



1. Project Data

Project ID P144270	Project Name Economic Transformation & Cap. Bldg	
Country China	Practice Area(Lead) Macroeconomics, Trade and Investment	
L/C/TF Number(s) IBRD-83750	Closing Date (Original) 31-Dec-2019	Total Project Cost (USD) 21,494,451.58
Bank Approval Date 22-May-2014	Closing Date (Actual) 30-Apr-2023	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	35,000,000.00	0.00
Revised Commitment	21,536,236.47	0.00
Actual	21,536,236.47	0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO), as stated in the original loan agreement dated June 13, 2014, was “to (i) inform the Borrower’s policy making; and (ii) strengthen the Borrower’s capacity to implement priority reform areas articulated in the Borrower’s Five-Year Plans and other development programs” (p.5). The objectives stated in the loan agreement and the PAD (p. 11) are identical.

For this Review, the two objectives are as follows:



1. Inform China's policymaking.
2. Strengthen China's capacity to implement priority reform areas articulated in China's Five-Year Plans and other development programs.

The PDO was not modified during the project implementation.

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

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
24-Jan-2019

- c. Will a split evaluation be undertaken?**
No

d. Components

Component A: Analytical outputs (US\$ 22.02 million at appraisal, of which US\$21 million IBRD and US\$1.02 million of borrower financing; US\$ 16.62 million actual IBRD).

Component A was designed to conduct various activities related to China's economic reform and development agenda. Activities and analytical outputs supported under this component included strategic plans, sectoral research, technical studies, policy implementation reports, and topical studies. These activities focused on fiscal and financial reform, economic restructuring, rural and urban integration, green economy, promotion of innovation and technology conversion, and public service delivery in education, health, and social welfare.

Component B: Implementation support, project management, and capacity-building activities (US\$ 14.68 million at appraisal, of which US\$14 million IBRD and 0.68 million of borrower financing; US\$ 11.08 million actual IBRD).

Component B was designed to fund overseas studies and scholarships for public officials in foreign universities for professional development, secondment programs to international organizations, training and knowledge sharing study tours, institution-building activities through workshops and seminars, investment in information systems, and implementation support to the Project Management Office (PMO) at the central and also sub-project levels (e.g., financial management, budget oversight, and disbursement, record keeping, procurement, monitoring, and evaluation).

Activities were implemented as part of sub-projects. In this Review, "project" refers to the IPF and "sub-projects" to standalone small programs designed and implemented by central government, provincial or municipal agencies involved in the development or implementation of policies and programs that were related to the reform priorities supported by the IPF. Sub-projects were reviewed and approved by the



Ministry of Finance's PMO with assistance of a technical review committee based on guidelines and criteria documented in the project operations manual. Sub-project objectives had to contribute to the IPF PDO.

While central government agencies did not have repayment obligations to the Chinese Ministry of Finance, provincial and municipal governments [1] had repayment obligations to the Ministry of Finance. US\$22 million of IBRD funds was allocated to government agencies with no repayment obligations and US\$12 million to those with repayment obligations.

[1] Provincial and municipal governments are also referred to as local governments.

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

The project was restructured twice.

Restructuring 1: The first restructuring on January 24, 2019, was prompted by a lower-than-anticipated demand for sub-projects from provincial and municipal governments during annual calls for proposals. The low demand for projects from local governments was due to a reluctance to borrow for studies and training, coupled with some local governments' limited capacity to implement projects. Consequently, the restructuring reduced IBRD funds allocated to Component A from US\$22.02 million to US\$16.62 million, and for Component B from US\$14.68 million to US\$11.08 million. The restructuring also canceled US\$9 million of the total IBRD financing allocated to local government agencies with repayment obligations. The PDO and intermediate results targets were revised downward. The project's closing date was extended by 22 months, moving from December 31, 2019, to October 31, 2021, to accommodate implementation delays.

Restructuring 2: The second restructuring, which occurred on October 24, 2021, further postponed the loan's closing date from October 31, 2021, to April 30, 2023. This extension was necessary to complete a relatively small secondment program that had been delayed due to international travel restrictions imposed during the COVID-19 pandemic.

3. Relevance of Objectives

Rationale

At the time of appraisal in 2013, China's economic performance had been relatively strong over the past decade, with significant improvements in many indicators of social development. While China's rapid growth and accompanying structural changes had served the country well in many respects, they had also led to economic, environmental, and social imbalances, with a gap in income distribution that had continued to widen. There was a need to implement reforms that could address these imbalances while maintaining stable growth.

Despite China's notable achievements, the capacity of government departments to design and implement policies and projects varied widely; in many cases, the empirical base to inform and support decisions was either incomplete or very weak. Therefore, the objective of this operation was to inform policymaking for effective reforms and to strengthen China's institutions as it entered the next phase of reform and growth.



This IPF was the sixth and final Technical Cooperation Credit (TCC) in a succession of technical assistance (TA) projects that spanned 40 years of development support. During these 40 years, China followed an incremental, learning-by-doing, pragmatic, and innovative approach toward its economic and social transformation. The WBG had played both a catalyzing and facilitating role in supporting this transformation with a series of TCCs which helped meet the government demand for knowledge and capacity development at different stages of reforms – initially to bridge the basic knowledge and skill gaps on project management, procurement, and implementation, and later, with TCC5 onward, to learn from international best practices in thematic topics of transformation such as fiscal, monetary, social, legal and the environment policies and regulations. The expected outcomes of TCC6 were similar to those of TCC5. The two projects aimed to provide knowledge and strengthen China’s institutions to implement the country’s development agenda across key sectors. TCC6 also aimed to bolster the implementation of innovative reforms focused on environmental sustainability, resource conservation, and technology adoption.

The PDO, which aimed to inform China’s policymaking and strengthen capacity to implement priority reform areas articulated in its Five-Year Plans and other development programs, was almost in full alignment with the Country Partnership Framework (CPF) (FY20-FY25) at closing. The CPF (FY20-25) planned to support China in three areas of engagement: advancing market and fiscal reforms at the national and sub-national levels, promoting greener growth, and sharing the benefits of growth through increased quality and access to health, education, and social services. Consistent with the CPF (FY20-25) at closing, the project aimed to inform China’s policymaking and strengthen its capacity to implement priority reforms, focusing on fiscal and financial reforms, economic restructuring, rural and urban integration, green economy, promotion of innovation and technology conversion, and public service delivery in education, health, and social welfare. Although the project activities were restructured to reduce the project’s support to provincial and municipal governments, the unchanged PDO remained relevant to the country strategy.

The PDO also remained relevant to national priorities, as evidenced by its alignment with China’s 14th five-year plan covering 2021 to 2025, which identified economic development, innovation, people's well-being, green ecology, and security as priority areas for development.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO 1. Inform China’s policymaking.

Rationale

At appraisal, the empirical base to inform policy decisions was often incomplete or weak. To address this challenge, the project planned to support activities that aimed to generate knowledge and analysis that would inform policymaking in priority areas [2]. The theory of change (ToC) of the first objective held that improving



the analytical underpinning that informed decision-making would lead to more effective reforms. In the longer term, better-informed policy reforms in the priority areas would lead to sustainable economic growth, balanced development, increased rural and urban incomes, and improved people’s well-being. The project’s critical assumptions were: i) Commitment of agencies’ leadership; ii) Agencies’ engagement and input; and iii) access to international knowledge.

In principle, this theory of change was credible. The project could inform policymaking at all levels of government by funding studies that would produce relevant recommendations, that once adopted by decision makers would shape policies and programs. However, the operation’s assumption that there would be commitment and engagement from local governments may not have been fully realized, as evidenced by the low demand for project activities by provincial and municipal government agencies.

The PDO indicators used to assess the project efficacy were the number of recommendations from project-funded studies that were adopted (PDO Indicator 1) and the number of studies published (PDO Indicator 2). While the objective was never revised, the end-targets were adjusted downwards during the January 2019 restructuring, as summarized in Table 1.

Table 1: PDO indicators, and original and revised end-targets.

PDO Indicator	Description as per PAD	Original End-targets (2019)	Revised End-targets (2023)
1	Number of study recommendations adopted (baseline of 0)	25	19
2	Number of studies published (baseline of 0)	40	30

Results

Regarding the first PDO Indicator, the ICR reports that 60 sub-projects were completed during project implementation across the six thematic areas identified at appraisal, plus a seventh one named “Global Stakeholder.” This seventh thematic area aimed to foster China’s spirit of following international “rules of the game.” Forty-four (44) recommendations issued from these sub-projects were adopted. This result exceeded the original end-target of 25 recommendations adopted and the revised end-target of 19 recommendations adopted.

While the term “adoption” is not explicitly defined, the PAD equates the PDO Indicator 1 to “the number of final studies submitted to policymakers (e.g., Bureau chiefs for Subproject Implementation Agencies (SIA) at the local level, or Ministers for SIAs at the national level) to support policymaking” (p. 11). On the other hand, the ICR interprets “adoption” as a spectrum of actions taken by Chinese policymakers influenced by the studies and recommendations from the sub-projects. These actions encompass the integration of recommendations from project-funded studies into China’s five-year plans or other sectoral plans and strategies, the formulation of draft legislation proposals, contributions to legislation passed into law, and other diverse results. This Review uses the data provided in the ICR to assess the project’s efficacy.

Regarding the second PDO Indicator, the PAD references the “number of studies published” as the number of reports’ findings published on official websites or circulated as official memoranda within Ministries or Provincial Bureaus” (p.12). The ICR reports that, from the same 60 sub-projects completed, 42 studies were published. This result exceeds the original end-target of 40 studies published and the revised end-target of 30 studies published.



Sub-projects funded by the operation, policies informed, and studies published are detailed in Annex 8 of the ICR. Table 2 below summarizes the project results by thematic areas.

Table 2: Project's outputs and results by thematic areas

Thematic Area	Number of Subprojects implemented	DPO Indicator 1: Number of policy recommendations adopted	PDO Indicator 2: Number of studies published
Fiscal and Financial	11	8	8
Economic restructuring	7	5	5
Rural and Urban Integration	5	4	4
Green development	9	7	6
Innovation	4	3	4
Public service delivery	12	9	8
Global stakeholder	12	8	7
Total	60	44	42

The project also exceeded its original and revised intermediate indicator targets linked to the Analytical Outputs Component (A), contributing to the objective of informing China's policymaking (PDO 1). Thirty-four (34) high-level policy seminars were organized, 51 findings were disseminated, and 382 beneficiaries participated in capacity-building activities. These results exceeded the revised end-targets of 24 (30 originally), 26 (34 originally), and 30 (unchanged), respectively.

By reducing the PDO results end-targets by approximately 25 percent, the project became less ambitious following the first restructuring. Consequently, the split rating would typically be applied to the efficacy assessment. However, given that the end-results exceeded the original and revised targets, the split method has no incidence on the efficacy rating.

While shortcomings with parts of the results framework and some of the indicators are discussed in Section 9, this Review finds evidence of considerable achievement of the objective to inform China's policymaking that can be attributed to the project. The efficacy of PDO 1 is rated high across the project's entire lifetime.

[2] Fiscal and financial reform, economic restructuring, rural and urban integration, green economy, innovation and technology conversion promotion, and public service delivery in education, health, and social welfare.

Rating
High

OBJECTIVE 2

Objective

PDO 2. Strengthen China's capacity to implement priority reform areas articulated in China's Five-Year Plans and other development programs.



Rationale

Overall, the theory of change of the second objective held that thematic studies, coupled with professional development programs domestically and overseas, secondments in international organizations, workshops, seminars, as well as investments in information systems would better equip China's central and subnational departments and agencies to design and implement effective policies, leading to improved reforms and ultimately sustainable economic growth in the longer term. The second PDO shared the same critical assumptions as the first, which are commitment of agencies' leadership, government agencies' engagement, and access to international knowledge.

In principle, building the necessary knowledge, improving skills, and adopting improved systems can enhance the government's ability to implement programs, projects, and policies effectively. However, the theory of change implied in the PAD and reconstructed in the ICR fails to identify the desired outcomes that can reasonably be attributed to the intervention and serve as indicators of a strengthened capacity to implement reforms. It also doesn't elaborate on how planned project activities would contribute to this desired outcome. Missing links in the results chain, including the absence of outcome-oriented indicators, are a significant shortcoming of the second PDO's ToC. Additionally, similarly to the first PDO, assumptions of local leadership's commitment and local governments' engagement to project activities appear to be weak.

In addition to studies discussed under the first PDO, the ICR highlights the following project-funded activities that were implemented:

- Sixteen (16) sub-projects carried out overseas studies, which helped policymakers draw on international knowledge and best practices.
- Six secondment programs that supported the State Council's policy maker to enhance research capacity in banking.
- Various trainings assisted the agencies in sharing knowledge and learning methodology in their respective areas, such as China's business environment, macroeconomic management, ecological protection and management of the Yellow River Basin, foreign audit service training and building of a training portal, project management and M&E training for the SIA staff and researchers.
- Information, models, and data input to six government public service information platforms were provided to upgrade and improve public service delivery in key areas.

The intermediate indicators used for PDO 1 are also used to monitor activities contributing to PDO 2 (with different end-targets). The project exceeded its original and revised intermediate indicator end-targets linked to Component B, which contributed to the objective to strengthen China's capacity to implement priority reforms (PDO 2). Eleven (11) high-level policy seminars were organized, six findings were disseminated, and 10,415 beneficiaries participated in capacity-building activities. These results exceeded the revised end-targets of 6 (10 originally), 4 (6 originally), and 90 (unchanged), respectively.

In the absence of sufficient evidence demonstrating the achievement of the objective to strengthen China's capacity to implement priority reforms, the efficacy of PDO 2 is rated modest across the project's entire lifetime.

Rating



Modest

OVERALL EFFICACY

Rationale

Overall efficacy under the original and revised result targets is rated substantial. Objective 1, to inform China's policymaking, is rated high across the project's entire lifetime. Objective 2, to strengthen China's capacity to implement priority reform areas articulated in its Five-Year Plans and other development programs, is rated modest.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic analysis. No economic or cost-effectiveness analysis is provided ex and post-ante to assess the project's efficiency. While the ICR states that the "value for money is high"(par. 34), it presents no evidence to substantiate this claim.

Aspects of design and implementation. The ICR highlights some factors during the implementation that improved efficiency, including:

- The use of local research institutes increased the project efficiency because local researchers did not face language barriers. Ultimately, this saved time in exchanging information and other communications.
- The impact of the pandemic on implementation was minimized by quickly moving discussions and communications to virtual mode and gradually transferring to a hybrid working mechanism in 2021.

This Review notes that project efficiency was negatively impacted by implementation delays, as evidenced by the low disbursement rate during the first four years of the project. Prior to the first restructuring in January 2019, which resulted in a 25 percent reduction in funding and a 22-month extension of the project's closing date, only 7.8 percent of the total funds had been disbursed. The restructuring occurred more than 4.5 years into implementation and just one year before the original closing date of December 31, 2019.

Efficiency is rated modest due to limited evidence that resources and inputs were economically converted to results. Significant implementation delays and the shortcomings described in Bank performance that point to inefficiencies also contribute to this rating.

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:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

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

6. Outcome

The project outcome is Moderately Satisfactory, reflecting objectives of substantial relevance, an overall substantial efficacy rating across the project's entire lifetime, and modest efficiency.

- a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

The Review agrees with the ICR assessment that the risk to development outcome is low. Many studies conducted during the implementation period have provided valuable insights that have informed policy decisions. However, for recommendations that have only informed development plans and strategies but have not yet been implemented or adopted into legislation, there is a risk that the government's commitment to the reforms may decline, and complementary actions may not be undertaken. Additionally, the impact, if any, of activities aimed at strengthening China's capacity to implement priority reforms may be limited if proper measures are not in place to ensure the effective utilization of trained officials and their integration into relevant agencies.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Review agrees with the ICR that although lessons from the fifth TCC project influenced the design of this operation, there were still shortcomings in the project design. This Review finds that the Bank had learned from previous TCCs that TA projects often had a weak performance due to uneven agency capacities, with agencies having a variety of backgrounds and levels of readiness. However, the mitigating measures implemented (strengthened project selection, strong PMO, improved



communication, training on implementing bank-funded projects, etc.) did not adequately mitigate this risk. As a result, only 28 percent of the original budget allocated to sub-national implementation entities was disbursed. The low demand for sub-projects indicates that the project beneficiaries at the provincial and municipal level were not properly identified, targeted, and adequately consulted in the project design process, leading to implementation measures not suited to their needs and, ultimately, low participation in the project.

Furthermore, the implementation arrangements were complex. With an expected average budget of US\$400,000 per subproject, the operation planned to fund approximately 85 sub-projects in six different sectors at different levels of government (central, provincial, and municipal). Additionally, the Bank had estimated that there would be 60 to 80 sub-project implementation agencies with different capacity levels to implement projects, with 60 submissions expected at each annual round of call for proposals. The wide scope of eligible sub-projects, coupled with a multisectoral decentralized implementation approach, further complicated the ability of the borrower and the Bank team to proactively identify and resolve threats to the achievement of development outcomes.

Finally, by spanning over six priority sectors (seven at closing), the program may have been too broad, risking being scattered and not achieving a tangible impact in any of the sectors. The wide range of sectors covered by the project also impacted the M&E mechanism, as discussed in Section 9.

Overall, this Review finds that there were major shortcomings in project preparation. The Bank performance in ensuring quality at entry is rated moderately unsatisfactory.

Quality-at-Entry Rating Moderately Unsatisfactory

b. Quality of supervision

The ICR notes that overall, the quality of supervision was good, with moderate shortcomings. For instance, the Bank recognized that the local demand for sub-projects would not materialize, reducing funding in that area. The Bank also accommodated the government's requests to extend the closing date twice to allow more time for sub-project completion. The ICR notes that regular supervision missions were conducted, but the task team could not always provide the needed support to all SIAs given the large number of sub-projects and the wide range of sectors covered by the project, but the limited Bank resources allocated to supervision (US\$100,000 annually) that limited the Task team ability to bring in additional expertise. Nevertheless, the Bank resorted to using local consultants to stretch the project's supervision resources and respond to the beneficiaries' needs.

This Review adds that while the decision to cancel US\$9 million in financing for local government agencies was a logical reaction to the lower-than-expected demand, it also reduced the project's ability to contribute to the CPF objective to advance fiscal reforms at the sub-national level. This is particularly relevant as there was a greater need for capacity strengthening at the sub-national level, as highlighted in the PAD and ICR. Furthermore, given the early indications of tepid demand for sub-national subprojects, there might have been a missed opportunity to engage with a carefully selected group of provincial and municipal governments, alongside the central government, to address implementation challenges. These challenges included a reluctance to borrow for analytical and capacity-building activities, a lack of research capacity,



and insufficient expertise for quality assurance at the provincial level. An early project restructuring to directly address these issues could have potentially led to more effective outcomes at the sub-national level.

The Review also agrees with the ICR, which notes that some ISRs had overly optimistic Progress Toward Implementation (IP) ratings during the early part of the program. While the ISRs 10 to 12 (June 2019 to June 2020) rated IP MU, the previous 9 ISRs rated IP in the satisfactory range, even though the project was lagging on both implementation and disbursements, with only 7.8 percent of the total funds disbursed more than 4.5 years into implementation and one year before the original closing date of December 31, 2019.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The ICR notes that the M&E design posed challenges due to the selection, financing, and implementation of numerous sub-projects (a total of 60) of various types and sectors. Additionally, the fact that the number and types of sub-projects were not known at the outset made it difficult to estimate some of the indicator targets. In this regard, this Review adds that the M&E design, as reflected in the project design, did not provide indicators that could directly measure the outcome to strengthen China's capacity to implement reforms. All the indicators used were outputs that would contribute to the outcome, which was not measured. This significant shortcoming made it impossible to assess the achievement of PDO 2.

The ICR also states that outcome-oriented results were measured at the sub-project level and deems this approach appropriate given that each sub-project was an independent, self-contained set of activities. This Review finds that 60 individual and independent results frameworks, while useful to demonstrate results in each sub-project, are not useful at the project level if they do not feed into the project M&E system. The lack of integration reduces their usefulness to monitor progress toward the PDO during project's implementation or to evaluate the achievement of the PDO upon the project's completion.

Additionally, the first PDO indicator on the number of studies adopted lacked specificity, leading to potential inadequate interpretations of "adoption," ambiguous methodology for data collection, and reporting in practice that diverged from the PAD definition. The PAD defined the "number of study recommendations adopted" as "the number of final studies submitted to policymakers to support policymaking." This definition does not depict adoption but rather the transmission of documents to policymakers without monitoring how the studies impacted policymaking. In practice, however, as described in section 4, the project monitored and reported on the number of project-funded studies that underpinned a policy action.



Furthermore, the original and revised end-targets appeared low based on China's experience with the fifth TCC project. For instance, the ICRR of the TCC5 project reported that the project delivered 59 sub-projects, of which the Communist Party of China, the State Council, various central government ministries, and various provincial and prefecture governments adopted 115 policy measures. The actual cost of the TCC5 project was US\$22.1 million. In comparison, with an appraised budget of US\$22.02 million, the analytical outputs component (A) of the TCC6 project was expected to lead to the adoption of 25 recommendations. While multiple factors, in addition to past trends, are used to set targets, a target that is a nearly 80 percent lower than previous results seems too low. Similarly, with an appraised cost of US\$14.68 million for the main capacity building component (B), the project only planned for 120 beneficiaries to participate in capacity-building activities. The end-result was 10,797 participants or 90 times higher than the end-target.

b. M&E Implementation

The ICR contains minimal information concerning the project's M&E Implementation. However, the document states that the SIAs, with the help of the PMO, assessed their sub-projects, with the funds disbursement relying on sub-project M&E systems. All sub-project agencies made self-assessments of their respective sub-projects at project completion and submitted sub-project completion reports to the PMO and the World Bank team for review. Additionally, the results framework was updated at least twice a year to monitor project outputs.

c. M&E Utilization

Weaknesses in the M&E system significantly reduced its usefulness. Nevertheless, ISRs included updated results that informed the decision to cancel 25 percent of the project's funds due to low demand for subprojects by agencies with repayment obligations. Also, despite its deficiencies, the M&E system could have been better utilized to realistically rate the progress toward implementation (IP) in ISRs before the first restructuring.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The environmental assessment category for the project was B (partial assessment). The project supported mainly technical assistance and capacity-building activities. The priority areas of green economy, and rural and urban integration triggered the Environmental Assessment (OP4.01). The ICR highlights that during implementation, the PMO and the SIAs followed the required screening steps for environmental and social safeguards in sub-project selection and implementation to ensure compliance with the Bank's safeguards policies. In the studies, the SIAs paid due attention by engaging an experienced environmental consultant



to analyze potential environmental and social impact/risks. The ISRs rated the overall safeguards and environment assessment as satisfactory throughout the project life cycle.

b. Fiduciary Compliance

The project fully complied with fiduciary requirements and legal covenants with no outstanding audit or interim financial reports and no outstanding procurement-related issues. There were some issues with the timely recording of contracts in the procurement system that were resolved during implementation. Procurement performance was moderately satisfactory during the project, with no evidence of impropriety.

c. Unintended impacts (Positive or Negative)

The ICR notes that the project helped boost the Chinese government's use of local consultants with international training. This Review does not identify additional unintended outcomes or impacts.

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	In the absence of measurable outcomes, there is insufficient evidence of achievement of PDO 2.
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Modest	Absence of measurable outcomes of PDO 2 and deficiencies in target setting.
Quality of ICR	---	Substantial	

12. Lessons

The following lessons have emerged from the review of the ICR:

Project objectives and ambition should be precise and focused, informed by key diagnostics such as Capacity Needs Assessments. This approach would enable projects of this nature to more adequately identify outcome-oriented indicators and narrow the number of indicators to a



manageable level. According to the ICR, “the PDOs were intentionally general to afford flexibility to accommodate a wide range of priority sub-projects” (p.12). However, outcomes that are too broad are usually difficult to measure, as evidenced by this operation. Therefore, given that indicators should adequately capture the expected outcomes defined in the PDO statement, the project quality could be significantly improved if Bank teams clearly define and limit the problems that an operation is trying to solve to a small number of areas or sectors. A smaller and more focused scope improves the ability to identify measurable outputs and outcomes that are required to bridge the gap between challenges prior to the project intervention and the desired results after the project.

Implementation support from the task team should not substitute the technical assistance activities that are required to achieve the project development outcomes. The Bank supervision budget was objectively very limited. However, while a multi-sectoral project requires a multi-sectoral task team to support the borrower, the primary objective of a task team is to proactively identify and resolve threats to the achievement of relevant development outcomes. Therefore, the IPF should have adequately budgeted for international and local consultants, based on identified needs, to provide technical assistance to the government and the beneficiaries to achieve project development outcomes. Nevertheless, given the government's need for dedicated technical support from the Bank, this operation could have benefited from a Bank executed grant to enable the task team to provide additional technical support to local governments.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

Despite some shortcomings, the ICR is candid, generally follows the guidelines, and aims to draw conclusions from a variety of sources of information. Moreover, the Annexes provide valuable information to help understand the project's complexity. However, some ratings were not supported with sufficient evidence. According to the ICR, efficiency was rated substantial because the value for money was high. Yet, there was no evidence to substantiate this claim. Likewise, efficacy of PDO 2 was rated high despite no outcome-oriented indicators to measure the project achievement of this objective.

Further on the efficacy analysis, instead of highlighting some successful subprojects, the ICR could have summarized the project contribution in each priority sector and the observed impact on the government capacity to implement sectorial reforms. This discussion, coupled with other relevant information on the baseline and attribution, could have better supported the ICR assessment that the operation had fully achieved the objective to strengthen China's capacity to implement sectorial reforms.

Additionally, the ICR could have been enriched by lessons on how to better support sub-national governments, including the process of designing implementation arrangements that respond to their needs.

Finally, there were some technical errors in the application of the ICR guidelines for IPFs, particularly in assessing efficacy. The achievement of each project objective was not rated separately, and, for the split rating,



the project efficacy before the first restructuring was not rated against the original end-targets for the entire duration of the project.

a. Quality of ICR Rating
Substantial