



China

28 Interior Regions Telecommunications Network Expansion Project

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This project's objective was to improve the poor communication condition and cope with the expected increase in demand in the future by expanding and modernizing local telephone communication networks in 6 provinces and autonomous regions in the interior regions of China, and thereby contribute to the promotion of economic development through the improvement of the investment environment.

Loan Amount/Disbursed Amount: 15,003 million yen/13,482 million yen

Loan Agreement: December 1996

Terms and Conditions: Interest rate, 2.3%; Repayment period, 30 years (grace period, 10 years); General untied

Final Disbursement Date: June 2002

Executing Agency: Ministry of Information Industry



External Evaluator: Yuko Kishino (IC Net Limited)

Field Survey: October 2004

Evaluation Result

In this project, installation and construction of local switches and fiber optic cable transmission lines, etc. were conducted almost as planned, except that the initial plan was slightly modified in some provinces and autonomous regions, reflecting technological innovation and results of an up-to-date demand survey. The project period was much longer than planned due to adjustments for changes to the original plan, delay in the contracting process, and adverse weather (heavy snow and sandstorms), etc. However, the project cost was lower than planned.

As a result of the project, the number of subscriber households with fixed telephone marked a 6- to 12-fold increase in each province and autonomous region, including a remarkable increase in Guizhou Province from 0.28 million in 1995 to 3.32 million in 2003. Telephone density also exceeded the planned level in each province and autonomous region.

The increase in the number of fixed telephone subscribers is thought to have contributed to the diffusion of the Internet. In Inner Mongolia Autonomous Region, the number of households using the Internet underwent a remarkable increase from 3,800 in 1998 to 1.61 million in 2001. In the

beneficiary survey, it was confirmed that subscription to a fixed telephone service saved time such as going out to make telephone calls, and more than 80% of the respondents said that their lifestyle has improved such as "facilitation of communication with their families and friends".

There is no problem with the technical capacity, operation maintenance system, or financial status of China Telecom and China Netcom, who carry out operation and maintenance.*

* 21 southern provinces and autonomous regions are covered by the service area of China Telecom and 10 northern provinces and autonomous regions are covered by the service area of China Netcom.

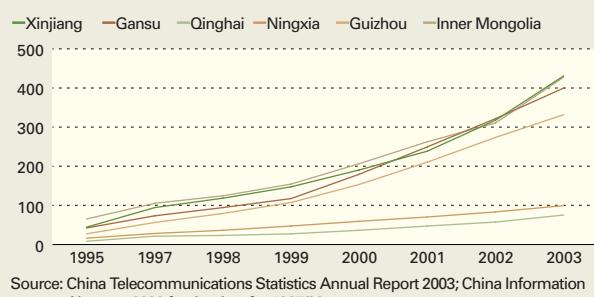
Third-Party Evaluator's Opinion

Establishment of communications networks in the inland regions is a high priority even today, and therefore this project is relevant. From the viewpoint of sustainability, financial conditions of some branches of China Telecom and China Netcom in poor areas need to be improved.

Third-Party Evaluator: Ms. Feng Yifei (media person)

Obtained a bachelor's degree in foreign affairs from China Foreign Affairs University, and a bachelor's degree in English and English Literature from Shanxi Teachers University. Presently a reporter for China News Weekly. Specializes in international relations of the United States and East Asia.

Changes in the number of households with fixed telephone



In addition to the increase in capacity of station switches caused by the project, reduction in the telephone installation charge, call charges and the basic rate, and improvement of telephone services are considered to be the factors contributing to the increased number of households subscribing to a fixed telephone service.

Result of the beneficiary survey

It is confirmed that this project has had a positive effect, leading to time-saving and improved lifestyle. Also, 83% of the respondents answered that they are "satisfied with the communication services provided today" because of improvement in the quality of telephone calls and line stabilization, showing that the project contributed to improved convenience for local residents.

