

**Third Party Evaluator's Opinions on ODA Loan Project
Qinhuangdao Port E and F Berth Construction Project (1) (2)**

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In this report, we analyze the ODA loan project from two criteria, relevance and effectiveness.

1. RELEVANCE

The project aimed to strengthen the capacity of Qinhuangdao port to handle miscellaneous goods and bulk cargo. In the past decade, with the china's rapid economy growth, the government hoped to increase the cargo handling capacity of coastal harbors including Qinhuangdao port. So we think the project objective was consistent with china's development policy and beneficiary's priorities. China's 10th Five-year plan(2001-2005) also refer to the provision of transport system in major harbor and large volume miscellaneous good transport system as its main theme. For this reason, the project continues to be important for china and qinhuangdao city.

During the period of the project implementation, because of the china microeconomic policy adjustment and some natural accident, the project was revised and changed greatly. In 1992, China government decided to reevaluate all new large-scale projects including the ODA project, which led to the delay of the project. Following the preliminary appraisal 2 year, to accommodate the larger ships, the design size and depth of berth were revised. The second main change occurred after the berths were completed. Two berths on the southern side of pier F would be changed to container yard by 2004. The main cause is that the employment of container for goods has been progressing rapidly, recently. Although change have happened to the project, the factors causing the change are not controlled by us, further, some change is done to adapt to the environment better and is necessary.

2. EFFECTIVENESS

According to some materials sourced from Qinhuangdao Port Group Co.(QPC), Qinhuangdao port's handling capacity for general cargo other than coal and oil need to be enhanced greatly, As the demand was expected to be large. The share of general goods has risen from 8% in 1991 to 12% in 2005, but the handling ability is limited. Following the completion of the project, the annual general cargo handling capacity of pier E and pier F respectively reach to 1.2 million ton and 1.8 million ton, the share of cargo handled by pier E and pier F was 30% of the total by Qinhuangdao port, so the project played a important role. As more and more general will be housed in container, the share of general cargo may be decline. The executing agency claimed that the container yard of pier E and pier F will be improved to satisfy the increasing use of container. At the present, steel materials account for 79% of handled cargo at pier E and pier F, which satisfy the mass production of steel in its hinterland. We think the project accelerate the hinter's economy growth.

As described in the ex-post evaluation, The financial internal rate of return(FIRR) is negative, below the 3.3% at the time of initial appraisal. We think the result is acceptable, the main reason is that the cost increased greatly caused by delay of the project and rise of price, during the long project implement period, the price of goods and human resource have risen dramatically, which directly led to the considerable rise of cost.

We conclude that the project's objective is consistent with china's development policy and beneficiary's priority, although the FIRR didn't reach to the expected level, the general goods handling capacity is met, we think that the objective of the project is realized.