



1. Project Data:		Date Posted : 08/07/2001	
PROJ ID: P003612		Appraisal	Actual
Project Name: Xinjiang Highway I	Project Costs (US\$M)	322.9	356.55
Country: China	Loan/Credit (US\$M)	150	150
Sector(s): Board: TR - Roads and highways (99%), Central government administration (1%)	Cofinancing (US\$M)	41.4	66.3
L/C Number: L3787			
	Board Approval (FY)		94
Partners involved :	Closing Date	12/31/2000	12/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The SAR project objectives were:			
<ol style="list-style-type: none"> 1. Support continuing development of road infrastructure to facilitate mobility and increase the efficiency of road transport in the interest of stimulating economic activity . 2. Promote the development of institutional capabilities of the Xinjiang highway agencies for transport planning and investment prioritization , construction and maintenance . 3. Improve the efficiency of road passenger transport services . 4. Increase the safety of road transport . 5. Improve highway maintenance operations to better preserve past investments in the Region's roads . 			
b. Components			
The total cost of \$356.56 million included \$33.36 million for fees, taxes and interest during construction . The remaining \$323.14 million comprised:			
<ol style="list-style-type: none"> 1. Construction (84%) of 283.3 km of highway from Turpan to Urumqi to Dahuangshan (TUDH), in two stretches of 176.3 km and 107 km respectively. Of the total 101.3 km were to be Class 1 (4-lane access controlled) and the balance of 182 km, 2-lane Class 2 roads. The projected included of 16 kms of access or link roads . 2. Land Acquisition and Resettlement (4%) 3. Construction supervision (2.4%.) of TUDH and link roads. 4. Training (.6%.) 5. Study of inter -city and rural passenger transport (.3%.) 6. Equipment (8.5%) for operation and maintenance, laboratories, environmental monitoring, institutional strengthening and road safety. 			
c. Comments on Project Cost, Financing and Dates			
The estimated project cost included \$68.6 million in price and \$19.7 million in physical contingencies. These contingencies almost perfectly matched the overrun of construction cost . The main cause of the 10% overrun in total project cost was increased "purchases of equipment" and higher "taxes, fees and interest during construction".			
3. Achievement of Relevant Objectives:			
<ol style="list-style-type: none"> 1. Construction - this objective was achieved . The TUDH opened to traffic on August 20, 1998 and traffic engineering facilities were completed in June 1999. The defect liability period has ended and the road has passed quality tests. 2. Land Acquisition and Resettlement - costs were 20% higher than anticipated . An April 1999 supervision found the restoration and improvements in income, livelihood and productivity to be satisfactory and in accordance with the RAP (Resettlement Action Plan.) 3. Construction Supervision - the joint Chinese-foreign consulting companies performed satisfactorily and local staff gained extensive experience in supervision of high grade highway maintenance . 4. Training - was completed satisfactorily with particular benefits derived from overseas training and exposure to new ideas. The institutional strengthening impact was greater than the small sum expended might suggest; 			

much knowledge transfer was acquired on the job. Traffic safety training, equipment and the black-spot program were completed satisfactorily, but there has not yet been any significant decline in accidents.

5. **Study of inter-city and rural passenger transport** - this was completed with assistance from the Norway Transportation Research Institute. Some of the recommendations were implemented, contributing to much needed improvement in the performance of the subsector at a time of rapid market economic development of Xinjiang.
6. **Equipment** - equipment was procured at greater cost than planned but was put to its intended use and contributed to strengthening the agencies involved.

The EIRRs for the two stretches were re-estimated at 14.6% and 16.5% compared to 17.8% and 20.7% in the SAR. The overall EIRR was 15.4% versus 19.3% for the SAR. The difference was because of a slower than anticipated build up in traffic and slight overrun on project costs.

4. Significant Outcomes/Impacts:

1. Despite an increased volume of civil works (62.4 km of the highway was converted from 2 to 4 lane) overall project cost was close to appraisal estimates. XPD's expanded program of geotechnical surveys contributed to limiting the cost overruns.
2. The inclusion of The Linking Roads Program countered the then prevalent approach of limiting Bank finance to expressways themselves, benefiting mostly end-to-end traffic and limiting the project benefits to those alongside the expressway.
3. The timely completion of the 24-km connection within the city of Urumqi was constructed as agreed with domestic funds.
4. Protection of cultural heritage was particularly well handled and there were no unforeseen environmental impacts.
5. Provincial institutions have gained significant hands-on capabilities in handling such a complex project and the success is shown by approval of two further Bank road projects for the province.
6. Adoption of the FIDIC (International Federation of Consulting Engineers) contractual approach and the Bank's HDM (Highway Development Maintenance system) were important demonstration of the province's commitment to global standards.
7. The improved capabilities of the Project Execution Office (PEO) of the XCD led to PEO providing technical assistance to the three provinces of Ningxia, Inner Mongolia and Gansu while preparing the Tri-Provincial Highway Project in 1997.

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

Traffic forecasting was somewhat incautious - the overoptimistic projections coincided with an economic down turn in 1997. Despite this plans went ahead to upgrade some sections from 2 to 4 lane when the ERR for this incremental investment was probably negative.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Highly Likely	The only constraint appears to be financial and this only when toll fees are required to be set at a level to cover all direct costs (including debt service.) The high priority given by Government to the development of the West in general, and Xinjiang in particular, suggests that funding for infrastructure maintenance is most unlikely to be a problem.
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. Sustainability should be evaluated in the context of unique financing sources and mechanisms which apply in different Chinese provinces - there is a high degree of fiscal decentralization and hence of choice.
2. The efficiency of TA in China in general has been questioned because of its high cost and limited effectiveness as perceived by some provinces. This TA for Highway Projects has been considered successful by all parties involved (a judgement which also applied to the Bank-supported Tarum Irrigation Project in Xinjiang.)

8. **Assessment Recommended?** Yes No

9. Comments on Quality of ICR:

Satisfactory. The economic and financial analysis was particularly thorough and well -presented. Were it not for undefined acronyms and inconsistencies in the definition of components (between the main text and project cost annex), the rating would have been "Exemplary."