

# **Country-led Joint Evaluation of the ORET/MILIEV Programme in China**

## **Terms of Reference**

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## **1 Justification**

So far most evaluations of development aid have been led by donors and were conducted to satisfy donors' requirements. As development assistance is moving towards a policy-oriented country-led approach, it is worthwhile to promote country-led evaluations that would increase partner country ownership of evaluations. For several years the evaluation units of the World Bank, UNDP and the Netherlands, and also the DAC Network on Development Evaluation, have been developing ideas on how to enable developing countries to play a different role in evaluations of their development policies.

In 1999, IOB organised a review of the ORET/MILIEV Programme (IOB-Evaluation No 283). At the time of the review the number of completed activities was so limited that it was not possible to elaborate on their results and on the results of the programme as a whole. At the same time, as the recipient countries did not attach sufficient importance to the evaluation, their perspective was hardly manifested in either the evaluation design or report.

After a period of one year of exchange and discussion, NCSTE and IOB co-initiated this "first generation" of a CLE (Country-led Evaluation) in September 2003.

## **2 Background**

### **2.1 Brief Introduction to the ORET/MILIEV Programme**

The ORET/MILIEV programme is a development co-operation grant with a commercial loan designed to help generate employment, boost trade and industry in developing countries and improve environmental quality. The programme reduces the costs to recipient countries of commercially non-viable projects through the award of grants for the purchase of capital goods and/or services from the Netherlands as well as assists Dutch companies to get access to markets in developing countries.

The ORET programme was launched in 1983 as a combination of programmes run by the Netherlands' Ministry of Economic Affairs and the Netherlands' Ministry of Foreign Affairs (Directorate-General for International Co-operation). These transactions were initially financed through the award of soft loans to developing countries. The programme assumed its present form in 1991, when loan-based financing was replaced by the award of grants to cover part of the transaction costs.

The MILIEV (Industry and Environment) programme was set up in 1993 with the aim of promoting projects with a positive environmental impact. MILIEV financing had a larger grant element but was otherwise identical to ORET financing. On 1 January 1998, the two programmes were merged to form the ORET/MILIEV programme, which no longer applies separate criteria.

For many years, ORET/MILIEV had been a grant programme within the Directorate-General for International Co-operation of the Ministry of Foreign Affairs. Since 14 February 2002, the Netherlands Investment Bank for Developing Countries (NIO), a

wholly owned subsidiary of the Netherlands Development Finance Company (FMO), has been authorised to administer the programme in consultation with the Ministry of Economic Affairs. An ORET/MILIEV grant must be applied for by the Dutch company that wishes to implement the project.

If the application is approved, the grant is allocated to the developing country by NIO. The grant agreement contains a clause whereby the developing country authorises NIO to make payments directly to the supplier from the grant. The grant is awarded to the developing country, but is in fact used for these direct payments to the supplier.

Approval of a grant application – in the shape of a formal decision – gives the applicant a claim on financing from the Dutch authorities, and as such qualifies as a grant under the terms of the General Administrative Law Act (AWB). A Dutch company that applies for a grant to be awarded to a developing country is thus an applicant within the meaning of the AWB. The legal basis for ORET/MILIEV is article 2.7.4 (h) of the Ministry of Foreign Affairs Grant Regulations (Government Gazette 1998, no. 249).

The ORET/MILIEV programme is subject to a number of international rules and agreements. Since grants must be used to purchase deliveries from the Netherlands, ORET/MILIEV financing is regarded as a form of tied aid. It is therefore governed by EU Directives and by arrangements or Consensus of the Organisation for Economic Co-operation and Development (OECD), to curb state aid.

At present, the ORET/MILIEV programme has an annual grant budget of 104,369,000 Euro. Amendments to the budget are published in the Netherlands Government Gazette. The maximum amount that can be awarded to any one company or group of companies per year is 20% of the available annual budget. The same limit is also applied to the total amount that can be awarded to a single country, with the exception of China. In general, the ORET/MILIEV grant will normally equal 35% of the total value of the transaction and 65% of the total transaction will come from Dutch side.

### **2.1.1 General Information of ORET/MILIEV Programme in China**

During the period of 1991 to 2003, 86 ORET/MILIEV projects were approved to conduct in China with a total grant amounting to 210,632,928 Euro and a total transaction amount of 469,373,412 Euro. A transaction represents the whole amount, the grant part as well as the commercial part. The average grant rate of the transactions is about 45%.

Among the 86 projects, 40 projects have been finished (47% of the total number) and 46 projects are on-going (53% of the total number). With regard to the total grant amount as well as total transaction amount, finished projects take a share of about 33% and on-going projects 67 %.

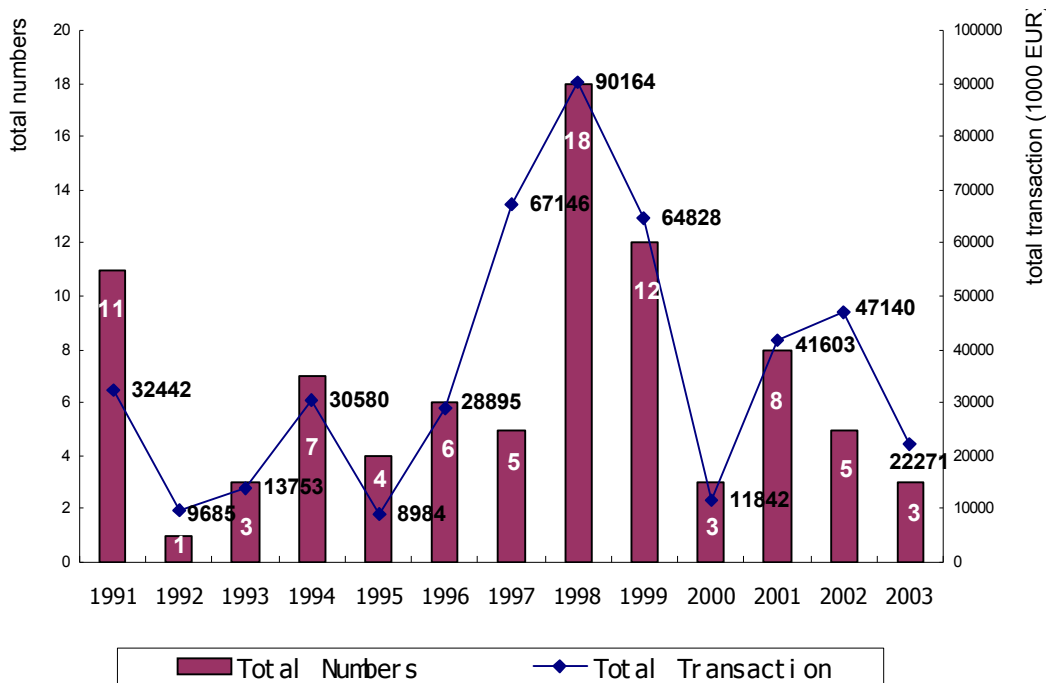


Figure 1 Numbers of project approved and total transaction each year

In Figure 1, the numbers of approved projects vary considerably over the years from 1991 to 2003, with a sharp peak in 1998.

### 2.1.2 Distribution of the ORET/MILIEV Projects in China by Sectors

In line with the criterion of ORET/MILIEV Programme, and Chinese authorities' normal standards for industry classification, the projects can be categorised into 8 sectors which will also be referring to the future evaluation.

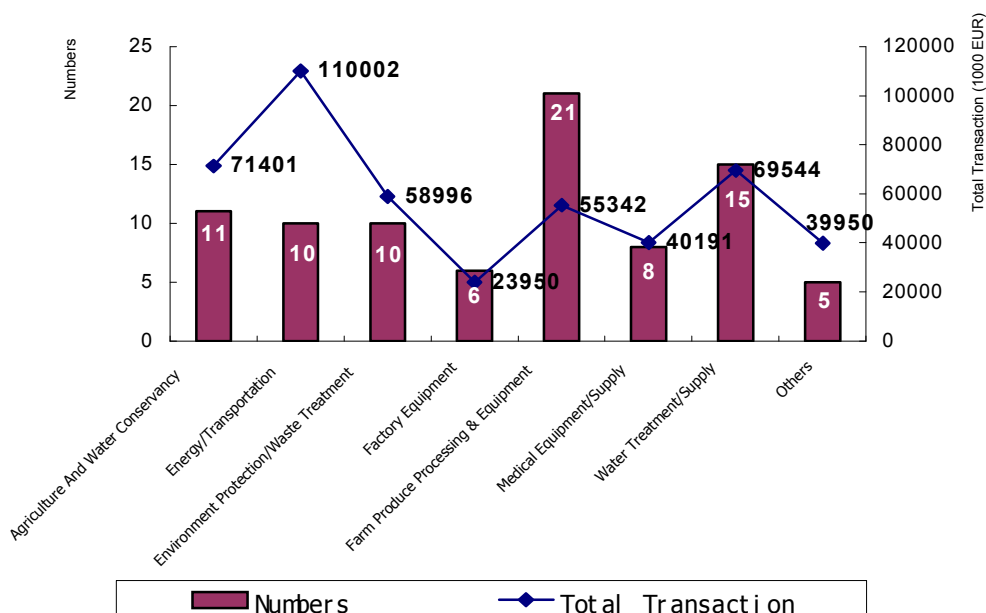


Figure 2 Numbers of project and total transaction by sectors

In Figure 2, Farm Produce Processing & Equipment sector takes a higher numbers of

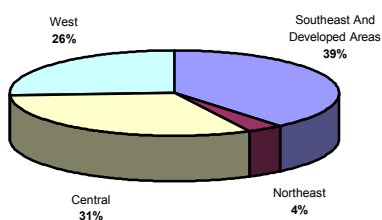
the projects (numbers 21, 24% of all of the projects). The Energy/Transportation sector takes a higher percentage of the total transaction (total 110,002,000 Euro, 23% of the total of transactions).

### 2.1.3 The Regional Distribution of ORET/MILIEV Projects in China

China's territory covers 9.6 million square kilometres, with 31 administrative provinces, municipalities and autonomous regions in the mainland and 3 special regions which will not be included for the ORET/MILIEV evaluation: Hong Kong, Macao Special Administration Region and Taiwan District.

With regard to the 31 provinces' geography location, and most importantly by referring to regional economic development levels and the Chinese government preferential or priority policy for development, China can be divided into 4 regions: **(1) Southeast and developed area:** including 9 provinces and municipalities whose economy level is above the national average; **(2) Northeast:** covering 3 provinces, the area used to be China's key industrial base between 1950's and 1980s, but its economy has declined since 1990s; **(3) Central:** including 7 provinces, whose economy is at national average; **(4) West:** there are 12 less developed provinces, municipalities and autonomous regions in China's western area, poverty reduction has long been the top agenda of development in this region.

**Number of Projects (1991-1998)**



**Total Transaction (1000 Eur) (1991-1998)**

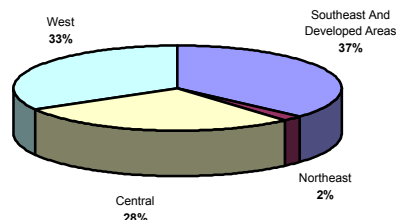
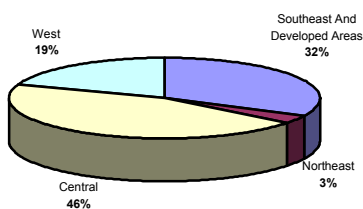


Figure 3-1 Regional Distribution of the ORET/MILIEV Programme (1991-1998)

**Number of Projects (1999-2003)**



**Total Transaction (1000 Eur) (1999-2003)**

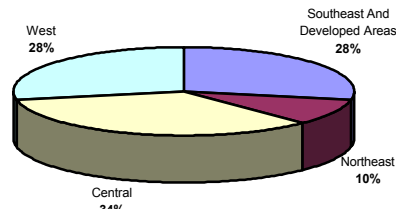


Figure 3-2 Regional Distribution of the ORET/MILIEV Programme (1999-2003)

In 1999, Chinese authority changed its management system for foreign development aid loans and some priority policies were initiated for the development in less devel-

oped areas. So an analysis of regional distribution of ORET/MILIEV projects, from the periods of 1991 to 1998 and 1999 to 2003 respectively, could be useful for the future evaluation.

#### **2.1.4 The Dutch Suppliers**

In the past 12 years (1991-2003) 54 Dutch suppliers were involved in the activities of the ORET/MILIEV Programme in China.

## **2.2 Policy and Management**

### **2.2.1 Netherlands' Relations with China: Trade and Economic Co-operation**

Establishing diplomatic relations in 1972, the Netherlands and China have signed many co-operation agreements, with a wide range of subjects like political, economic, culture, science and technology, and investment affairs.

During recent years, the bilateral trade and economic co-operation is increasing. In 2002, the trade value between the Netherlands and China reached US\$ 10.7 billion, an increase of 22.3 percent as against that of 2001, of which the Chinese export took up US\$ 9.1 billion and the import from the Netherlands was US\$ 1.6 billion, a respective increase 25.1 and 7.9 percent as compared to that of the previous year.

From the periods of 1979 to 2003, the projects invested by the Netherlands in China have come to 1125 with an agreed or contracted investment amounting to US\$ 9.4 billion, while the actual investment is US\$ 4.6 billion including the ORET/MILIEV Programme.

Up to now, the Netherlands has become China's second largest trade partner in Europe, after Germany.

### **2.2.2 Netherlands Development Co-operation and Tied Aid Programme in China**

The Netherlands does not have a structural bilateral development co-operation programme in China, but China qualifies for assistance of environment, education (exit strategy), good governance, human rights, the private sector as well as the ORET/MILIEV Programme.

By mid 2003, China is not any more on the Dutch list of development aid partners, but still remains entitled for the ORET/MILIEV Programme and to a limited extent of aid for human rights and good governance activities.

According to the ORET/MILIEV Regulation, the maximum amount granted to a single country per year is 20% of the available annual budget, with the exception of China as mentioned before.

Furthermore, China published its first China's EU Policy Paper on October 13, 2003, once again making it clear that China welcomes more EU development aid, especially in such fields as environmental protection, poverty-alleviation, public health and hygiene and education. China also welcomes a stronger and more active role of the EU



in human resources development, in particular, personnel training for China's central and western regions.

### **2.2.3 China's Priority Policies for Development**

#### ***Reform and Opening to the Outside World***

Starting from 1979, China adopted the policy of reform and opening to the outside world. A great number of changes have taken place in many domains such as political, economic, social, science and technology, cultural, and education. Chinese people enjoy the fact that their income, living standard and health care have been improved step by step in recent years.

China joined the World Trade Organisation (WTO) in 2001, which will increase the pace of China's economic reform. After the entry to WTO, it has become increasingly important for China to establish and/or reformulate its laws and regulations complying with WTO rules.

A milestone in reform was the Chinese government's policy-setting in the year 2000 that endorsed a stronger role for the private sector and accelerates the progress of its transformation from central planning economy to a market-oriented one. Government statistics have shown for the recent five years that non-state-owned firms accounted for more than half of China's GDP.

#### ***The Utilisation of Foreign Direct Investment (FDI)***

China started to introduce foreign funds in 1979. For the last two decades, i.e. from 1979 to 2000, China has attracted a total amount of 538 billion US Dollars foreign funds, which successfully helped China to develop its economy, improve social life and speed up the reform progress. From 1999 to 2003, China attracted about 50 to 60 billion US Dollars of foreign investment each year on average.

At present, China has continually enjoyed a growth of 7% to 8% for the last 10 years and become the sixth largest economy in the world, with a per capita GDP of 1000 US Dollars.

Nevertheless, considering China as a big country with a population of 1.28 billion and a land of 9.6 million square kilometres, 160 million or 12.5% of the total population were estimated by the World Bank in 2002 to still be poor. Moreover, there is growing inequality in China — between people, regions, cities and rural areas.

Concerning the above situation, Chinese government still emphasizes its policy of using foreign funds to combat poverty reduction and solve the problem of inequality.

#### ***The Policies of Utilising Foreign Development Aid Loans***

Promoting foreign development aid grants or government preferential loans has long been Chinese government's major policy of attracting foreign funds. From 1979 to 2000, China has used 18.4 billion US Dollar foreign development aid loans, with 1,746 projects in total and 1,654 projects being finished.

## ***China's Special Development Policies for Specific Regions***

After 1998, due to the implementation of China's special priority development policy, the relatively less developed central and western regions took 68% of the total foreign development aid loans in China, with the north-eastern, south-eastern region and the developed areas 32%.

**China's Western Development Strategy:** In 1999, Chinese Government launched a special development policy named "Western China Development Programme", which was one of the priority strategies of the central authority. Moreover, a special administration agency named West China Development Office under the State Council was established the year after.

China's western region has been suffering severe soil erosion, deforestation and desertification because of excessive logging and cultivation over the past decades. Furthermore, some long lasting problems like poor infrastructure, lack of water, inadequate access to quality health and education service, made the 12 provinces of the western region particularly poor. The per capita GDP of western region is only about 500 US Dollars, just half of that of national average (1000 US Dollars per capita).

On the other hand, the western region has a great potential developing capacity because it occupies 71% territory and 28% population of China with rich resource of minerals, oil, natural gas, etc.

In order to achieve the goals of its western China development programme, the Chinese government emphasizes the importance of promoting infrastructure construction, improving ecological environment, and stimulating the utilisation of foreign funds.

**China's Rejuvenating Northeast Strategy:** The three Northeast provinces of Heilongjiang, Liaoning and Jilin, known as the "industrial cradle of China," played a vital role in the country's industrial development from the 1950s to early 1980s.

However, many of the traditional industrial firms established in the 1950s have been struggling since the country moved towards a market-oriented economy two decades ago. The proportion of the region's industrial output value to the national total has dropped to 9 per cent from 17 per cent. Some state-owned industries were closed, resulting in large numbers of laid-off workers.

In 2003, the central government of China initiated a new strategy which will put the revitalisation of the north-east at the top of the agenda of the government.

## **2.3 The Management System and Implementers**

### **2.3.1 ORET/MILIEV Programme Management in the Netherlands**

The management of the programme was in hands of the Private Sector Department of the Ministry of Foreign Affairs until February 14 2002. Starting from that date, the Netherlands Investment Bank for Developing Countries (NIO), owned by the FMO, has been authorised to administer the programme in consultation with the Ministry of Economic Affairs.

For many years, the Netherlands Ministry of Foreign Affairs has been responsible for the ORET/MILIEV Programme budgets, processing of requests and the assessment of the development relevance of these requests. The Ministry of Economic Affairs was responsible for assessment of the export relevance of requests and assured their screening by the Consensus group (OECD Paris). The Ministry of Finance saw to the compliance with international tied aid agreements (EU, OECD) and matters regarding regular export credit insurance.

In recent years, namely from 1999 to 2003, the Dutch authorities have slightly modified the regulations concerning the management of ORET/MILIEV Programme. The last change was the ORET/MILIEV Regulations 2002, amended by Dutch government (no. DDE-0181.rd/02) in March 2002). The changes of ORET/MILEV Programme Regulation will be elaborated in the future evaluation.

### **2.3.2 Dutch Implementers**

Grant applications can only be submitted by companies registered and operating in the Netherlands. Dutch Companies must have sufficient export experience, show adequate technical, organisational and financial capacity to successfully carry out the transaction and generally be able to contribute to sustainable economic relations with the developing country. Applicants must also be able to provide guarantees on request.

When applying for the ORET/MILIEV Programme, the Dutch applicant must first ascertain whether the project concerned appears on the list which has been drawn up jointly by the Dutch and Chinese authorities.

### **2.3.3 ORET/MILIEV Programme Management in China**

Concerning the management of foreign government loans, China's Ministry of Finance (MOF), the State Development and Reform Commission (SDRC), the State Administration of Taxation (SAT), the General Administration of China's Customs (GACC), the State Administration of Foreign Exchange (SAFE), and the National Auditing Office (NAO) are the main authorities. Among the above organisations, MOF and SDRC are most important units dealing with the Netherlands' ORET/MILIEV Programme.

Starting from 1999, the Ministry of Finance (MOF) took over the responsibility for foreign development aid loans from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). A number of new policies and regulations were developed by MOF thereafter.

One of the most important changes was the on-lending categories on the Chinese side. At the moment, MOF adopts three kinds of grant of foreign government loans: 1) The central or local government is the borrower of foreign government loans, and it will bear the obligation to reimbursement; 2) The end-user is the borrower, and the local government will be responsible for the warranty; 3) The end-user is the borrower, and the on-lending bank will be responsible for the reimbursement.

On February 19, 2000, the Chinese MOF issued a regulation related to the Netherlands' ORET/MILIEV Programme — “The Notification of the Utilisation of Nether-

lands' Government Loan". This regulation deals with the main characteristics of the ORET/MILIEV Programme and the procedures of application in China.

In 2002, MOF adopted another important new regulation which has put all transactions financed with tied aid from foreign donors out to public tender by China. This regulation might have, to some extent, influence over the Dutch suppliers. For the ORET/MILIEV Programme, MOF issues a tender for the project and places it on the web site: [www.chinabidding.com](http://www.chinabidding.com).

In March 2003, China's People's Congress approved the reorganisation of the new cabinet, introducing a new and powerful authority — the State Development and Reform Commission (SDRC), which was established on the basic structure of the former State Development and Planning Commission (SDPC). The former SDPC and the later SDRC also took an important role in the management of foreign funds, including the planning of the utilisation of foreign development aid loans, approval of projects feasibility studies and the scale of the project.

One important regulation is related to the official approval of the utilisation of foreign development aid loans. At the application phase in China, the central government's SDRC is authorised to make an assessment and approval for the projects which are bigger than 5 million US dollar, and the local government at province level (development and reform commission) can only make a decision for the projects that are less than 5 million US dollar.

#### **2.3.4 Chinese Implementers**

In China, the contracting party and/or the end user of the ORET/MILIEV Programme can be a central governmental organisation, a local authority, a company, a hospital, a school, a research institute or an agricultural farm. It can also be a private company.

Moreover, Chinese window-companies or "purchasing companies", specialised for the purchasing of foreign grant related equipment, and on-lending banks play an important role in the implementation of the ORET/MILIEV Programme as well.

### **3 The Objectives of the Evaluation and Key Issues**

#### **3.1 The objectives of the evaluation**

The objective of the evaluation is to assess to what extent the ORET/MILIEV programme (through its activities/projects) has fulfilled the Netherlands' and China's policy objectives, needs and priorities. The evaluation will also verify whether the funds have been used appropriately and efficiently.

This evaluation aims to provide both the Chinese and Dutch sides with information for programme improvement as well as for policy formulation.

## 3.2 Key issues and questions

The evaluation will assess:

- At the policy and programme level: the relevance to the Netherlands' and China's policies, needs and priorities; and
- At the transaction level: the efficiency of processing of requests for co-funding of export transactions, the efficiency of the transactions themselves as well as efficiency of management and procedures; and
- At the project level: the effectiveness of these projects as regards their own objectives and with regard to programme objectives and conditions.

In the design of the methodological approach of the evaluation and the field studies the key questions will be further elaborated. Some key questions may not lend themselves to systematic analysis, because comparable and valid data may be less prevalent than expected. However, if problems in systematic data gathering should occur, nevertheless all relevant anecdotal or ad hoc information will be gathered to allow for feedback to the policy makers. This may occur for example on the utilisation of foreign government loans since China's entry into WTO, the influences of the membership on the approval of the projects and the purchase of equipment as question related to the policy relevance.

Different views may exist from organisation to organisation and from target group to target group on the key issues. Hence the evaluation must objectively identify these different views and make an impartial judgement and assessment, based on the facts.

In the following paragraphs factual questions are mentioned first, followed by questions related to opinions of the various stakeholders.

### 3.2.1 Policy Relevance

Policy Relevance refers to the extent to which the programme objectives and the effects of the activities are consistent with national/local authorities' needs as formulated in their policies, global priorities and donors' policies.

#### *Questions*

In 1999, the Chinese government launched the Western Development Strategy, a special priority plan for the western region development. What is the change in number of projects (or %) approved in the western region before and after 1999.

Have the projects been listed as priority projects in the local development plan?

Are the projects in line with sector development strategies?

Are the projects in accordance with the Chinese policy with regard to environmental issues?

Are the projects in line with the Dutch Development Policy with regard to poverty alleviation, gender and environment and the specific ORET/MILIEV policy regarding enhancing Netherlands trade to China?

To what degree are government officials, on-lending banks, suppliers, window companies and end users well informed about the objectives of the programme? What adjustments should be made in their view to the objectives of the programme?

### **3.2.2 Efficiency**

Efficiency indicates to what degree the achieved outputs have been delivered as agreed on transaction as well as programme level and whether it could have been done more cheaply or more quickly.

#### *Questions*

Have the projects achieved the outputs according to the time schedules and budgets?

Have the projects experienced delays during the implementation? What are the main causes for delays?

Does the condition (60% or more of the transactions should be sourced in the Netherlands) result in higher prices?

Are the procedures and time cycle for project application, appraisal and approval considered reasonable by the end users, the organisations received ORET/MILIEV funds?

### **3.2.3 Effectiveness**

Effectiveness indicates to what extent the agreed objectives of the programme have been achieved. The effectiveness can be expressed in the direct benefits of the target groups.

#### *Questions*

Did the programme facilitate Dutch suppliers' access to China's local and/or national market?

Have skilled job opportunities been created in the projects in China?

Is the equipment still operational and maintained after the projects finished?

What are the opinions of the end users on the sustainability of the projects in terms of the maintenance, services and the after-sale provisions of spare parts?

### **3.2.4 Impact, or ex-post relevance**

Impact concerns the intended or unintended, positive and negative long term effects produced by the development intervention.

### *Questions*

Are projects being replicated?

Do projects have a negative impact on the environment?

Do they have a negative impact on the poverty situation?

Do the projects have an impact on the situation of women?

Is there a trade-off, resulting in an increase in trade between China and the Netherlands, of the programme?

What are the opinions of the end users on the impact of the activities?

### 3.3 Evaluation matrix

The policy context and the decision making process will be evaluated, but are not included in the evaluation matrix. Furthermore, the opinions of stakeholders are also not included. The matrix is limited to factual information and concerns only the finished projects.

<b>Targets</b>	<b>Indicators</b>	<b>Sources</b>	<b>Method</b>
<b>Input</b> Investments (loans, grants and Chinese match funds) Training in skills	Loan amount Grant amount Chinese match funds Courses organised and trainers sent to China	Appraisal report Grant agreement Contract	Interviews Desk study
<b>Comparison between inputs and outputs/Efficiency</b>			
<b>Output</b> Realisation of project specific objectives Employment creation in the projects Improved skills in the projects	Sector specific indicators (to be specified) Successful trained personnel Number of jobs in the projects Creation of skilled labour	Appraisal report Contract Financial report Progress report Final/Eval. report	Interviews Desk study Field study
<b>Degree to which outputs contribute to outcome/Effectiveness</b>			
<b>Outcome</b> Sustainability of finished projects Sustainable employment Facilitating Dutch suppliers' access to Chinese markets and promoting export	Number of projects still functioning X years after closure Number of jobs still existing X years after closure Additional Netherlands export to China resulted from the programme New supplier representative offices in China	Final report Evaluation report Workshop Statistics book Media	Interviews Desk study Field study
<b>Degree to which outcome lead to intended impact/Relevance</b>			



<p><b>Impact</b></p> <p>Contribution to China's social/economic development at regional level</p> <p>Projects replicated elsewhere</p> <p>Contribution to bilateral trade</p> <p>No harm to the environment</p>	<p>Changes in social economic development at regional level (to be specified)</p> <p>Number of replicated projects as mentioned by 'end users'</p> <p>Level of economic co-operation China-Netherlands</p> <p>Number of projects which harmed the environment</p>	<p>Evaluation report</p> <p>Policy documents</p> <p>Statistics book/Statistical Departments</p> <p>Reports of the UN and the WB</p> <p>Media</p>	<p>Qualitative study of social economic development at regional level</p> <p>Interviews</p> <p>Desk study</p> <p>Field study</p>
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## **4 Scope and Methods**

### **4.1 Scope**

#### **4.1.1 The evaluation period**

As mentioned earlier the period between 1991 and 2003 will be taken as the evaluation period. The evaluation will cover 86 projects executed during this period.

As the Review of the ORET/MILIEV Programme conducted in 1999 was an overall assessment on the implementation of the programme over the period 1994-1999, the evaluation to be conducted will restrict its study of the issues of administration to the period 1998-2003.

The evaluation will take ORET and MILIEV as a whole to make investigations, analyses and researches.

#### **4.1.2 The time demarcations**

In the course of the programme, great changes have taken place in China. In order to study the relevancy, we need to analyse changes of the data of projects with time and to assess whether the programme objectives and the effects of the activities are consistent with national/local authorities' changing needs. The time demarcations will be tentatively decided as following:

- 1999 can be considered a turning point, when China's Western Development Strategy was launched and meanwhile the administration of foreign aid loan was shifted from MOFTEC to MOF.
- The data in 2003 can be used to describe the current status of the programme and to study effects of the policy and administration changes above mentioned. For instance, in data analyses, the regional distributions of 1999 and 2003 will be compared to see if the changes in policy on the Chinese side effected the appraisals of the project applications.

#### **4.1.3 The case selection**

Due to the coverage of the Review in 1999 (including other 4 countries apart from China), the number of cases of the field study in China was limited. In addition, because of the limited number of the finished projects at the time of the review, the measurement of the effectiveness and the impact was impossible to carry out.

The evaluation will be focussed on the implementation and the results of the Program in China. Currently 40 projects are finished, among which about 20 have been finished for at least five years and 9 for three years.

To approach representativeness in this evaluation, cases for the field study should be selected taking into consideration the following:

- There will be no restrictions on field studies imposed by Chinese administrators (the evaluation team will choose field study cases freely).
- Cases will be selected as stratified samples. The selection will depend on location, sector and other criteria to be further discussed.
- 50% (20 projects) of the finished projects and 20% (10 projects) of the ongoing projects will be selected as the cases. In the fieldwork special attention will go to finished projects to be able to make judgements about the effectiveness and impact. Quantitatively, the selected cases will account for 35% of the total projects and about 40% of the whole transactions.
- Geographically, the selected cases will cover 15 provinces. Despite the fact that the cases only cover 15 of the 22 provinces, they will ensure the representativeness, because there are only 1 or 2 projects in each of the 7 other provinces. Furthermore the 7 other provinces share geographical and economic similarities with neighbour provinces, whose projects have already been selected as cases.
- In terms of the different sectors, the selected cases will cover all the 8 sectors in the programme. More cases are chosen from the sectors involving more projects. About 30-50 % of the projects in each sector will be selected as cases.

## 4.2 Research Methods

### 4.2.1 Desk studies

During the phase of desk studies, project documents and relevant data will be collected and systematised; some key stakeholders will be interviewed. The output from the desk studies will be prepared as background material to be included in the evaluation report. The main approaches of the desk studies are the following.

#### *Archive research*

The 86 projects will be studied on the bases of the available information in the project files both in Netherlands and China. Archive research will go through the files to get information about the different aspects related to the evaluation questions. The fieldwork can serve as validation of the findings coming out of the archive work.

#### *Data compilation*

Data compilation includes collecting, sorting and analysing data as well as setting up a database. The data include the distribution of the projects in 8 sectors, the regional distribution of the projects and the changes of these distributions with time.

## ***Policy analyses***

Dutch policy and Chinese policy will be studied respectively by the two parties before exchanges are made to decide the congruency and conflicts in the policy of the two countries.

As China is undergoing a period of great changes in policy, a great number of policies have been promulgated and many changes have been made as well. Some policies are directly relevant to the use of foreign government loans. Some are seemingly irrelevant, but have direct or indirect impact on the programme by various means such as foreign trade policy, foreign exchange administration, industry policy, regional policy, etc. The analyses of policies will involve different types of policies, including, macro policy, regulations on internal administration, the agreement of the two parties, etc.

### **4.2.2. Field Study**

The field study will be undertaken in the location of case selected. Its purpose is to collect information (opinions as well as facts, qualitative as well as quantitative) on case level in line with key issues and questions.

Before the field work starts, the evaluation team will propose a detailed ‘interview outline and procedure’, which should be applied to all the field studies.

### **4.2.3 Stakeholder Dialogue Approach (SDA)**

In order to hear the viewpoints from various perspectives the evaluation should take a Stakeholder Dialogue Approach to promote awareness and help create mutual trust between people with different viewpoints. An important aspect of the SDA is to organise Round Table Workshops with the selected stakeholders. The round table workshops can invite ‘end-users’ as participants in order to encourage the use of the evaluation results.

The evaluation team will be responsible for the design of the rules and procedure of the SDA workshops. The purposes of the SDA workshop are:

- Gather information from selected stakeholders
- Test preliminary conclusions
- Make stakeholders well informed on the process of the evaluation and listen to their comments on the results of the evaluation.

Two SDA roundtable workshops will be organised during the evaluation for which local officials, end-users and residents will be invited to participate.

## 5 Reporting and Products

*The products coming out of the evaluation will be the following:*

- Main Evaluation Report
- Field Study report and Desk Study report
- Results from the SDA Workshops
- Annexes:
  - Key terms used
  - Terms of Reference
  - Additional statistical tables and background materials
  - Methodological notes
  - Evaluation process (procedures, persons met)
  - Bibliographic references
  - Data base of the Programme
  - The Policy and Operation Evaluation Department (IOB)
  - National Center for Science and Technology Evaluation (NCSTE)

The main evaluation report will be written in both Chinese and English.

*Evaluation reports are officially sent to:*

- Dutch Parliament
- National People's Congress of China
- Ministry of Finance of China
- Ministry of Foreign Affairs of the Netherlands

*Dissemination of the reports:*

- State Development and Reform Commission of China
- Ministry of Foreign Affairs of China

- Ministry of Commerce of China
- Ministry of Science and Technology of China
- The local financial administrations in China
- FMO
- End users
- Suppliers
- Related banks
- Industry associations
- Research institutes
- Other stakeholders

## 6 Organisation and Timetable

IOB and NCSTE will structure the evaluation as follows:

**The Steering Committee (SC)**, to take decisions on the evaluation. Co-chairs: The Executive Director of NCSTE, Mrs. Chen Zhaoying, and the Director of IOB, Mr. Rob van den Berg. The project co-ordinators from NCSTE and IOB, respectively Mr. Han Jun and Mr. Hans Slot are appointed as members of the Steering Committee.

**The Reference Group (RG)**: gives advice and support. The following will be invited to become members of the RG: Chinese MOF; SDRC; UNDP China/Khalid Malik; RNE Beijing; FMO; Chinese expert (to be decided); Casper van der Tak.

**Team Leaders (TL)**: fieldwork and other studies

The following **key moments** are recognised in the evaluation, in which the RG will be involved and the SC will take any decisions necessary:

- Design of the field/desk/case studies
- Draft reports from the field studies
- Draft synthesis report

The evaluation is tentatively scheduled to be completed in April 2005.

## 7. Budget – NCSTE (funding 80% IOB and 20% NCSTE)

Items	2004/04-2005/04 (12months)				Funded by		
	Expenses	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)	IOB	NCSTE
<b>1. Human Resources</b>							
1.1 Salaries (gross amounts, project staff)							
1.1.1 Technical expert	Per month	48	2,300	110,400			
1.1.2 Assistant surveyor	Per month	6	1,600	9,600			9,600
1.1.3 Administrative/Support Staff	Per month	12	1,100	13,200			
1.2 Subsidies (gross amounts, consultants)	Per hour	300	10	3,000			
1.3 Subsidies (gross amounts, translator)							
1.3.1 Document translator	Per hour	500	8.5	4,250			
1.3.2 Simultaneous interpretation	Per hour	40	50	2,000			
<b>Subtotal Human Resources</b>				<b>142,450</b>	<b>132,850</b>		
<b>2. Travel</b>							
2.1. International	Per flight	16	600	9,600			
2.2 Domestic travel	Per flight	60	180	10,800			
2.3 Per diems for international travel	Per diem	48	237	11,376			
2.4 Per diems for domestic travel	Per diem	120	103	12,360			
<b>Subtotal Travel</b>				<b>44,136</b>	<b>44,136</b>		
<b>3. Equipment and supplies</b>							
3.1 Computer equipment				5,000			
3.2 Furniture							
3.3 Office/project cost(phone,fax,copy,miscellaneous)	Per month	12	600	7,200			
<b>Subtotal Equipment and supplies</b>				<b>12,200</b>			<b>12,200</b>

<b>4. Other costs, services</b>						
4.1 Publication(English)	copy	500	20	10,000	10,000	
4.2 Publication (Chinese)	copy	500	20	10,000		10,000
4.3 Data collection/Processing				3,000		3,000
4.4 Seminars/Workshop/Conference ( in China)				24,000	24,000	
<b>Subtotal Other costs, services</b>				<b>47,000</b>		
<b>5. Other</b>				8,000		8,000
<b>Subtotal Other</b>				<b>8,000</b>		
<b>6. Subtotal direct project costs (1.-5.)</b>				<b>253,786</b>		
<b>7. Contingency reserve (maximum 5 % of 6., direct project cost)</b>						12,689
<b>8. Total costs (6.+7.)</b>				<b>266,475</b>	<b>210,986</b>	<b>55,489</b>

**Note:**

- 1) This budget spreadsheet is formulated according to the working plan discussed by IOB and NCSTE with a period of 12 months;
- 2) The budget only refers to the expenditure of NCSTE that will happen in the future evaluation;
- 3) Chinese team: 4 evaluators experts in full time i.e 4\*12=48(man-month); 3 assistant surveyors put into fieldwork about 2 months, i.e 6 months in all; administrative/support staff: 2 persons, 50% time, total: 2\*6=12(man-month.); the unit rate under the item of human resource is worked out based on the previous international projects experiences;
- 4) International flight: 8 person-time need to work in Netherlands, 6 working days each time, total flights: 8\*2= 16(single flight); total working days: 6 day x 8 person = 48 person-day; the rate of per diem is based on the rate provided by IOB;
- 5) Total per diems for domestic field visit: 2 person interviewing 30 projects, each project take 2 days(travel consumption included), total: 30\*2\*2=120(man-day); means of travel include: airplane, train and buses, estimated numbers of flight: 2 person \* 2 flights \* 15 provinces = 60 flights;
- 6) Among the total budget of 266,475 Euro, IOB bears 79.2% (210,986 Euro) and NCSTE 20.8% (55,489 Euro).

## 8 Budget – IOB

Item	# of units	Unit price in Euro	Euro
Reference Group and additional advice in China	28 days	600	16.800
Research assistant in the Netherlands	6 months	4.840	29.040



Travel research assistant to China	2	4.000	8.000
Seminar in the Netherlands	1	15.000	15.000
Contingency 5 %			3.945
<b>TOTAL</b>			<b>72.785</b>

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