



Asia China

Hainan East Expressway Expansion Project; Hainan Development Project (Highway) (1) (2)



Constructing and expanding an expressway on Hainan Island, contributing to the island's economic development

[External evaluator]

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Rating

Effectiveness, Impact	a	Overall rating A
Relevance	a	
Efficiency	b	
Sustainability	a	

Project Objectives

To address increasing traffic and traffic safety concerns by constructing and expanding a 253-km highway on Hainan Island that links Haikou, the main city in the east, with Sanya in the north, thereby contributing to the economic development of the island.

Outline of the Loan Agreement

- Loan amount / disbursed amount:
 - (I) 7,100 million yen / 7,064 million yen
 - (II) 5,855 million yen / 5,814 million yen
 - (Expansion) 5,274 million yen / 4,103 million yen
- Loan agreement: (I) January 1991; (II) October 1991; (Expansion) March 2000
- Terms and conditions: (I) 2.5% interest rate; 30-year repayment period (including a 10-year grace period); general untied [consulting services: 0.75% interest rate; 40-year repayment period (10-year grace period); general tied]
 - (II) 2.6% interest rate; 30-year repayment period (including a 10-year grace period); general untied
 - (Expansion) 2.6% interest rate; 30-year repayment period (including a 10-year grace period); general untied
- Final disbursement date: (I) February 1996; (II) November 1997; (Expansion) July 2005
- Executing agency: Hainan Expressway Co., Ltd.
- Website URL: www.hi-expressway.com (in Chinese)

Effects of Project Implementation (Effectiveness, Impact)

Under these projects, the expressway between Haikou and Sanya was constructed and expanded. The average traffic volume between Haikou and Qionghai (located between Haikou and Sanya) was greater than the planned value, while the average traffic volume between Qionghai and Sanya was less. This is partly due to the fact that industrial production is concentrated in the north-eastern part of Hainan Island. At any rate, the traffic volume in all the sections is on the rise and travel times have been reduced by half in all the sections. A questionnaire survey of residents in the eastern part of the island showed that they largely appreciated the projects, citing such effects as reduced transport costs and the contribution to regional economic development.

Therefore, these projects have largely achieved their objectives and their effectiveness is high.

Relevance

This project has been highly relevant with China's national and regional policies and development needs at the times of both appraisal and ex-post evaluation.

These projects were designed to construct and expand a 253-km long east expressway linking Haikou and Sanya under the "Hainan Economic Development Strategy" for 1988-2000. They are also consistent with the policies of the 11th Five-Year National Development Plan for 2006-2010. Moreover, the projects are also consistent and in step with the economic development of Hainan.

Efficiency

Both project period and cost exceeded the plan; therefore the evaluation for efficiency is moderate. The projects cost more than planned (121% of the planned cost) and took slightly longer (104% of the planned period). Although the first and second phases of construction were completed as scheduled, the expansion work, which was carried out to cope with an increase in the traffic volume, took 120 months (10 years) to complete, five months more than the planned period of 115 months (9 years and 7 months).

Sustainability

No major problems have been observed in the capacity of the executing agency nor its operation and maintenance (O&M) system; therefore sustainability of this project is high. The overall management of the O&M of the expressway has been the responsibility of the Command Headquarters for Hainan East-artery Highway Construction at the Department of Hainan Transportation and Communications of the Hainan Provincial Government (The headquarters was privatized and relaunched as the Hainan Expressway Co., Ltd. in April 1993). The design and the construction management has primarily been the responsibility of the Institute of Highway Planning and Design of the Road Department of the Ministry of Communications.

Conclusion, Lessons Learned, Recommendations

In light of the above, this project is evaluated to be highly satisfactory. It is advisable to improve project management skills, including stricter construction management over the whole project process, in order to better cope with implementation contingencies. In these projects, a cost overrun* occurred due to such factors as the privatization of the executing agency, design changes due to unexpected geological conditions, and changes to the original plan upon request from local residents.

* A significant increase in the project cost