



1. Project Data:		Date Posted : 08/26/2003	
PROJ ID: P003627		Appraisal	Actual
Project Name: Grain Distribution and Marketing Project	Project Costs (US\$M)	991.4	921.6
Country: China	Loan/Credit (US\$M)	500.0	473.4
Sector(s): Board: RDV - Crops (30%), Ports waterways and shipping (30%), Agricultural marketing and trade (25%), General transportation sector (9%), Central government administration (6%)	Cofinancing (US\$M)		
L/C Number: C2518; L3624			
	Board Approval (FY)		93
Partners involved : UNDP FAO Australia Canada, France, Netherlands	Closing Date	06/30/2000	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
<p>(i) Support the Government's grain sector reforms aimed at improved policy and institutional environments;</p> <p>(ii) Assist institutional and infrastructure development in physical and commodity (wholesale, spot, forward and futures) markets where grain and other agricultural and commodity prices would be determined by market forces; and</p> <p>(iii) Facilitate the expansion and greatly improve the efficiency of China's domestic and international grain trade through investments in critical infrastructure ---in grain storage, bulk and bagged handling, and transport facilities ---in four major grain production and/or consumption locales (Northeast, Yangtze River area, Southwest, and Beijing area).</p> <p>(Staff Appraisal Report)</p>			
b. Components			
<p>(i) Northeast Corridor--Dalian Port Terminals (Actual cost US\$301.9 million, 33 percent of total project cost);</p> <p>(ii) Northeast Corridor--Hinterland (US\$385.3 million, 42 percent);</p> <p>(iii) Yangtze River Corridor (US\$113.7 million, 12 percent);</p> <p>(iv) Southwest Corridor (US\$44.9 million, 5 percent);</p> <p>(v) Beijing Central Depot (US\$18.8 million, 2 percent);</p> <p>(vi) Market Services (US\$4.8 million, 1 percent);</p> <p>(vii) Training and Technical Assistance (US\$52.1, 6 percent).</p>			
c. Comments on Project Cost, Financing and Dates			
Actual costs were 7 percent less than appraisal estimates owing to devaluation of the Yuan and the lower than expected procurement of trucks for the Northeast Corridor Hinterland component .			
3. Achievement of Relevant Objectives:			
(i) & (ii) (The ICR lumps the first two objectives together). Sector Reform and Market Development (Partially Achieved) . Progress was made in deregulating grain prices, liberalizing grain markets and reducing government intervention in the sector. But most of these changes were made during project preparation and the tempo of reform			

dropped during implementation (e.g. the development of futures markets was erratic), partly because the Bank focused its efforts on the physical investment components.

(iii) **Physical Investments (Fully Achieved)**. For the most part, targets were met or exceeded. Construction included: 8 port terminals (compared to the 5 envisaged at appraisal); 64 intermediate depots (cf 60); 161 primary depots (cf 300); 1,483 rail wagons (cf 1,400); 4 bulk grain vessels (cf 10); 164 bulk trucks (cf 1,000).

4. Significant Outcomes/Impacts:

- The improved networks and infrastructure have greatly enhanced marketing efficiency, particularly in the Northeast Corridor. Analytic work preceding the project correctly identified transportation, not storage, as the main constraint to marketing maize in the Northeast Corridor, and project investments were correctly focused on this constraint.
- The technology for bulk grain handling was successfully transferred, with an impact extending beyond the project. Modern logistics techniques have been incorporated into all subsequent facilities constructed for the State Grain Administration and have been widely adopted by other enterprises.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- The economic rate of return for the Northeast Corridor investments (75 percent of actual project cost) was 12 percent, down from the 26 percent forecast at appraisal for the project as a whole. This is attributed to investments made outside the project which increased capacity and reduced ship waiting time in the Northeast corridor; and overestimation of the benefits from reduced spillage losses (actual benefits were only one-half what was estimated at appraisal). (Using somewhat less conservative assumptions the Project Management Office estimated the ERR as 15 percent). Insufficient data precluded the calculation of ERR for the Yangtze River Corridor, the Southwest Corridor and the Beijing Central Depot. In the Yangtze River and Southwest Corridors, falling rail costs for grain transport have eroded some of the competitive edge formerly attributed to the port terminals.
- Bank resources were fully stretched in supervising the physical investments entailed by this large, complex project, leaving little scope for pursuing the policy dialogue (although government has not backtracked on its liberalization reforms).

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Highly Likely	Highly Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Projects which focus on moving, rather than storing, grain tend to be more technically and economically feasible.
- Projects involving a large and complex menu of physical investments will perform better if the design work is completed during project preparation.
- Effective supervision of large engineering projects (for which the Bank does not have in-house expertise) presupposes a solid program of international technical assistance.

8. Assessment Recommended? Yes No

Why? The sheer size of the investment---almost US\$1 billion---would seem to warrant some further investigation, preferably around 2007 (five years after closing) when it is estimated that throughput capacity for grain outflows and inflows will be fully utilized.

9. Comments on Quality of ICR:

Very thorough and candid. The assumptions underpinning the economic analysis are appropriately conservative.