1. Project Data

<table>
<thead>
<tr>
<th>Project Data</th>
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<tr>
<td><strong>Project ID</strong></td>
<td>P085124</td>
</tr>
<tr>
<td><strong>Project Name</strong></td>
<td>CN-Economic Reform Implementation</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td>China</td>
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<tr>
<td><strong>Practice Area (Lead)</strong></td>
<td>Macro Economics &amp; Fiscal Management</td>
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<tr>
<td><strong>L/C/TF Number(s)</strong></td>
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</tr>
<tr>
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</tr>
<tr>
<td><strong>Total Project Cost (USD)</strong></td>
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<tr>
<td><strong>Revised Commitment</strong></td>
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<tr>
<td><strong>Actual</strong></td>
<td>17,198,423.92</td>
</tr>
</tbody>
</table>

**Sector(s)**
Central Government (Central Agencies) (65%): Sub-National Government (30%): Banking Institutions (5%)

**Theme(s)**
Analysis of economic growth (33%): Public expenditure, financial management and procurement (17%): Improving labor markets (17%): Biodiversity (17%): Indigenous peoples (16%)

Prepared by: Antonio M. Ollero  
Reviewed by: Robert Mark Lacey  
ICR Review Coordinator: Lourdes N. Pagaran  
Group: IEGEC (Unit 1)

2. Project Objectives and Components

a. Objectives

According to the Loan Agreement (LA), the project's development objective (PDO) is "to assist the Government of China in implementing its economic reform and development agenda, by strengthening its institutional capacity at the national and subnational levels to carry out such reform agenda" (LA, page 6). The PDO formulation in the Project Appraisal Document is consistent with the Loan Agreement. This Review used the LA formulation.
b. Were the project objectives/key associated outcome targets revised during implementation?
No

c. Components
The project consisted of five original components, with the sixth component --- Strengthening Institutional Capacity --- added during implementation.

Component 1 - Reforming the civil service and public finance (US$4.15 million estimate at appraisal, US$3.66 million actual): The component aimed to assist the Ministry of Finance implement budget reform; introduce medium-term fiscal planning, shift from cash to accrual accounting, monitor sovereign borrowing by the national and subnational governments, establish an information system to help auditors examine foreign loans and aid funds, develop a medium- and long-term debt management strategy, improve the secondary government bond market, improve the management of public assets, and formulate administrative regulations to enforce the Government Procurement Law of 2002. Other sub-projects were to help Guangdong Province better manage earmarked fiscal funds and improve public service delivery, and Hainan Province introduce performance evaluation at its Department of Ocean and Fishery.

Component 2 - Improving service delivery and social protection (US$5.48 million estimate, US$5.10 million actual): The component was to assist several central agencies improve social protection: the Ministry of Labor and Social Security to improve work-related insurance and injury rehabilitation; the Ministry of Health to strengthen the prevention and control of non-communicable diseases; the Ministry of Human Resources and Social Security to expand the coverage of the pension system; the State Ethnic Affairs Commission to improve the conservation of minority villages; the National Health and Family Planning Commission to help advance a general practitioner physician system; the Development and Research Center of the State Council to identify approaches to elderly care; and, the Leading Group Office of Poverty Alleviation and Development at the State Council to expand the utilization and improve the management of community development funds. Local agencies were also to be assisted with improving social protection: Henan province to manage the quality of AIDS treatment; Qinghai Province to develop a poverty reduction strategy; Jiangxi Province to target vulnerable groups living in absolute poverty; Gansu Province to support poor and unemployed women; Anhui Province to protect the rights of migrant workers; Shanxi Province reform fiscal spending for poverty reduction; Hainan Province to train general practitioners; and, the Ningxia Hui Autonomous Region to improve vocational training for migrant workers.

Component 3 - Improving management of land and natural resources (US$4.34 million estimate, US$4.03 million actual): The component planned to support policy work by: the Ministry of Land and Resources on the management and utilization of collectively-owned construction land; the State Forestry Administration, on collective forestry property rights; the Henan Provincial Government, on compensation for non-commercial forests; and, the Chengdu Municipal Government, on rural land property rights in Chengdu. The component also intended to support planning work by: the Panzhihua Municipal Government on industrial development clusters in Panzhihua; the Shanxi Provincial Government, on the chemical and energy industrial base in North Shanxi; the Hengshui Municipal Government, on the development of the Hengshui Lake wetland; the Hainan Provincial Government, on the sustainable utilization of land resources and tropical forest areas; the Shanxi Provincial Government, on the conservation of historic villages and towns; the Jiangxi Provincial Government, on building an eco-economic zone in Poyang Lake; and, the Hainan Provincial Government, on addressing ecological sustainability in the Qiongzhong Miao minority autonomous area.

Component 4 - Building public and market institutions (US$4.88 million estimate, US$4.33 million actual): Sub-projects under this component were targeted at helping: the National Reform and Development Commission to improve the Community Service System; the State Ethnic Affairs Commission to implement the special five-year development plan for minority areas; the Ministry of Personnel to reform the civil service salary system; the State Administration for Foreign Exchange to improve the statistical system for external debt; and, the People’s Bank of China to rationalize the collection of financial statistics. Other sub-projects sought to assist: the State Electricity Regulatory Commission to reform the power transmission and distribution system; the National Reform and Development Commission to foster the creation of private non-enterprise organizations for social service delivery; the Ministry of Finance to reform the government procurement system in consonance with the principles of WTO General Procurement Agreement; the China Securities Investor Protection Fund Corporation to draft investor protection legislation; the Department of Marine and Fishery at Hainan Province to pilot an aquaculture insurance scheme; and, the Department of Agriculture at Hainan Province to introduce a weather-index insurance product for rubber producers.

Component 5 - Improving regional and sectoral development strategy (US$1.14 million estimate, US$1.04 million actual): Studies supported under this component aimed to help the National Development and Reform Commission set up a regional innovation capacity index system, the Shanxi Provincial Government to improve rural-urban integration in the Yangling Agriculture High-Tech Zone, and the Beijing Municipal Government to enhance the development of the airport economic zone in the Shunyi District.
Component 6 - Strengthening institutional capacity (US$4.80 million estimate, US$3.89 million actual):  This component, consisting of training activities and policy studies, was added during implementation. The focus of training activities was to increase the exposure of civil servants in central and provincial agencies to global learning through their participation in organized training programs, international workshops, and study tours. The policy studies aimed to help the Ministry of Finance better regulate international financial institutions, the China Executive Leadership Academy to pilot a talent training program, and the China Export Import Bank to strengthen its risk management and internal control systems.

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

Project Cost: The project cost, including front-end fees, was estimated at US$24.84 million at appraisal. The actual cost was US$22.1 million at closure. At the time of appraisal, some 50-100 sub-projects were expected to be undertaken over the five-year life of the project, and 22 were identified in the appraisal document (PAD, pages 3-4 and pages 31-37). By the project closing date, a total of 59 sub-projects had been completed.

Financing: IBRD financing amounted to US$17.2 million, compared to the appraisal estimate of US$20.0 million. In addition, the Department for International Development of the United Kingdom (DFID) was a co-financier, with a grant of US$4.9 million (GBP2.9 million).

Borrower Contribution: China’s contribution to the project in terms of staff salaries and office space was valued at US$10.0 million.

Dates: The closing date was extended twice, in December 2010, by two years from December 31, 2011 to December 31, 2013, and, July 2013, by a year and a half from December 31, 2013 to June 30, 2015. Both extensions were to allow for additional time for sub-project completion.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The development objectives of the project are highly relevant to China’s five-year development plans — the Twelfth Five Year Plan (FYP), 2011-2015, which was approved by the National People’s Congress in 2011 and which was in effect at the time of project closing, and its predecessor, the Eleventh FYP, 2006-10, which was approved by the National People’s Congress in 2006 and which was in effect at the time of project appraisal.

The project’s objectives are supportive of the five pillars of the development agenda: (1) the strengthening of macroeconomic management, administrative and economic law systems, including reforms of taxation, public finance, investment and financial systems, and governance; (2) the enhancement of social institutions related to employment, income distribution, and social security systems; (3) the restructuring of the basic economic institutions on land and property rights; (4) the development of markets and conduct of price reforms; and, (5) the deepening of rural institutional reforms and the reduction of regional development disparity.

The objectives are also relevant to the World Bank Group’s Country Partnership Strategy (CPS) FY2006-FY2010, at appraisal, where it is stated that the assistance to China would be organized around five thematic pillars, which are substantially aligned with the activities supported by the project: (1) financing sustained and efficient growth; (2) reducing poverty, inequality and social exclusion; (3) managing resource scarcity and environmental challenges; (4) improving public and market institutions; and, (5) integrating China into the world economy.

The components of the project and the sub-projects that have been supported under the operation advance many of the goals of the CPS for FY2013-2016. In particular, improving service delivery and social protection, as advocated by the second component, and improving regional and sectoral development strategy, as supported by the fourth component, are substantially aligned with the second pillar of the CPS, promoting more inclusive development.
b. Relevance of Design

Each of the 59 sub-projects effectively have their own sub-project level Results Frameworks. This makes the task of assessing the achievement of the project development objective inherently difficult. As required in the Loan Agreement, each subproject was to identify its own set of sub-project inputs and activities and sub-project outputs (PAD, page 13, and LA, pages 7-8). And each sub-project was to define its own sub-project objective(s) (PAD, page 12, and LA, page 7). Apart from requiring that the sub-project objectives be generally supportive of the project development objectives, the PAD does not make any attempt to link the sub-project outputs and outcomes to the project outputs and outcomes.

The PAD lays out the elements of the Results Framework: some 50-100 technical assistance sub-projects in five (eventually six) thematic project components are to effect five intermediate outcomes: (1) better reform and development strategies in the departments (i.e., economic and social sectors) and regions (i.e., geographic areas) in China covered by the project; (2) more effectiveness in the implementation of reform and development strategies; (3) more effectiveness of reform and development policies; (4) higher capacity of the institutions and their staff that are involved in implementing reform and development strategies; and, (5) new knowledge learnt and its replication and scaling up (PAD, pages 8-9, and page 22).

The five intermediate outcomes were meant to lead, in a results chain, to the achievement of the project development objective --- to assist the Government of China in implementing its economic reform and development agenda, by strengthening its institutional capacity at the national and subnational levels to carry out the reform agenda. The evidence for the achievement of the project development objective is to be reflected in three outcome targets: (1) the high adoption and use of sound reform and development strategies, based on policies developed under the project; (2) the high level of effectiveness in the implementation of reform and development strategies and policies growing out of the project; and (3) the improved soundness of reform and development strategies emerging from the project.

The original structure and language of the Results Framework is, however, unclear. "More/high effectiveness in the implementation of reform and development strategies" appears both as an intermediate and a final outcome, as does "Better/improved soundness of reform and development strategies". The Government itself criticized the original Results Framework in its comments on the ICR.

Rating

Modest
Independent Evaluation Group (IEG)
CN-Economic Reform Implementation (P085124)

Implementation Completion Report (ICR) Review

government and in communities to implement China's development agenda.

Under the rubrics of reforming the civil service and strengthening public financial management, there were 14 sub-projects. Their main outputs were:

Strengthening of supervision mechanisms to manage Public Service Units (PSUs) in Guangdong Province, based on a study covering the governance structure, institutional staffing, purchase of public services, and control.

A set of policy recommendations to the Ministry of Personnel on a mechanism to determine salary adjustments for the civil service; collection and analysis of data on the determinants of civil service salaries in a sample of 56 cities in eight provinces; and software implementing a civil service salary adjustment model.

Establishment of an ISO 9000 quality management and performance evaluation system in the Department of Ocean and Fishery in Hainan Province, covering: performance evaluation; quality control policies. and a training program in quality management.

Building a Geographic Information System (GIS)-Based Statistical System covering electronic census zoning and Personal Data Assistant (PDA) data collection, including training of national and provincial staff in GIS operation.

Studies to improve debt management, including a management mechanism for public assets, an early warning system for sovereign borrowing, building an improved secondary government bond market, assistance to the Ministry of Finance in developing and applying quantitative analytical tools in the issuance of government debt; building an information system to assist the National and Provincial Audit Offices to audit foreign loans and foreign aid funds; and a report to the State Administration of Foreign Exchange (SAFE) on external debt statistics and short-term foreign debt risk, a set of recommendations defining the principles for managing RMB external debt, training of the staff in SAFE’s 36 provincial branches on external debt statistics.

Studies to enhance public expenditure and revenue management, including drafting the enforcement regulations to implement the Government Procurement Law of 2002; testing the feasibility of converting from the current cash-based to an accrual-based system; assisting the Ministry of Finance in implementing medium-term fiscal planning and managing a three-year rolling budget plan; a report and a set of recommendations to assist the Ministry of Finance in reforming government administrative expenditures; design of a value-added tax reform and corresponding legislation; and enhancing the management of the earmarked fiscal fund in Guangdong Province.

Under the rubric of improving service delivery and social protection, there were 16 sub-projects. Their main outputs were:

Assistance to the Ministry of Labor and Social Security in revising the regulations governing work-related injury insurance, and developing guidelines for the evaluation of fiscal expenditures on employment promotion.

Assistance to the Ministry of Health in formulating a national work plan for communicable disease prevention and control; reforming practice and service modes for general practitioners in selected pilot cities; developing quality management of AIDS treatment in rural areas of Henan Province; and building a general practitioner training system in Hainan Province.

A number of measures to address poverty and the needs of vulnerable groups and communities, including (i) assessing pilot pension reform schemes in both urban and rural areas; (ii) a report on the experience of five countries in providing care for the aged, and a set of policy recommendations on the provision of such care in China; (iii) a set of policy recommendations, based on pilot Community Development Funds (CDFs) in five provinces, and training of villagers in poor pilot areas in the management of community resources; (iv) a set of recommendations to the State Ethnic Affairs Commission for the Special Five-Year Plan for Minority Areas, and training 590 persons in 60 villages in community-driven development, and preparation of a manual to assist the State Ethnic Affairs Commission with community-driven development; (v) a study to assist Qinghai Province (which has a high incidence of absolute poverty) to develop a medium- and long-term poverty reduction strategy; (vi) a study to assist Jiangxi Province to formulate fiscal policies to enhance public services targeting disadvantaged groups; (vii) RMB1,760 million in micro-credits to women, a set of policy recommendations on the provision of micro-credit to women, together with skills training of 307 women in entrepreneurship and of a further 2,415 women workers; (viii) a set of policy recommendations promoting the employment and protecting the rights of migrant workers in Anhui Province; and (ix) a set of policy recommendations for human development and social protection and guidelines to enhance vocational training in poor areas of Ningxia Hui Autonomous Region.

Under the rubric of building public and market institutions, there were 12 subprojects. The main outputs were:

A set policy recommendations to the National Reform and Development Commission for the first thematic Five-Year Plan for the Community Service System.
A set of recommendations to the State Electricity Regulatory Commission to reform rural power transmission and distribution, and to implement a pilot to reform power transmission and distribution.

A set of guidelines to pilot the Harmonious Community Initiative.

Draft policy guidelines to promote private social undertakings.

A report to the Office of Legislative Affairs of the State Council on a plan for the coordinated production of financial statistics by the People’s Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission, and the National Bureau of Statistics.

A proposal to the National Development and Reform Commission on procedures to be observed in reforming the economic system.

A set of recommendations for providing aquaculture insurance to fishermen, as well as technical studies to a weather index insurance scheme covering the loss of rubber trees, both in Hainan Province.

Under the rubric **managing land and natural resources**, there were 12 subprojects. The main outputs were:

**Forests and Wetlands**: (i) a set of policy recommendations to inform the 12th Five-Year Plan for National Forestry Development; (ii) a report on the ecological management of tropical forest areas in Hainan province, including comprehensive surveys of the tropical forests, (climate, landform, water system, soil, and biodiversity) 1000 photographs of the tropical forests, and training on plant cultivation; (iii) a report on policies to compensate for the management of ecological forests in Henan Province, and training of 100 prefecture and county technical staff on the provision of technical support for the management of ecological forests; and (iv) a biodiversity survey of the Hengshui Lake Wetland.

**Land Use**: (i) a study to assist the Ministry of Land Resources to amend the Land Administration Law, focusing on improving the rural land system (ii) inputs to a development plan for industrial development clusters in Panzhihua Municipality, Sichuan Province; (iii) a report and a set of policy recommendations for the North Shaanxi Coal Demonstration Base and Water Diversion Project; (iv) a study to assist Jianxi Province in building an eco-economic zone in Poyang Lake; (v) a survey of 100 historic villages and towns in Shaanxi province; and (vi) a set of policy recommendations for reforming the rural land property right system in Chengdu.

Under the rubric, improving regional and sectoral development strategies, there were three subprojects. The main outputs were:

A set of policy recommendations to assist the National Development and Reform Commission formulate the 12th Five Year Plan, 2011-2015, focusing on innovation. A regional innovation capacity index covering 31 Provinces was also prepared.

A study for improving rural-urban integration, rural land transactions, and agricultural production and technology clustering in the Yangling Agriculture Hi-Tech Zone.

A study for enhancing the development of the airport economic zone in the Shunyi District in Beijing.

Under the rubric, **strengthening institutional capacity**, there were three subprojects. Main outputs were:

**Ministry of Finance**: training activities for 909 staff; policy studies to assist with bidding and procurement and with performance evaluation of projects funded by international financial institutions; and an assessment of 27 completed sub-projects.

**Talent Training and Management**: training of 50 science and technology leaders, and of 500 public policymakers; a study on talent evaluation; a textbook on talent management for the China Executive Leadership Academy; and training on talent management by the Academy of Public Administration.

**China Export-Import Bank**: training of 143 staff; policy studies to assist the Bank in upgrading internal controls and strengthening risk management; and a report on the Bank’s corporate strategy.

**Outcomes**

The extent to which the project assisted the Government in implementing its economic reform and development agenda is assessed according to three criteria presented as outcome indicators in the project documents: (i) the rate of adoption of reform policies and development strategies, (ii) the improved soundness of the reforms and development strategies, and (iii) the effectiveness of the implementation of the reforms and development strategies.

(i) **Adoption**.
Of the 46 sub-projects (out of the total of 59 sub-projects) that identified the adoption of a certain policy or law as their objective, 38 (83 percent) reported having policy measures enacted by the Authorities. The ICR (pages 72-80) lists 115 policy measures that were adopted by the Communist Party of China, the State Council, various central government ministries, and various provincial and prefecture governments, each of which, it states, can be attributed to one of these 38 sub-projects. The distribution by rubric is shown in the following table:

<table>
<thead>
<tr>
<th>Rubric</th>
<th>Number of Sub-Projects</th>
<th>Number of Sub-Projects with Policies as their Objective</th>
<th>Number of Sub-Projects with Policy Measures Enacted by the Authorities</th>
<th>Number of policy Measures Enacted by the Authorities</th>
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<tr>
<td>1 – Reforming the Civil Service and Public Finance</td>
<td>14</td>
<td>12</td>
<td>11</td>
<td>24</td>
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<tr>
<td>2 – Improving Service Delivery and Social Protection</td>
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<td>13</td>
<td>10</td>
<td>46</td>
</tr>
<tr>
<td>3 – Building Public and Market Institutions</td>
<td>12</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>4 – Managing Land and Natural Resources</td>
<td>11</td>
<td>8</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>5 – Improving Regional and Sectoral Development Strategy</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>4</td>
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<tr>
<td>6 – Strengthening Institutional Capacity</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>46</td>
<td>38</td>
<td>115</td>
</tr>
</tbody>
</table>

(ii) Soundness

Few criteria are offered in the PAD which could serve as a basis for judging the soundness of reforms and development strategies supported by the project. While the term "improved soundness" is deployed as an outcome indicator, it is not defined in the PAD.

In the absence of such a definition, the ICR adopts its own: "Evidence for soundness of reforms includes examples of intended policy measures that were developed and underpinned with evidence-based analytical work supported by the project.... Soundness could also indicated by positive results of policies supported by TCC5. However, policies have not been in place long enough to final outcomes" (pages 16-17). The difficulty with this definition from an evaluation standpoint is twofold. The first part of the definition consists of outputs, not outcomes, and overlaps with the "adoption" criterion (the ICR acknowledges this when it states on page 17 that "soundness overlaps with support to the Government agenda") The second part of the definition, as the ICR again acknowledges, cannot yet be assessed.

(iii) Effectiveness of Implementation.

Little evidence is offered which could be used to assess the level of effectiveness in the implementation of reform and development strategies supported by the project. Like "soundness," no definition of "effectiveness" was offered in the PAD. The ICR's states (page 18) that the effectiveness of the implementation of reforms is defined according to their rate of adoption, thus repeating the first assessment criterion. The 15th, and penultimate, Implementation Status and Results Report of June 2015, states that 19 of the 59 sub-projects achieved "a high level of effectiveness in the implementation of reform and development strategies and policies growing out of the project," but offers no evidence to support this statement.

In summary, the reforms and strategies developed through the project achieved a high degree of adoption at different levels of the Chinese Government, but no evidence is available to judge either their soundness or the degree of effectiveness with which they were implemented. Both of these would, in any event, require a longer time period since adoption in order to be assessed. Regarding the high degree of adoption, the question of attribution arises -- would the Authorities have carried out the project-supported activities and adopted the resulting reforms and strategies in the absence of the operation? According to the ICR (page 19), the answer is "probably not" for three reasons. First, the financial constraints faced by many government agencies, especially at sub-national levels, would likely have discouraged them from spending on the training, foreign travel and consultancy fees necessary for the production of the outputs provided by the project. Second, these outputs were produced with important contributions from the Bank, DFID and the Project Management Office as partners. Third, the fact that the Technical Cooperation Credit was a formally approved project at the Central Government level would likely have increased incentives to carry out the corresponding activities at all relevant levels of the administration. These arguments are persuasive.
5. Efficiency

The PAD does not assess the economic or financial return of the project at appraisal, and neither does the ICR at completion. The ICR, instead, argues that the 115 policy measures by the Government which emanated directly from activities supported by the operation is large in relation to the US$22.1 million of technical assistance funds expended on the project. A substantial rating for efficiency would thus be warranted. The task team subsequently argued that the magnitude of the policy reforms achieved by the technical assistance project would otherwise have required a series of development policy operations (DPOs), costing many times more than the project. The ICR also points to efficiencies in the procurement of consulting services, which accounted on average for more than 65% of sub-project costs. These services were obtained in China at an average unit cost of US$150 per day, compared with international rates of some US$500 per day.

First, however, the 115 policy measures have already been considered under efficacy, where they belong, and would involve "double counting" were they also to be part of the efficiency assessment. Second, the view of the project as a substitute for development policy operations begs a series of questions which are ipso facto difficult or impossible to answer. For example, what would have been the effect of policy-based lending on the "soundness" and "effectiveness" of the measures supported? Would the policy measures supported by the DPOs necessarily be the same as those supported by the operation? Would technical assistance in any case have been necessary to carry out the policy measures? Third, if the quality of consultancy services available on the Chinese market is equivalent to, or greater than, those of international consultants relative to the cost, then this could only be claimed as an efficiency gain for this operation had the operation discovered it, prima facie an unlikely proposition.

It should also be noted that there were time overruns, reflecting operational and administrative inefficiencies, totaling 42 months, about 60 percent of the original schedule. Moreover, of the 50-100 sub-projects envisaged in the PAD, 59 were completed, of which 47 were said to have fully achieved their objectives (ICR, page 24). The ICR does not explain why the number of sub-projects was at the lower end of the range originally foreseen.

Given these considerations, and in the absence of any quantitative evidence of "value for money," efficiency is rated modest.

Efficiency Rating
Modest

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:

<table>
<thead>
<tr>
<th>Rate Available?</th>
<th>Point value (%)</th>
<th>*Coverage/Scope (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ICR Estimate</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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

6. Outcome
The development objective is highly relevant to China’s priorities, as articulated in the Twelfth Five Year Plan, 2012-2015, and in the Bank Group’s CPS for China, 2013-2016. Relevance of design, however, is rated as Modest. Efficacy is assessed as substantial, given, first, the high adoption rate by Government agencies of the reforms and strategies designed under the project, and second, the unlikelihood of this occurring had the operation not taken place. However, the soundness and effectiveness of the measures cannot yet be assessed. Efficiency is rated modest in view of the lack of any quantitative indication of "value for money," and evidence of operational and administrative inefficiencies. Outcome is assessed as moderately satisfactory.

7. Rationale for Risk to Development Outcome Rating

The risk to the sustainability to the development outcome is Negligible.

First, the Government has strong ownership of the reform policies enacted following the provision of technical assistance to national and subnational agencies. It has helped that these reform measures were prioritized by the Government itself, and the supporting technical assistance requested by the Government as well.

Second, reform measures that were adopted by the Government during the earlier years of project implementation have been operational for some time now. The implication is that they are unlikely to be reversed or degraded. Moreover, many reform measures have been scaled up. Policy measures supported under the project were conceived and implemented primarily at the central ministerial and provincial levels. However, some have been incorporated into Party and State Council policy documents and adopted on a national level (ICR, page 13).

Third, capacity has been built up in national and subnational levels of government to support the Government's reform and development agenda. This is likely to have a significant positive impact on the sustainability of the development outcome going forward.

a. Risk to Development Outcome Rating
   Negligible

8. Assessment of Bank Performance

a. Quality-at-Entry
   Quality at Entry benefitted from some strong points:

   The Bank exerted due diligence in assessing 22 technical assistance sub-projects proposed during the project identification mission. In an intensive three-day meeting convened by the Ministry of Finance (MOF), and participated in by an array of agencies and provinces, the Bank and the MOF examined the proposals for their link to national plans and/or to local development strategies and for their fit into one of five thematic components of the project, which were themselves aligned with the country’s development priorities (see Section 3a). Following their identification at appraisal, the sub-projects would eventually undergo a full project preparation process that would take 2-3 months to complete. The Bank and the MOF would endorse 18 of the 22 sub-projects.

   As more technical assistance sub-projects would be identified and prepared after appraisal, the Bank set down a strict project approval system. The sub-projects were to: be closely aligned with national and provincial development strategies; be strongly owned by the proponent government agencies; emphasize the dissemination of their outputs; support at least one of the five project components; offer some potential for replication or scaling up; and, have detailed costing and procurement plans and implementation schedules. The sub-projects were to be screened, and revised as necessary, by the MOF and reviewed and approved by the Bank and the DFID on a no-objection basis.

   The project was informed by lessons from four previous technical assistance credits spanning twenty years of technical cooperation between
the Bank and China: the sub-projects were to be demand driven and originate from central ministries and provincial and prefectural government agencies; and, the project structure --- as a portfolio of technical assistance sub-projects --- was a response to the Borrower's preference for a highly flexible project format that was responsive to evolving priorities, included a substantial technical contribution from Bank experts, and could draw intellectual resources from other international sources.

The Bank collaborated closely with DFID, with the latter's contribution being directed at ensuring that the project enhanced the focus on gender, poverty and the environment.

There was, however, one moderate shortcoming -- the project lacked well-defined and measurable outcome indicators that could be effectively monitored and that could have facilitated an overall assessment of the project as implementation proceeded. The PAD recognized the need for an improved Monitoring and Evaluation (M&E) design, but did not deliver on effective indicators.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank provided valuable technical and management support to the Government, including in the articulation of sub-project concepts, the preparation of sub-project proposals, and the definition of deliverables. Moreover, the Bank supervision team extended timely assistance and guidance to the Government in the resolution of sub-project implementation problems, including issues pertaining to procurement and financial management. The Bank supervision team also submitted regular updates tracking the progress of individual sub-projects. A total of 15 Implementation and Status Reports (ISRs) were issued, although the mission for the Mid-Term Review did not file a separate supervision report. The Bank Task Team Leader (TTL) changed three times during the lengthy nine-year duration of the project, but, according to the ICR, management continuity was not disrupted.

The Mid-Term Review, set two years after the project effectiveness, was instrumental in improving on project implementation. The MTR: addressed nagging issues delaying project implementation, particularly weak contract management; recognized early that funds had to be reallocated from Category C and Category D to Category A sub-projects; and, helped develop a template for sub-project-level ICRs, for which the sub-project self-assessments by the sub-project implementing agencies would eventually be helpful in the preparation of the ICR.

However, there were four moderate shortcomings: The inadequacy of the project supervision budget --- at US$1.0 million for a nine-year operation --- strained the Bank staff's ability to meet the technical needs of a large number of sub-projects. The high requirement for Bank technical expertise could have justified a higher than standard supervision budget.

The Bank was not able to provide technical input in some sub-projects, mainly because the range of sub-project activities was very broad.

Although deficiencies in the Results Framework and M&E design were recognized, these were not revised during the MTR or at any other time during implementation.

The final supervision report considered the sub-project-level outputs and outcomes of the 59 technical assistance sub-projects but did not relate and link them to the overall project-level outcomes.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government exhibited a high level of commitment to the project, beginning with its decision to incur a "hard" loan for a "soft" technical assistance project.
The Authorities worked closely with the Bank to ensure that the technical assistance sub-projects proposed and implemented aligned well with the national economic reform and development agenda. Most participating government agencies were able to propose and subsequently implement a wide range of positive-impact sub-projects.

The Government provided an in-kind counterpart contribution valued at US$10 million and consisting of staff salaries and office space.

The ICR reports that the Government made good use of the training provided under the project to disseminate knowledge among its staff and to increase their work responsibilities.

**Government Performance Rating**
Satisfactory

**b. Implementing Agency Performance**

The Ministry of Finance (MOF) was the Implementing Agency for the project. The International Department of the MOF established a Project Management Office (PMO) to manage the implementation of, and to provide financial oversight for, the project.

The PMO carried out its responsibilities satisfactorily, despite being under-staffed and initially lacking experience. It developed and disseminated the project operations manual. It provided guidance for the implementation and management of the sub-projects. It extended support to the Bank's supervision and ICR missions. It collaborated with the Bank to provide regular training on project management, including on procurement and financial management. It reviewed semi-annual reports and effectively disseminated news of the results attributable of the project.

A total of 30 departments in 20 central government agencies and 17 departments in 13 provincial government agencies acted as Sub-Project Implementing Agencies (SIAs) for the 59 technical assistance sub-projects.

The SIAs carried out their responsibilities satisfactorily. They were charged with preparing bidding documents, and awarding and managing contracts. Although almost all of the SIAs were new to the rules of the Bank and therefore took additional time to complete the processes, they were eventually able to learn and apply them. In some cases, there was an inadequate number of staff in the SIAs and this hindered the ability of the agencies to carry out the implementation of the sub-projects on schedule. Overall, the SIAs were able to ensure the successful implementation of the sub-projects: 47 of the 59 sub-projects fully achieved their sub-project objectives; 7 partially fulfilled their objectives; and, only 5 fell short of their objectives.

However, there were considerable delays in project implementation. The PMO and the SIAs experienced difficulties with the structured nature of the Bank's fiduciary and implementation processes. The ICR (page 21) reports that implementing agency staff complained at times about the extra burden of preparing documents in English. In some instances, the SIA ownership of sub-project proposals were weak because staff were unconvinced of the relevance and value of some activities. After sub-projects had been approved, there were sometimes delays of several months in implementing work owing to weak contract management and the lack of timeliness in making payments. In some cases, the availability of resources to the SIAs and the PMO were constrained by the Government's administrative system.

**Implementing Agency Performance Rating**
Moderately Satisfactory

**Overall Borrower Performance Rating**
Moderately Satisfactory

### 10. M&E Design, Implementation, & Utilization
Independent Evaluation Group (IEG)
Implementation Completion Report (ICR) Review
CN-Economic Reform Implementation (P085124)

a. M&E Design

M&E design was deficient in several respects.

The original M&E plan did not specify how the three intermediate outcome indicators --- more focus on the Millenium Development Goals, higher quality of the reform process, and replication of project innovations in non-project areas --- and the three outcome indicators --- high adoption and use of sound reform strategies and policies, high level of effectiveness in the implementation of reform and development strategies and policies, and improved soundness of reform and development strategies --- were to be measured. Consequently, none of the intermediate and outcome indicators carried any targets, heading into implementation.

M&E design at the sub-project level was rudimentary. Sub-project performance indicators were mainly output oriented, consisting primarily of determinations of whether a product or a task was completed or not. Annex 3 of the PAD (PAD, pages 25-30) identifies the key results (outputs) expected of each of the 22 sub-projects identified at appraisal. The data includes monitoring arrangements for determining the delivery of the outputs. None of these sub-project output measures was linked, however, to any measure of the project outcome.

b. M&E Implementation

Little attempt was made during implementation to correct the weaknesses in M&E design. The intermediate outcome indicators were to be measured by the frequency of sub-project success. Of the three outcome indicators, the only one measured was the number of reforms and strategies adopted by the different levels of administration as a result of the sub-projects. Neither "soundness" nor "effectiveness of implementation" could be assessed in the time frame of implementation or immediate post-closure.

The SIAs carried out M&E for each sub-project. The M&E measured the progress of each sub-project relative to its program, budget plan, and procurement plan. The report was submitted to the PMO and to the Bank semiannually, providing for an appropriate level of technical and administrative intervention. Sub-projects also produced self-assessment ICRs according to a common template, which ensured consistency of the evaluation methodology across sub-projects.

c. M&E Utilization

The ICR contains no information concerning M&E utilization.

M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified, at appraisal, as an environmental Category C project, and no environmental safeguards policies were triggered. At the second extension of the project, the Regional Safeguards Secretariat reviewed the classification and concluded that it remained valid.

Social Safeguards: One of the 22 technical assistance sub-projects identified at appraisal triggered social safeguards policy OP4.10 (Ethnic Minorities). The PAD determined that the sub-project --- which supported studies and capacity building activities with members of an ethnic minority group as the principal direct beneficiaries --- conformed to the principles of OP 4.10, including informed consultation, participation, and cultural respect (PAD, page 35). During the implementation of the project, social safeguards specialists did not identify any issue.
b. Fiduciary Compliance

**Procurement:** The ICR reports that the external auditor, the China National Audit Office, identified one non-compliance issue with the Bank’s procurement policy: a case of conflict of interest in a services contract. The issue was resolved following a response prepared by the PMO. The rating for procurement was raised to satisfactory in the final supervision report.

**Financial Management:** According to the ICR, the PMO’s financial management system was adequate to ensure that the proper use of the project funds. All external audit reports were unqualified and submitted on time, as required by the Loan Agreement. There were no significant issues raised. Financial management was rated satisfactory by the supervision missions and by the Bank’s Portfolio Risk Management (PRIMA) assessment.

c. Unintended impacts (Positive or Negative)

The project had no unintended impacts.

d. Other

No other issues were raised by the ICR.

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<th>12. Ratings</th>
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<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreements/Comment</th>
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<tbody>
<tr>
<td>Outcome</td>
<td>Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>A high rate of adoption of reforms and strategies can be attributed to the project, but their soundess and effectiveness cannot yet be assessed. Efficiency is rated modest.</td>
</tr>
<tr>
<td>Risk to Development Outcome</td>
<td>Negligible</td>
<td>Negligible</td>
<td>---</td>
</tr>
<tr>
<td>Bank Performance</td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>---</td>
</tr>
<tr>
<td>Borrower Performance</td>
<td>Satisfactory</td>
<td>Moderately Satisfactory</td>
<td>There were considerable delays in project implementation. Time overruns totaled 42 months, just over 60 percent of the original schedule.</td>
</tr>
<tr>
<td>Quality of ICR</td>
<td>Substantial</td>
<td></td>
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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 first four lessons are drawn from the ICR, with some adaptation (ICR, page 25), and the fifth is drawn by IEG.

First, a technical assistance loan can be an effective vehicle for the Bank to deliver a wide ranging set of technical assistance activities that meet a government’s need for flexible and just-in-time knowledge support. A number of alternative vehicles were explored at appraisal, including Analytic and Advisory Activity (AAA) and Reimbursable Service Advisory (RAS) services. However, the large number of continuously emerging knowledge and capacity needs from the client rendered these other instruments inefficient alternatives. It would also have been unmanageable to initiate 59 separate AAA and RAS intervention.
Second, assessing a project with many different activities requires not only a strong monitoring effort at the sub-project level, but, more importantly, a strategic framework to tie the many diverse sub-project outputs and outcomes together at the overall project level. Although the ICR tried to improve on the M&E framework by linking sub-project outputs that were reported in self-assessments to specific elements of the project development objective, it would have been preferable to have had a strategic framework at the outset. This would have clearly indicated the full width of the interventions, benefitted project evaluation, and provided useful information on the effectiveness of the sub-project approach.

Third, a multi-sector project that commits to deliver the Bank’s knowledge and expertise to a client requires a high-level technical committee, composed of Government officials, international and Chinese academics and Bank experts, that can respond to a broad range of technical support needs in a timely fashion. The implementation of the project could have benefited from having such a technical committee, which the client has since requested for a follow-up operation. The technical committee would also need to have access to a comprehensive expert database across multiple disciplines in the Bank’s information system to enable it to offer first-rate international knowledge and practice to the client.

Fourth, a multi-sector technical assistance project also needs an adequately funded supervision budget. The total supervision budget of less than US$1 million for the original five-year but eventually nine-year engagement made it difficult for the Bank staff to deliver the technical knowledge and expertise that the client needed for the many and varied sub-projects pursued under the project. A multi-sector project technical assistance project also needs adequate supervision resources from the implementing agency. Staffing of the PMO and the SIAs was too lean for the requirements of such a complex operation.

Fifth, the restructuring of a project offers the Bank, the client government, and the project implementing agency the opportunity to rectify deficiencies in design. The Bank could have used the opportunity of a restructuring to revise the Results Framework and M&E design, in which the outcome indicators were neither explicitly defined nor could be easily measured. The restructuring could have also been used to augment the supervision budget.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The strengths of the ICR are:
The ICR’s presentation of summary data on the technical assistance sub-projects is well thought out. Annex 2 of the ICR, “Outputs by Component”, summarized the 59 technical assistance sub-projects, classified by thematic component (the project has six components). Two data columns in the annex --- the "Before Project" state/condition of the reform area/sector and the "Result" of each subproject --- are especially useful. They provide evidence on whether a sub-project had successfully assisted the Government implement a particular reform item. The annex also cites which of the three outcomes a sub-project had been directed at, providing a link between sub-project performance and the attainment of the project development objective.

The ICR’s compilation of the policy measures enacted by the Government is equally informative and useful. Annex 10 of the ICR, "Policy Measures Resulting from the Project" documents 115 policy actions by the Communist Party of China, the State Council, various central government ministries, and various subnational governments (provinces and prefectures). The ICR is able to attribute each policy measure to a particular technical assistance sub-project.

The weaknesses of the ICR are:

It could have made a stronger effort to assess the outcome of the institutional capacity building activities. It is arguably difficult to provide evidence of institution building other than to cite the project outputs --- the number of training courses run, the number of beneficiaries trained. But the discussion on efficacy (ICR, page 15) attempts to document, in three sub-projects, the application by the beneficiaries of the training they received for useful institutional purposes.

Given the ICR's approach, it would have been useful if the Project Data Sheet (ICR, pages vii-x) had two Section F’s --- an analysis using the original Results Framework and original M&E design, and a separate one using the revised Results Framework and revised M&E design, the
latter reflecting the data presented on pages 13-20. Mixing the two in a single table is confusing, notwithstanding the accompanying note. Furthermore, the outcome and intermediate outcome indicators are different for the two frameworks.

a. Quality of ICR Rating
   Substantial