICR, page 17, para 64): "Embankment and dredging works along the Yingxi river canal raised the flood protection capacity form a 3-5-year flood to a 20-year flood. (...) Before the project, the monitoring data of the water body of Yingxi river were worse than class V standards and the water environment quality was poor; upon completion of the project, the water quality had been greatly improved with significant positive environmental effect, as respective monitoring data reached class IV".

Also, for Liujiang Town (ICR, page 20, para 76): "...these works have significantly improved the town's environment and accessibility. Located in the major tourism area of the historical town, these works have provided necessary infrastructure facilities to support other tourism-related developments, such as hotels, catering streets and a new residential area, further promoting the tourism industry and bringing better economic perspectives for local residents".

The ICR documents that the project did achieve most and exceed some of its stated targets. Taking the foregoing examples of outcomes into account, the ICR's substantial body of information on project implementation performance and results makes it plausible that the project did contribute to boosting the local economy and improving the environment.

The objective to improve priority infrastructure in Sichuan Province was substantially achieved.

Rating
Substantial

5. Efficiency

A cost-benefit analysis was conducted at appraisal to evaluate the economic viability of five road construction and upgrading sub-components and three river rehabilitation sub-components. No major changes were made to these sub-components, so the same cost-benefit methodology was applied for the same sub-components at the ICR to analyze the project's efficiency in order to ensure consistency and continuity. Estimates at closure were based on updated data on project benefits and costs upon completion.

The table presented below from page 21, para 80 of the ICR shows that the economic returns of the selected

sub-components are similar to or higher than appraisal estimates.

Components		NPV (million RMB)		IERR (%)	
		At appraisal	At completion	At appraisal	At completion
Road Development	Pengshan	73.61	82.52	13.71	14.49
	Xinjin	130.20	112.84	11.40	13.83
	Daying	74.75	84.46	13.15	16.42
	Zizhing	80.00	103.30	13.04	16.00
	Miyi	953.89	294.85	18.50	23.02
River Rehabilitation	Shunqing	6.10	37.89	8.89	12.47
	Jialing	38.30	70.85	21.47	35.22
	Hongya	48.40	86.31	20.65	32.45

Sensitivity analyses were conducted for the same eight sub-components, which showed (under the assumption of either/both a 10 % decrease in economic benefits and a 10% increase in total costs) that the investments remain economically robust.

All works included at appraisal were completed at least seven months before original closing date with US$17 million in savings, part of which were used to carry out additional works. Approximately 93% of project costs had been spent at the time of the ICR. The reduced cost was to some extent due to foreign exchange fluctuations, optimization of engineering designs and some sub-components originally planned to be undertaken with Bank funding were executed with local funding. The savings are also due to efficient procurement and sound contract management, according to the ICR (page 21, para 82). The table on page 22 shows significant price reductions on contracts, i.e., significantly lower actual contract prices than estimated (30-45% savings). This may be positive, especially in terms of lower immediate costs, but the ICR does not discuss any potential negative effects this might have such as lower quality materials and works and/or sub-optimal work conditions for the workers.

The project experienced significant implementation delays in the first to years of operation due to government officials and staff's prioritization of the Wenchuan Earthquake Recovery Project (WERP) following the earthquake in 2008. Despite this, all works included at appraisal were completed at least seven months before the closing date. Additional works were included in the restructuring, and all but one sub-component of the additional works, were completed at project closure. The Water Treatment Plant in Liujiang was only 80% completed at project closure in December 2016. However, all works were completed by the end of April 2017, and the WTP was fully operational and designed capacity (2,500 m3/day) was achieved by the end of May 2017.

During project implementation, counterpart funds were provided as planned through a mixture of central government bonds and grants, provincial municipal grants and local borrowings from the government and commercial banks. As most project components were for public infrastructure and had no revenue generation, a financial analysis was carried out at appraisal to confirm that the borrower would be able to afford the project investments. The ICR does not discuss revenue and tariffs in relation to the water supply/wastewater sub-components, but the project team informed IEG (email correspondence 09/28/17) that "Both China national and Sichuan provincial regulations require full cost recovery for operating and maintenance of city/town water supply through water tariff collected according to actual meter reading". □□□

Based on the above information, Efficiency is rated Substantial.

Please note that the figures in the table below refers to estimated EIRR for the sub-project in Miyi, which was the sub-component with the highest share of project costs.

Efficiency Rating
Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	18.50	0 ☐Not Applicable
ICR Estimate	✓	23.00	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of Objectives is Substantial as the project's objectives were relevant to the sector context, and the Bank's and the Borrower's strategies both at appraisal and at closure, despite the PDO being formulated at output level. Relevance of Design is Modest: although as the project's components were comprehensive and causally linked to the achievement of the project's objective, the PDO formulation was keyed to outputs, thus making the desired development outcomes unclear and weakening the corresponding outcome indicators. Efficacy is substantial: targets were mostly achieved or exceeded, with a large and credible body of evidence on positive outcomes for the beneficiary communities and towns. Efficiency was substantial, despite the implementation delays as the project was completed 7 months before project closing and the economic analysis showed high and solid economic returns. The Project Development Objective was substantially achieved.

a. Outcome Rating
Satisfactory

7. Rationale for Risk to Development Outcome Rating

Risk that fiscal capacity for Operation, Maintenance and Managing (OMM) costs may be insufficient. The investments in new road, water supply and embankment infrastructure have necessarily resulted in higher OMM costs for the participating counties and districts. As a mitigation measure, the project did strengthen their capacity by developing OMM plans and an asset management system. A covenant in the legal agreements required the project counties/districts to submit annual plans and budgets for OMM, however, in the absence of sustained effort towards asset management, the allocation of sufficient resources for OMM may remain a challenge, which would escalate if the projected economic growth is not reached. **Substantial**

Risk that developments in surrounding areas may not be completed as planned. Some of the project sub-components serve as the leading development in new urban areas of project towns. Upon completion of these project investments, complimentary developments in surrounding areas (both public infrastructure and private development) are underway or just getting started. The risk that these surrounding developments may not be completed as planned could delay or otherwise affect the full realization of the development benefits, as the project assets are part of an integrated development plan. **Modest.**

Risk that the remaining resettlement may be further delayed or not completed. Implementation of the action plan to address the remaining resettlement was delayed in two counties, and 114 households were still not resettled as of March 2017. The project team informed IEG (email, October 29, 2017) that as of September 2017, status was as follows:

- In both Xinjin (148 households) and Miyi (54 households), an agreement had been signed for the distribution of houses to displaced households. Theywill receive their house keys by Dec. and Sept. respectively.
- In Jialing (56 households in total), the construction of resetttlement houses is progressing according to plan. The distribution of resettlement houses for 14 households is on its way to be completed by Oct. 2017. The construction of resettlement houses for 4 households in Liyang district is almost completed and house keys will be provided by Dec. 2017. The construction of resettlement houses for the remaining 38 displaced households in another two sites is ongoing as planned. The houses will be delivered by Dec. 2018.
- In Zizhong, the detailed design of construction of resettlement houses for 58 displaced households has completed and actual construction will start in Oct. 2017. This resettlement site will have resettlement houses ready for displaced people by June 2018.

The progress is being monitored according to the approved resettlement action plan at project closure. **Substantial**

Risk of natural disaster. The risk of future natural disasters affecting the project assets cannot be fully mitigated. The flood risks in several towns were decreased by the project, but heavy seasonal rains could overwhelm those assets. Also, the risk damage from earthquakes remains even though the project towns lie outside the realm of the worst seismically active areas in Sichuan Province. All infrastructure built under the project are based on the national and local earthquake intensity codes which provide mandatory earthquake damage protection. **Modest**.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

During project preparation, the Bank mobilized a task team with a mix of relevant expertise in urban planning, transport, municipal and sanitary engineering, social and economic analysis and environmental engineering. Project design took into account lessons learned from previous Bank-financed projects in Sichuan Province in the urban sector as well as from similar Bank-financed projects elsewhere in China. The project design was very simple with one construction component and one technical assistance (TA) component, which was logically linked to the PDO. The statement of the PDO was only at output level as were most of the related indicators, limiting the project's possibility to measure and document achievements at higher levels of the results chain. Sub-projects were chosen according to a set of criteria that would ensure that all investments financed under the project would be "priority" investments. The project's main complexity was that component 1 covered eight different towns in eight different counties, resulting in a large geographical scope which caused challenges for monitoring and supervision.

The Bank team monitored the preparation of technical documents and appraisal of the fiduciary and safeguards aspects were satisfactory. The PAD was generally strong, but with some weaknesses regarding risk rating and related mitigation measures (especially regarding the Provincial Project Management Office's (PPMO) implementation capacity, land acquisition and resettlement, and local master plan changes), and the M&E design and quality of the Results Framework.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank team undertook seven full supervision missions and issued 10 ISRs during the 5 years of project implementation. Supervision missions were undertaken only once a year during 2012-2014. This was to some extent due to the prioritization of the Wenchuan Earthquake Recovery Project (WERP) under the same PPMO and consideration for not overburdening the PPMO with too many visits. However, overlap of team members, especially the TTL, with the WERP task team, enabled the combination of some supervision activities with WERP missions. During the implementation delays during the first two years, the Bank took proactive action including having meetings with central government and provincial authorities, including the National Development and Reform Commission (NDRC), the Ministry of Finance (MOF), and the Sichuan Provincial Government (SPG), which helped bring project implementation back on track.

The Mid Term Review (MTR) was significantly delayed following the initial implementation delays. Originally planned for December 2013, it eventually took place in June of 2015. During the MTR mission, the Bank team provided strong support to the client regarding the restructuring plans in ensuring balance between hard and

soft components, optimizing the Feasibility Study Reports (FSRs), preliminary engineering designs and safeguards documentation, providing the client with sufficient flexibility but also ensuring that the added investments would contribute to achievement of the PDO.

The Bank task team was relatively stable throughout the project cycle with the same TTL and FM specialist from project preparation to project closure, reducing the complications and costs of transition and providing consistency in supervision. The Bank missed an opportunity to address the weaknesses of the Results Framework regarding for example the lack of progressive annual targets.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance
At start-up of this project, Sichuan Province had just lived through an earthquake, and the Sichuan Provincial Government (SPG) gave priority to the Wenchuan Earthquake Recovery Project (WERP) both with regard to time and staff resources at the cost of the Sichuan Small Towns Development Project. This led to an initial implementation delay of nearly two years and subsequent delays of the MTR and the restructuring. Despite the agreement reached during negotiations that adequately qualified technical staff would be maintained in the PPMO, SPG did not adequately staff the PPMO to accommodate its workload. However, once WERP had been completed and attention was turned back to this project, the SPG's commitment and support was strong and consistent, particularly in assisting all the subproject entities to obtain sufficient counterpart funding, which was critical to completing the project on time. The country/district government also showed dedication and commitment in implementing the sub-projects and public awareness campaigns, ensuring sufficient counterpart funding and providing OMM costs for the project assets.

Government Performance Rating
Moderately Satisfactory

b. Implementing Agency Performance
The Sichuan Provincial Project Management Office (PPMO) worked actively with all local PIUs to complete the original project on time and on budget. The Sichuan PPMO provided clear guidance and effective management both at project preparation and during implementation throughout the geographically widespread project area, which spanned over 8 counties and districts.

Some construction quality issues were identified by two consecutive supervision missions in December 2013 and September 2014. The issues were eventually resolved in 2015 through the mobilization of field

construction supervision engineers and intensified field supervision from October 2015.

The county/district Project Implementation Units (PIUs) were committed and assumed active management functions throughout the project. The capacity and efficiency of the PIUs in managing the subprojects varied, which placed extra responsibility on the PPMO to coordinate and communicate among the PIUs across a large geographical area. For example, the issues of land acquisition and resettlement could not be addressed by the PIUs themselves, but required intervention from their local governments and land agencies for resettlement. Slow execution of land acquisition and resettlement hampered progress in four counties/districts and led to incomplete resettlement by project closing and further delay after project closing. Slow execution of land acquisition also caused delay in the construction of the Water Treatment Plant in Liujing Town, which was not completed by project closing.

Implementing Agency Performance Rating
Moderately Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design
The M&E design was fairly simple, as the project design itself was simple. The PDO was at output level ("improve priority infrastructure"), and the related indicators were accordingly mostly at output level, with some at intermediate outcome level. The project mainly financed roads, water/sewerage and canals/embankment works and all three sectors are clearly represented with measurable indicators that are easy to understand. The Key Performance Indicators (KPIs) all had baselines and the IOIs were all assumed a zero baseline because they were all new constructions under the project.

The Results Framework could have been improved by: i) revising the PDO to reflect the actual intended final outcomes of the project (boosting local economies and improving the environment); ii) revising the indicators accordingly to enable documentation of PDO achievements; iii) defining the end target values more clearly and explicitly; and iv) including annualized targets for IOIs to enable progress monitoring on a gradual basis.

b. M&E Implementation
The M&E was implemented as planned with respective data on indicators collected by local PMOs and PPMO and updates were provided in the project semi-annual progress reports. The Results Framework was revised to accommodate the changes to the components with the restructuring. At restructuring, the Bank missed the opportunity to address the weaknesses in the RF, and also to revise the PDO and corresponding indicators.

c. M&E Utilization

M&E data was used to measure project progress, however, the ICR reports that since the indicators did not have annualized targets, M&E information was not used as a strong tool to inform management of major bottlenecks and did not facilitate decision-making and proactive action. Some of the Intermediate Outcome Indicators were not included in some of the ISRs.

The Borrower reported that the implementation and utilization of a quantitative M&E system was a good learning and capacity building process for local governments under the project through which their existing M&E systems have been strengthened with benefits expected beyond the implementation period.

M&E Quality Rating

Substantial

11. Other Issues

a. Safeguards

The project was classified as Category B, and triggered OP/BP 4.01 Environmental Assessment; OP/BP 4.11 Physical Cultural Resources; and OP/BP 4.12 Involuntary Resettlement.

Environmental Assessment:
Eight Environmental Impact Assessment (EIA) documents were prepared for the eight sub-components in the PAD, and within each EIA document, an associated Environmental Management Plan (EMP) was prepared. In accordance with Bank policies, public consultation and information disclosure were conducted during the preparation of the environmental assessment. Chinese language EIA documents were displayed locally several times from September 2009 to March 2010 through various means. The English language summary report was disclosed through the Bank's InfoShop on July 7, 2010. With the project restructuring, an EIA and EMP were prepared for the proposed new subprojects. Both documents were disclosed locally on March 16, 2014 and submitted for disclosure on December 17, 2015.

The ICR (para 38, page 10) reports that compliance with the Bank's environmental safeguards policies was satisfactory. The project investments produced significant environmental benefits such as the improvements in traffic conditions, ambient air quality, flood control capacity, water supply treatment and distribution, drainage and wastewater collection and treatment, and improved surface water quality in eight counties of the Sichuan Province. The PMO and PIUs established and maintained satisfactory environmental management capacity, supplemented with external environmental monitoring consultants who independently carried out regular EMP monitoring and reporting.

During EA preparation, OP/BP 4.11 on Physical Cultural Resources was triggered because the proposed road improvement and flood control components in Hongya county are located within the planning control zone of the Zhou Family Temple, which is a provincial level protected cultural relic. Appropriate mitigation

measures were taken to protect the building and no significant negative impact resulted from the project. The project team confirmed that project execution was in compliance with OP/BP 4.11 (TTL/IEG meeting 09/27/17).

Social Safeguards:
All project sub-components involved land acquisition and resettlement. Individual Resettlement Action Plans (RAPs) for each sub-component were prepared in Chinese and consultations and surveys were done with affected villages and communities, including potentially displaced people. RAPs including Resettlement Policy Frameworks (RPF) as an annex were prepared in compliance with OP/BP 4.12 on Involuntary Resettlement, which described the impacts, affected populations, consultation process, rehabilitation measures, budget, and implementation and monitoring arrangements. The RAPs were disclosed locally in Chinese from July 2-17, 2010 in all component sites. The Executive Summary RAP was disclosed at the Bank's InfoShop on July 7, 2010.

Most of the project civil works were limited in scale and did not affect large numbers of people. Resettlement compensation was done in compliance with the Chinese government regulations and the World Bank policy in accordance with the RAPs. Resettlement implementation was regularly monitored by an independent external resettlement monitoring agent in addition to the PMO's internal monitoring. The ICR reports that all resettlement was done in accordance with Chinese regulations and Bank policies and overall social safeguards policies were complied with satisfactorily (ICR page 11 para 41). No complaints were received throughout the project, although the project provided a grievance redress mechanism with contact persons and details for local affected people.

Land acquisition affected 2,802 households (8,720 people). The project demolished 605 households and 34 enterprises or other entities. The restoration of public facilities and high standard livelihoods restoration were carried out during implementation. External monitoring indicated that the income level of affected residents was higher than before the project and their standards of living recovered or improved. However, by project closing, 348 households had yet to be resettled in four project counties. The main reason for the delay was that the resettlement houses for this project are only a small part of large scale resettlement sites constructed by the respective local governments for displaced people also from other domestic projects. Their construction was delayed, which was not under control of the Bank-financed project.

To address the remaining resettlement, a Supplementary Resettlement Action Plan (SRAP) was prepared and agreed upon between Sichuan Provincial Government (SPG) and the Bank. Most of the remaining households were to be allocated resettlement houses by March 2017 and get the keys by September 2017. Progress were made as planned in two counties while there were further delays in resettlement in the remaining two counties. By the end of March 2017, 114 households were still not resettled, and an updated plan and scheduled were agreed upon between the Bank and SPG. Details of the current resettlement progress is given in section 7, Risks.

b. Fiduciary Compliance

Financial Management
The Financial Management (FM) of the project complied with Bank policies. The project FM system provided accurate and timely information with reasonable accuracy that Bank loan proceeds were used for the intended purposes, and counterpart funds were provided as planned. Project accounts were properly maintained, and the required interim unaudited financial reports were prepared and submitted in a timely manner. The auditors issued unqualified opinions on all audits and any issues identified were addressed by the implementing agency concerned.

Procurement
All procurement under the project was undertaken in accordance with Bank guidelines with no complaints or incidents of mis-procurement. Most of the works contracts were implemented on time and with satisfactory quality. Some of the contracts bidding processes were delayed. 11 National Competitive Bidding (NBC) contracts, one goods contract and four consulting contracts were procured under the project. The ICR (page 13, para 50) reports that the overall project financial management performance was satisfactory.

c. Unintended impacts (Positive or Negative)
The ICR does not mention any unintended impacts.

d. Other
---

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The lessons are taken from the ICR with some modification of language:

1 **. Sufficient project management capacity of the Implementing Agencies in relation to the workload needs to be ensured, and overlap of project implementation functions need to be minimized.** Even for experienced PMOs it may be difficult to manage more than one Bank project at any given time thus risking implementation delays. Once the PMO's capacity is found not to be commensurate with their work load, the Bank should take proactive measures by addressing appropriate authorities to push for added staffing and capacity strengthening of the PMO. Also, in the case where a capacity constraint is foreseeable, adjustments to the project preparation schedule could be considered to minimize the overlap of project implementation functions under one PMO.

2 **. Project implementation may be significantly affected by changes in local master plans, therefore risks should be identified early with appropriate mitigation measures.** While local master plan changes are beyond the control of both the Bank and the Implementing Agencies, the risk might be foreseeable in some countries (like China) with frequent master plan changes due to escalating urbanization processes. To mitigate the risk, sub-projects should be selected to avoid civil works that are likely to be subject to upcoming master plan changes.

3 **. The Results Framework should be designed with clearly defined end target values and annualized targets for both KPIs and IOIs to enable monitoring of project progress on a gradual basis.** This would make it possible to use the project indicators as a strong tool to inform management of major bottlenecks and to facilitate decision-making and proactive actions.

4 **. A simplified procurement plan can contribute to timely implementation and completion of a project.** Entering in to large-scale contracts could result in fewer number of contracts, efficient competitiveness and potential for loan savings.

5 **. When land acquisition or resettlement delays are foreseeable, early and proactive actions should be undertaken well in advance of the project closing date.** Bank-financed project resettlement schedules need to be coordinated well with local resettlement schemes in cases where the Bank supported project's resettlement schedules depend upon the schedules of larger domestic or national resettlement programs, to ensure that project resettlements are not delayed due to delays in the local resettlement scheme.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR is well written, to the point and succinct, presenting all important information in a clear and tidy manner. It is results-focused and presents evidence and analysis of high quality. The lessons presented are based on evidence and analysis. The ICR is furthermore internally consistent and in consistency with the guidelines.

a. Quality of ICR Rating
Substantial