



1. Project Data:		Date Posted : 06/18/2002	
PROJ ID: P003493		Appraisal	Actual
Project Name: Inland Waterways	Project Costs (US\$M)	556.8	592.4
Country: China	Loan/Credit (US\$M)	210	185.9
Sector(s): Board: TR - Ports waterways and shipping (97%), Sub-national government administration (3%)	Cofinancing (US\$M)		
L/C Number: L3910			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/2001	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The project's original objectives were: -			
<ol style="list-style-type: none"> 1. Improve inland waterway (IWW) management by organizational and financial reforms; 2. Expand IWW capacity by constructing dams to increase the water level and deepening channels to improve navigation; 3. Improve IWW-land transport connections by building new and equipping existing ports; 4. Generating hydroelectric power by utilizing the differential heads at the dams; 5. Enhance the capabilities of the IWW management entities in Zhejiang, Hunan and Guanxi -Zhuangzu Autonomous Region. 			
Although objective 1 was shared by all three provincial borrowers and cited in their own summaries, only two of the three actually committed to institutional reform and adoption of cost-recovery pricing.			
b. Components			
There were independent sub-projects in three south eastern provinces with a total cost of \$ 592.4 million:			
<ul style="list-style-type: none"> ● Guangxi (\$229.0 million), for construction of dam/shiplock and channel improvement (51%); power generation and shiplock equipment (27%); TA and training (12.5%); and land acquisition and resettlement (9.6%). ● Hunan (\$237.4 million), for construction of dam/shiplock, channel improvement and terminals at two ports (55.1%); power generation and shiplock equipment (34.0%); TA and training (4.0%); and land acquisition and resettlement (6.9%). ● Zhejiang (\$125.7 million), channel improvements and construction of three ports (66.0%); supply of equipment for port operation (2.7%); TA and training (1.9%); and land acquisition and resettlement (29.4%). 			
c. Comments on Project Cost, Financing and Dates			
An overrun of 14% was in large part due to increased civil works and resettlement costs in the Hunan and Zhejiang components. The increase in civil works costs was due to unexpectedly large floods and high physical contingency in the detailed design. In Zhejiang the channel design was modified and upgraded to Class 4 for 500 dwt tons, to coordinate the channel class of the Grand Canal with that in neighboring Jiangsu Province . Resettlement and land acquisition costs of \$65.3 million exceeded appraisal by 57% as a result of added bank protection to reduce inundated land in reservoir areas.			
3. Achievement of Relevant Objectives:			
Most of the objectives are likely to be met, although benefits will, in the short -term, be lower than expected due to the effects of an economic slowdown and lower than expected traffic :			
<ol style="list-style-type: none"> 1. Both Guangxi and Hunan created autonomous IWW institutions as State Owned Enterprises (SOE.) The subsequent financial performance was satisfactory although less than targeted in the case of Guanxi . In the Zhejiang-provided Partner Comments Objective 1 was cited and claimed to have been achieved . If this is so, it seems unreasonable to rate achievement as highly as for the other two provinces who did set up an autonomous corporation. 			

2. The channels were deepened and navigation improved, in the case of Zhejiang exceeding original objectives and permitting passage of larger vessels .
3. Land transport connections were improved as planned, but a local project to build a coal terminal in Nanning (Guangxi) did not go ahead . Full traffic benefits will only be achieved if and when a downstream replacement is completed in 2006.
4. Electrical generation capacity was increased as planned and operations established on a commercial basis .
5. This objective was achieved both for management of IWW operations and hydroelectricity .

4. Significant Outcomes/Impacts:

1. The project established the concept of project ownership as defined by legal responsibilities - the SOE owners in Guangxi and Hunan were responsible for planning, fund raising, organizing design and project procurement, the operation management after its completion and the repayment of World Bank's loan and interest . (Zhejiang used a Project Administration Office to implement the project .)
2. The strong traffic performance for Zhejiang's project channels, which also accommodated larger than planned barges, offset the combined negative impact of low traffic for the three ports in Zhejiang and the shiplock in Guangxi. Consequently the projected overall economic rate of return at completion is close to the SAR estimate (22.3% and 22.1% respectively.)
3. This Bank-financed project provided the second and third large scale examples for China, of dam /shiplock construction with better quality hydropower generating units and operational technology imported from developed countries.
4. China's deregulation of tariffs has proceeded more quickly than expected in the transport sector . A bulk cargo tariff that is competitive with long-haul rail has finally been established .
5. \$15 million was saved on the competitive bidding of the Guangxi power generation units and the project was completed on time despite use of new procurement procedures .
6. Zhejiang established control systems for work quality, timing and payment according to the Federation Internationale d'Ingenieurs-Conseils (FIDIC) conditions.
7. The activity of a Dam Panel was very effective .

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

- An earlier review of the project, conducted as part of OED's 2000 evaluation of the implementation of the Bank's water resources management policy, observed that "There is no discussion of water resources assessment . The project is developed in the transport sector in isolation from the water and power sectors ." OED finds no evidence in the ICR to support its assertion that "in contrast to other transport modes, coordination with agencies responsible for water resources management were satisfactory ...There have been no specific conflicts."
- A resettlement issue is still pending in Guanxi - the last payment from the land compensation fund to the affected people in Hengxian County and Guigang Municipality has not been made .
- Monitoring indices were laid out in the SAR but no attempt seems to have been made to keep them - a new format was however retrofitted to 1995 but there is practically no data from Zhejiang Communications Department.
- While the three provincial IWW agencies are earning revenue, the position of the Zhejiang Communications Department lacks transparency . A covenant to corporatize operations might have been appropriate . Zhejiang asserts that "financial reforms are completed" but there is no elaboration in the ICR of what these were .
- Hunnan's decision not to create a fee structure that favors large vessels puts it out of line with neighboring provinces on what should be a matter of national policy .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	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:

1. The Government of China's Policy of allowing IWW agencies to generate and sell hydropower by utilizing dams for navigation purposes encourages provinces to create commercialized SOEs for operating and administrating IWW. This combination of water resources infrastructure, combining energy and transport, stabilizes economic and financial returns.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

Satisfactory.
