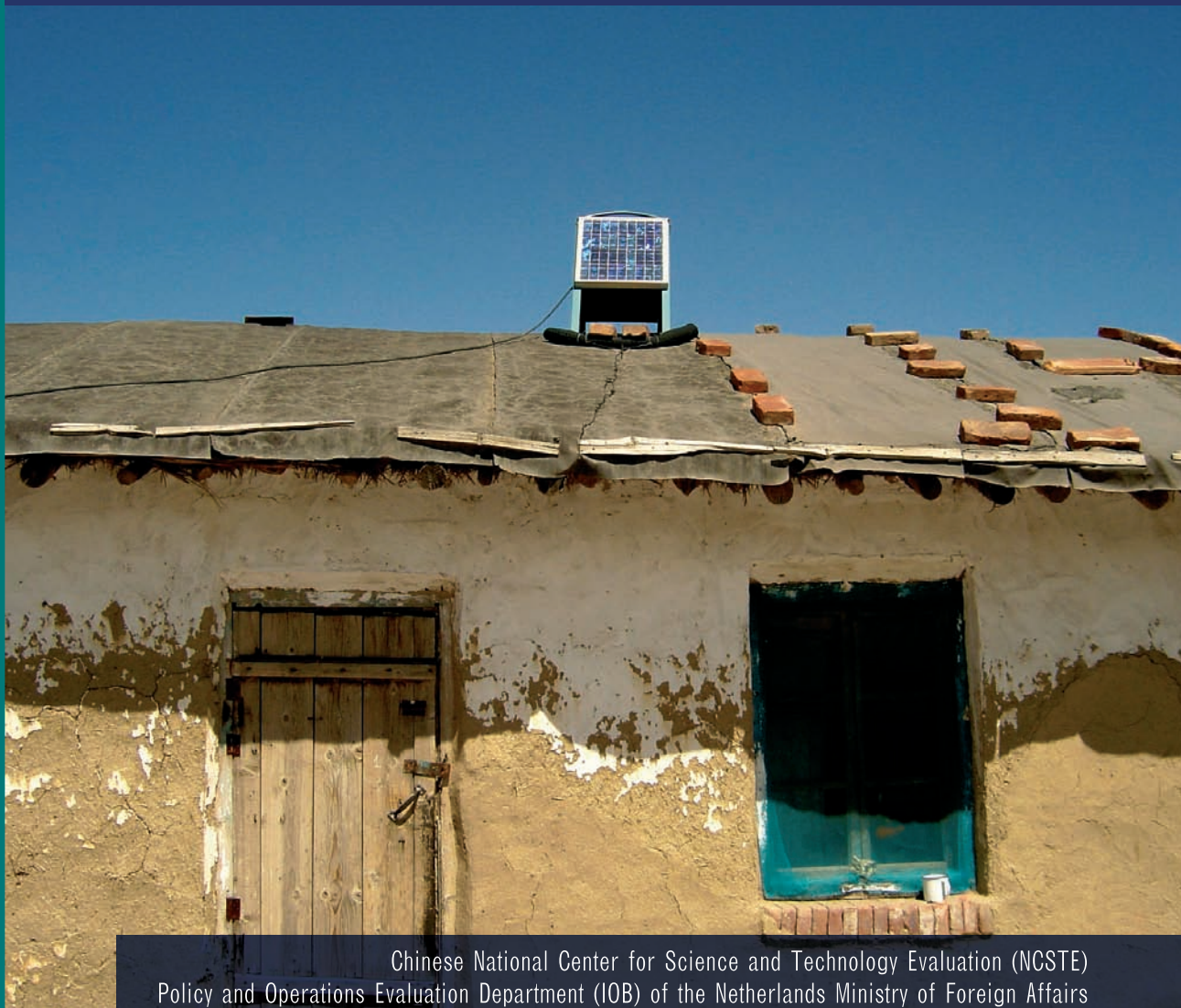


Country-led Joint Evaluation of the ORET/MILIEV Programme in China

The Development and Environment Related Export Transactions Programme



Chinese National Center for Science and Technology Evaluation (NCSTE)
Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs

aksant

COUNTRY-LED JOINT EVALUATION
OF THE ORET/MILIEV PROGRAMME IN CHINA

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THE DEVELOPMENT AND ENVIRONMENT
RELATED EXPORT TRANSACTIONS PROGRAMME

NCSTE (China) and IOB (the Netherlands)

aksant

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Preface

The Development and Environment Related Export Transactions (ORET/MILIEV) programme is designed to generate employment, boost trade and industry, and improve environmental quality in developing countries. China is among the main recipient countries of ORET/MILIEV grants. Since the start of the programme, China has undergone rapid and impressive changes. Today, the country is facing a number of serious challenges, including environmental pollution and growing social disparities, of which the Chinese government and the general public are increasingly becoming aware. Chinese stakeholders are convinced that the ORET/MILIEV Programme can contribute to the solution of many of these environmental and social problems now and in the future.

This evaluation of the ORET/MILIEV Programme has been a truly joint exercise based on a strong donor-recipient partnership. It was initiated jointly by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs and the Chinese National Center for Science and Technology Evaluation (NCSTE). While the Chinese partner took the lead in the design and implementation of the evaluation, supported by IOB, both partners shared responsibility for the overall process. The evaluation was carried out independently of stakeholders on both sides. Nevertheless the strong partner country involvement in the evaluation met with positive feedback, particularly from the Chinese stakeholders. They believe that the joint character of the exercise itself, and the publication of a joint report, will encourage the dissemination of the evaluation results. The findings will provide a solid basis both for Dutch and Chinese decision makers for future policy formulation, and for stakeholders for improving programme management.

As an evaluation institute, NCSTE has visibly improved its professional capacity during the exercise. The acquired knowledge and experience have been applied in other programme evaluations in China and have been shared with other Chinese evaluators. For IOB too, this joint evaluation was a new experience, in that it brought together two different evaluation cultures and systems. This experience was timely, given that recipients of development funds today are more explicitly considered responsible for their own development efforts and for the evaluation thereof.

The evaluation was carried out by a NCSTE team, led by Chen Zhaoying, with core members Han Jun, Fang Yan, Shi Xiaoyong, Yang Yun, Zhai Qijiang and Gao Wenyi, and Hans Slot from IOB. The fieldwork was mainly executed by the core team of NCSTE. In the Netherlands, research assistant Katelijne van Wensen conducted meticulous desk studies. Chen Zhaoying, Han Jun, Shi Xiaoyong and Hans Slot were responsible for preparing the final version of the report. Particular acknowledgments go to coordinators Hans Slot and Han Jun, who ensured an effective dialogue throughout the whole evaluation process.

The report benefited from the extensive comments and suggestions from staff of the Netherlands Ministry of Foreign Affairs and from the members of the reference group. A special word of thanks goes to Casper van der Tak who, due to his extensive knowledge of Chinese society, helped to bridge the gap between eastern and western cultures.

We would like to extend our appreciation to Rob van den Berg, former director of IOB, for his support for joint evaluations in general, and for this exercise in particular. We also owe our appreciation to representatives of the Chinese Ministry of Finance, the State Development and Reform Commission of China, UNDP China, the Royal Netherlands Embassy in Beijing and the Netherlands Development Finance Company for their contributions. Based on their insights and experiences they were able to provide valuable advice and support to the evaluation team. IOB and NCSTE are grateful to the Chinese local governments, end users and all the stakeholders who were interviewed during the evaluation for their active participation, for providing logistical support for the fieldwork, and for sharing their critical comments on the programme with the evaluation team.

While this evaluation benefited from the knowledge, viewpoints and experiences of these many different individuals, the final responsibility for the evaluation report remains with NCSTE and IOB.

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Acting Director Policy and Operations Evaluation Department (IOB)

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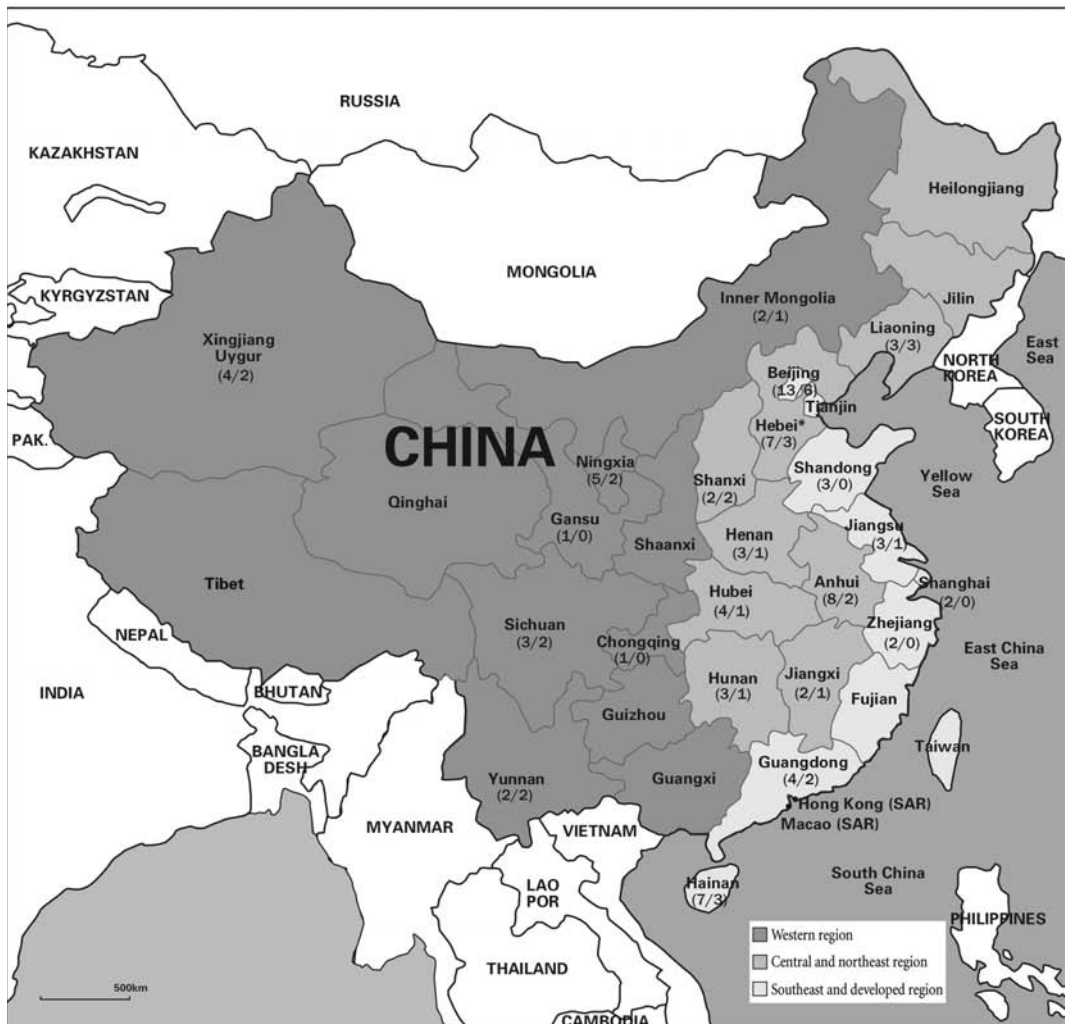
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Abbreviations and acronyms

AWB	General Administrative Law Act
CIRRS	Commercial Interest Reference Rates
CLE	Country-led Evaluation
DAC	Development Assistance Committee (OECD)
DDE	Sustainable Economic Development Department
DGIS	Directorate-General for International Cooperation
DRC	Development and Reform Commission
DSS	Decision Support System
ECA	Export Credit Agency
FB	Financial Bureau
FCC	Final Certificate of Completion
FDI	Foreign Direct Investment
FGLS	Foreign Government Loans
FMO	Netherlands Development Finance Company
GA	Grant Agreement
GACC	General Administration of China's Customs
GDP	Gross Domestic Product
IOB	Policy and Operations Evaluation Department
IPC	Inter-ministerial Project Committee
LCLS	Less Concessional Loans
LDCS	Less Developed Countries
MCP	Mixed Credit Programme
MDCG	Municipality Directly under Central Government
MDG	Millennium Development Goals
MEA	Ministry of Economic Affairs, the Netherlands
MFA	Ministry of Foreign Affairs, the Netherlands
MILIEV	Industry and Environment Programme
MOF	Ministry of Finance, China
MOFA	Ministry of Foreign Affairs, China
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
NAO	National Auditing Office
NCSTE	Chinese National Center for Science and Technology Evaluation
NEI	Netherlands Economic Institute
NIO	Netherlands Investment Bank for Developing Countries

NPC	Chinese National People's Congress
OECD	Organization for Economic Cooperation and Development
ORET	Development-related Export Transactions Programme
ORET/MILIEV	Development and Environment Related Export Transactions Programme
PAF	Poverty Alleviation Fund
PBOC	People's Bank of China
PSD	Private Sector Department
RG	Reference Group
RMB	Renminbi (Chinese currency)
RNE	Royal Netherlands Embassy
SAA	State Auditing Administration
SAFE	State Administration of Foreign Exchange
SAT	State Administration of Taxation
SC	Steering Committee
SDA	Stakeholder Dialogue Approach
SDPC	State Development and Planning Commission of China
SDR	Special Drawing Right
SDRC	State Development and Reform Commission of China
SYPLR	South Yunnan Plateau Lakes Region
TOR	Terms of Reference
VAT	Value-added Tax
WDP	Western Development Programme
WDS	Western Development Strategy
WTO	World Trade Organization
WWTP	Waste Water Treatment Plant

The Geographic Distribution of ORET/MILIEV projects in China, 1991-2003



* The first figure in the bracket indicates the number of ORET/MILIEV projects in the province, the second figure indicates the number of projects visited during the evaluation

Main findings and issues for the future

Background

The Development and Environment Related Export Transactions (ORET/MILIEV) Programme is a programme to finance certain types of projects through a combination of a development cooperation grants and commercial loans. The programme is designed to help generate employment, boost trade and industry, and improve environmental quality in developing countries. The development dimension of the programme stipulates that projects can only be approved if they will have no negative impacts on social development (especially the poor and women) and on the environment. China is among the main recipient countries of ORET/MILIEV grants and has an official long-term agreement with the Netherlands regarding ORET/MILIEV disbursements.

Over the period 1991-2003, a portfolio of 84 ORET/MILIEV projects in China was approved. This evaluation focuses on these 84 projects, of which 40 have been finished and 44 are ongoing. The total grant amount for the 84 projects is €208,744,028, while the total transaction value is €473,446,212. The average grant is about 44% of the transaction. The 84 projects can be categorized into eight sectors: agriculture/water conservancy, energy/ transportation, environmental protection/waste treatment, factory equipment, farm produce processing and equipment, medical equipment/supplies, water treatment/supply, and others. Within these projects, 83 Chinese end users and 46 Dutch suppliers are involved in ORET/MILIEV activities in China.

So far, most evaluations of development aid have been led by donors, and have been conducted to satisfy the 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 the evaluations. After extensive exchanges, the Chinese National Center for Science and Technology Evaluation (NCSTE) and the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs together initiated this 'first generation' country-led evaluation (CLE).

The objectives of the evaluation are to assess to what extent the ORET/MILIEV Programme has fulfilled the policy objectives, needs and priorities of the Netherlands and China, and also to verify whether the funds have been appropriately and efficiently used. The evaluation is intended to provide information for both Dutch

and Chinese decision makers for policy formulation, as well as for stakeholders to improve the programme management.

The evaluation was conducted over the period May 2004 to October 2005. An equal governance structure was established for this particular type of evaluation. In designing and implementing the evaluation, IOB and NCSTF made it clear that the recipient country would lead the process, supported by the donor, and that both sides would be jointly responsible for the evaluation. Moreover, in order to obtain external experience, consultancy and support, a Reference Group (RG) was invited to join the evaluation. The RG members included experts and officials from China, the Netherlands and the UNDP Resident Office in China.

The evaluation methodology included a desk study, field visits, local stakeholder workshops, questionnaire surveys and subsequent analyses. The desk study covered all the 84 projects. For the field visits, 35 projects were selected, accounting for over 40% of the total. Questionnaires were sent to end users and suppliers for all projects, and over 70% were returned. In order to gather a wide range of views and perspectives, 17 provincial-level round table workshops were held during the field visits. More than 300 stakeholders who have been involved in ORET/MILIEV projects, including local officials, on-lending banks, purchasing companies and end users were invited to participate in the workshops.

It is indeed a challenge to carry out a joint evaluation subject to the different evaluation cultures and evaluation systems in China and the Netherlands. The evaluation team found that the project files and data kept in relevant Chinese government departments are in a relatively poor condition due to the government organization reform in 1998 and personnel changes during the execution of the projects in China. The evaluation met difficulties in the measurement of 'impact'. In a few cases some reliable facts related to impacts were obtained, but it was difficult to draw firm conclusions about impacts at the programme level since data related to project impact have never been collected systematically.

Main findings of the ORET/MILIEV evaluation in China

The overall performance of the ORET/MILIEV Programme in China is satisfactory. The evaluation shows that the programme is making a useful contribution to China's development, and to Dutch business opportunities in China, although the focus on particular development issues is not very strong. The strong points of the programme are the close fit of the projects with national sectoral policies and local development plans, and the quality of the equipment and technologies delivered. The weakest point is the efficiency of the programme, in particular the delays in project implementation, as well as the complicated and lengthy application and

approval procedures, which restrict the usefulness of the programme and prevent it achieving its full potential. The main findings of the evaluation:

- 1** *Generally, there is a close fit between the ORET/MILIEV projects and Chinese national sector policies as well as local development plans. The programme is not so closely aligned with China's special Western Development Strategy for the less developed western region.*

It can be concluded that in general ORET/MILIEV projects are highly relevant to China's development policies. A large majority of projects are well aligned with the national sector policies of China and fits very well with local development plans. Over 80% of the projects were listed as priority projects in local development plans.

The evaluation finds that all stakeholders involved acknowledged the relevance of ORET/MILIEV projects. Chinese local or central governments initiated more than 60% of the projects. This implies that the ORET/MILIEV Programme is well in line with government priorities and local needs.

Although there is generally a close fit between the ORET/MILIEV projects and Chinese local development plans, it is observed that the programme is less responsive to China's special Western Development Strategy (WDS), which was launched in 1999 and covers 12 less developed provinces of western China. Only five out of 30 ORET/MILIEV projects approved in the period 1999-2003 were located in western China. It appears that the launch of the strategy in 1999 did not result in an increase in the number of ORET/MILIEV projects in this region. In fact, compared to the period 1991-1998, both the number of projects and the transaction proportion of ORET/MILIEV transactions in western China declined slightly in 1999-2003.

- 2** *In the perception of end users, most ORET/MILIEV projects have had a positive or no impact on the development dimensions. Only one project was found to have had a negative impact on the environment.*

According to Netherlands development cooperation policy, ORET/MILIEV projects should have either positive or neutral effects on the environment, poverty alleviation, gender equality and employment creation. In the perception of stakeholders, the impacts of the projects in most cases have been positive, or at least not negative, although it is difficult to find any statistical evidence for this.

The impacts on gender equality are usually neither positive nor negative. In approximately two-thirds of cases there have been no negative impacts on the poverty situation, while in the remaining third the impacts have been positive. In the case of the environment, slightly less than half the projects have had posi-

tive impacts, while the rest have shown no impacts. One project has had negative environmental impacts due to the failure of the Chinese end user to invest in wastewater treatment facilities.

3 *Three-quarters of ORET/MILIEV projects have achieved their objectives. The projects focusing on public service provision have been more successful than those operating in the non public service sectors.*

The majority of the ORET/MILIEV projects have achieved their objectives. Most stakeholders share this view. About three-quarters of projects have accomplished their objectives very well, the commercial loans (non-grant part) have been repaid on schedule, and the quality of the equipment and technologies delivered by Dutch suppliers is generally considered good. All end users of the projects visited (with just one exception) were satisfied with the quality of the training provided by the ORET/MILIEV projects.

With regard to the sector distribution of the portfolio of the ORET/MILIEV project in China, since 1999 there has been an increase in the number of projects focusing on public service provision. The field visits showed that, in general, public service projects have been more successful than those in the non public service provision sector. The main reason is that such projects directly address government priorities and pressing concerns related to public services. They have therefore received more attention and support from governments at various levels, which usually makes it easier for such projects to obtain Chinese matching funds and to arrange on-lending facilities.

Projects in the farm produce processing and equipment sector have been less successful. Five of the seven projects in this sector that were included in the field visits failed to achieve their objectives, for reasons such as the increasingly fierce competition in the Chinese farm produce processing market, the lack of working capital, and the limited capacity of end users.

4 *In the majority of cases the equipment is still functioning well after the completion of the projects. However, after-sales service and the availability of spare parts, remain matters of concern.*

The evaluation finds that the continuity of the project benefits is good and that stakeholders are generally positive about it. In the majority of cases the equipment is still functioning well after the completion of the projects and the end-users have the necessary skills and capabilities to operate and maintain the physical assets. In those cases where the equipment is not operating as expected, the problems are minor, and do not pose great harm to the projects as a whole.

There are concerns about after-sales service. About a third of end users indicated they are dissatisfied with the after-sales service and the availability of spare parts.

- 5 *Dutch suppliers have benefited from the programme by enhancing their ability to create new businesses in China. For 20% of Dutch suppliers the programme had facilitated their first entry into the Chinese market.*

About 80% Dutch suppliers were already active in China before applying for ORET/MILIEV support. It was found that the programme has contributed to new Dutch business opportunities in China and to creating more sustainable business links. For example, nine suppliers reported that they had established a representative office in China as a result of the programme. About half of the suppliers indicated that they had received follow-up orders while implementing an ORET/MILIEV project or after it finished.

The evaluation finds that for seven suppliers, the ORET/MILIEV Programme contributed to their first entry into the Chinese market. Thus the programme made a contribution in this respect, although it is modest in terms of the number of suppliers involved. Six of these seven suppliers have now established a permanent presence in China.

- 6 *The efficiency of the programme in terms of the timeliness of project implementation and management procedures has been relatively low, although policy and management changes introduced since 1999 have led to some improvements.*

The report of ORET/MILIEV review 1994-1999 concluded that the efficiency of the programme in terms of the timeliness of implementation has been rather low. The evaluation team shares this view to a certain extent. The majority of projects have experienced delays, some of them substantial (the maximum delay was 52 months), while a few projects were implemented faster than expected.

The evaluation finds that the three most important causes of serious delays in project implementation have been the lack of Chinese matching funds, delays in local civil construction, and the institutional weaknesses of end users. Other factors that have contributed to project delays included poor or difficult communications between end users and Dutch suppliers, and delays in the installation of equipment and in Chinese on-lending arrangements.

The evaluation finds that appraisal procedures by the Dutch authorities, which can take an average of nine months to complete, are of great concern to stakeholders. In some cases it also took a long time for the Grant Agreement to be signed after the approval of an application. This is mainly influenced by the lengthy Chi-

nese on-lending procedures and contract negotiations between end users and suppliers. In many cases, these lengthy procedures have increased costs, part of which translated into higher than necessary transaction prices. Both suppliers and end users complained about the lengthy management procedures and the complications involved.

To improve programme management, both governments have made some policy changes. In 1999 the Chinese Ministry of Finance introduced a new policy that in practice has speeded up on-lending procedures and has facilitated the reimbursement of the non-grant part of the transactions. In 2000, in response to the suggestion of ORET/MILIEV review 1994-1999, the Dutch appraisal cycle was reduced to six months. This measure had a beneficial effect on appraisals, in that the average time required was reduced from 10 months before 2000 to eight months after 2000, although there is still room for further improvement.

7 Price efficiency is rather low. The contract prices appear to be on average above international market prices. Yet the programme is beneficial for end users as well as for suppliers.

The issue of prices is often discussed in development assistance programmes. The evaluation finds that this issue has also attracted considerable attention from Chinese stakeholders and Dutch suppliers.

The ORET/MILIEV Programme has made some efforts to control Dutch transaction prices to acceptable levels, among which the most direct measure is that during the appraisal a price setting procedure is carried out by Dutch side. The evaluation has confirmed that in several cases the Netherlands Economic Institute (NEI) requested Dutch suppliers to lower their prices. However, based on the opinions of Chinese stakeholders and Dutch suppliers, prices appear on average to be above international market prices. In the questionnaire survey, over 70% end users and about half of Dutch suppliers stated that prices are above the international market level. Without the ORET/MILIEV facility the transaction would not have been possible in many cases.

It should be noted that even if the transaction price is above the international market price, the end users still get a clear net benefit, considering the fact that they obtain the ORET/MILIEV grants, and do not have to pay import taxes and VAT on the imported equipment.

Issues for the future

1 A more explicit sectoral strategy of the ORET/MILIEV Programme.

The Chinese central government is currently refocusing its development strategy around concepts such as the ‘harmonious society’ and ‘putting people first’. Taken together, these concepts signal a clear shift away from a narrow focus on economic growth alone, as measured by GDP, towards a more inclusive concept of development that emphasizes a more equitable income distribution, further reductions in poverty, more balanced development of China’s different regions, as well as more attention to environmental issues and the quality of life.

These are important changes in China’s development policies that should be taken into account in the ORET/MILIEV Programme. In particular, considering these policies will help to further increase the relevance of the programme and to realize a greater degree of Chinese ownership in utilizing foreign government mixed credit facilities.

To concentrate ORET/MILIEV projects in particular sectors in China is not a matter for discussion although some sectors are already targeted in the new programme regulations. Nevertheless, ORET/MILIEV could elaborate a more explicit sectoral strategy based on mutual understanding. Such a strategy would enable the programme to better meet the particular needs of China in next five-year period by refocusing on projects for public service provision that would have a greater social impact. For example, in the stakeholder workshops held during the evaluation, provincial officials frequently indicated that in the next phase, foreign government mixed credit facilities in their provinces would be focused on the environment, health and education, which are the sectors that provide public services.

2 A development package for western China in ORET/MILIEV.

The Western Development Strategy (WDS), launched by the Chinese government in 1999, provides special development policies for the poor and less developed western region of China. During the half-yearly consultations between the two governments of December 1998, the Chinese expressed a preference for projects in the underdeveloped inland parts of China. The Netherlands delegation welcomed the focus on these regions and further proposed to concentrate on water and water management, including dredging works.

However, the evaluation finds that since the launch of the Western Development Strategy, the ORET/MILIEV has not shifted to western China, nor does western China receive a large share of ORET/MILIEV spending. It is also observed that since it is more difficult to attract foreign direct investment into the western region,

local government officials usually pay favorable attention to foreign government mixed credit facilities.

It may be worthwhile to consider a ‘Sino-Dutch development package for Western China’ in ORET/MILIEV, focusing on the western region of China, and in particular on the poorer districts within the region. Such a package would increase the relevance of ORET/MILIEV to the Chinese development agenda and to attaining the Millennium Development Goals (MDGs). Meanwhile, since the per capita GDP in western China is about us\$500, half the national average, the package could also consider some preferential policies with targeted projects designed to address the extraordinary environmental and social challenges facing the region.

3 The efficiency of programme management.

The programme management procedures include several stages that often require close cooperation between the governments on both sides. The ORET/MILIEV Programme involves many participants, including governments, end users, suppliers, banks, purchasing companies, and other stakeholders, so that sound cooperation among all of these participants to improve their efficiency are very important. Therefore, improving the programme management will require systematic consideration. Apart from the measures taken independently by the two sides, the key to increasing managerial efficiency is to improve the cooperation between the two sides.

Measures that could be taken into consideration to increase managerial efficiency include the following:

In a significant number of projects examined during the evaluation, the quality of the feasibility studies prepared by Chinese end users was rather low. Dutch suppliers prepare the ORET/MILIEV application documentation based on these studies. If a poor-quality feasibility study does not provide the information required to appraise the application, this can lead to time-consuming and costly rounds of questions and answers to obtain the necessary information. It would therefore be helpful if the Chinese side could subjects these feasibility studies to quality control.

During the appraisal process, the lack of familiarity with circumstances in China can cause further delays. Joint appraisals involving Chinese and Dutch experts could be more efficient than if conducted by Dutch experts alone, because the Chinese experts could contribute their local knowledge.

To further speed up the application and approval process for projects in given sectors, sector study reports could be prepared for ORET/MILIEV priority sectors. These reports could be used to collect information and provide professional analysis that would benefit all applications in the targeted sectors.

4 *Monitoring and evaluation of the programme.*

During the evaluation the team received many complaints that the monitoring and mid-term evaluation of the ORET/MILIEV Programme are relatively weak, and are based exclusively on reports submitted by Dutch suppliers. Actually this also contributed to the difficulties faced by the evaluation team. These reports generally do not fully reflect the opinions of the Chinese end users. The Chinese stakeholders know very little about the process and results of the monitoring and evaluation exercises.

Given these considerations, it is believed that the Chinese Ministry of Finance should be responsible for establishing a monitoring and evaluation system for the ORET/MILIEV Programme in China. The Ministry could also encourage and organize Chinese professional evaluation institutes and experts to carry out independent evaluations, or to participate in joint evaluations as local partners with international institutes and/or experts.

More efforts are needed, based on the actual situation in China, to try to identify proper indicators for evaluations of the ORET/MILIEV Programme, together with data that are available and that capture the contribution that ORET/MILIEV could make. Regarding the latter point, in this evaluation the team found that gender and job creation might not be appropriate yardsticks for measuring programme performance. In any case, baseline data need to be available in order to be able to assess the contribution of the programme.

5 *The appropriateness of testing for commercial viability for transaction amounts less than 2 million SDR.*

There have been complaints about the fact that the Netherlands tests for commercial non-viability of projects below 2 million SDR – something that is not required under the OECD-DAC consensus. The question of whether this test could be removed for small-scale projects with high development relevance is an issue that deserves further attention from policy makers.

For example, industrial wastewater treatment projects are often below 2 million SDR. They would often be considered commercially viable. However, this represents a sector in which the Netherlands could offer state-of-the-art technologies. The same could be said for energy efficiency projects (industrial and building sectors), and cleaner production by means of process improvements, as opposed to end-of-pipe measures to reduce environmental pollution. In all of these cases ORET/MILIEV could be used to provide important demonstration projects that would address important Chinese priorities – but only if the commercial non-viability test is not applied below 2 million SDR.

6 *ORET/MILIEV's contribution to the creation of business links between the Netherlands and China.*

The role of the programme in supporting the creation of new business links is limited. Furthermore, in several cases where new business links were created, this involved the replication of projects by the same supplier, using in each case ORET/MILIEV. This raises the question of whether ORET/MILIEV resources are being used efficiently to create sustainable business links – it would seem that these links are not commercially sustainable, and keep requiring Netherlands subsidies and Chinese tax exemptions. It may be an issue for policy makers to decide whether there should be a limit on the number of times one company can use ORET/MILIEV for a particular type of project in one country.

Introduction

1.1 Background

The Development and Environment Related Export Transactions Programme (ORET/MILIEV) is a programme to finance certain types of projects through a combination of development cooperation grants and commercial loans. The programme is designed to help generate employment, boost trade and industry, and improve environmental quality in developing countries. Further, the development dimension of the programme requires that only projects with a non-negative impact on social development, especially for the poor and women, can be approved. The programme reduces the investment 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, and assists Dutch companies to gain access to markets in developing countries. China is among the main recipients of ORET/MILIEV grants and has an official long-term agreement with the Netherlands regarding ORET disbursements.

A review of the ORET/MILIEV Programme over the period 1994-1999 was carried out in 1999 (IOB Evaluation No. 283). The general objective of that review was to assess the programme's effectiveness and efficiency in mobilizing Dutch exports for projects in developing countries whose aim is to create direct or indirect employment and to improve environmental conditions. The review included field visits to 15 projects in China.

So far, most evaluations of development aid have been led by donors, and have been conducted to satisfy the 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 the evaluations. For several years the evaluation units of the World Bank, United Nations Development Programme (UNDP) and the Netherlands Ministry of Foreign Affairs (MFA), as well as the OECD's Development Assistance Committee (DAC) Network on Development Evaluation, have been developing ideas on how to enable developing countries to play a different role in evaluations of their devel-

opment policies and development cooperation programmes funded or partially funded by donor organizations.

After a year of exchanges and discussions, the Chinese National Center for Science and Technology Evaluation (NCSTE) and the Policy and Operations Evaluation Department (IOB) of Netherlands Ministry of Foreign Affairs together initiated this 'first generation' country-led evaluation (CLE) in September 2003. The design of the terms of reference (TOR) was completed in March 2004, and the implementation of the evaluation started in May 2004.

When IOB and NCSTE presented a proposal for the joint evaluation, it was welcomed by the Chinese Ministry of Finance (MOF), which is the main ministry responsible for Foreign Government Loans (FGLS) and International Organization Loans (IOLs) programmes. The MOF offered to provide the evaluation team with logistical support, access to background documentation, as well as other forms of assistance. All stakeholders emphasized the importance of the independence of the evaluation, and the Chinese authorities gave their assurance that there would be no interference with the investigation or with the judgment of the evaluation team.

The objectives of the evaluation, as stated in the TOR (see Annex 3) approved by IOB and NCSTE, were to assess to what extent the ORET/MILIEV Programme has fulfilled the policy objectives, needs and priorities of the Chinese side as well as the Dutch side, and also to verify whether the funds have been appropriately and efficiently used. The evaluation was intended to provide information for both the Chinese and the Dutch that could be used to improve the programme, as well as for policy formulation.

The evaluation was conducted between May 2004 and October 2005. An equal governance structure was established for this particular type of evaluation. A four-member Steering Committee (SC) was set created to make decisions concerning the evaluation, among which two co-chairs and two coordinators were appointed by NCSTE and IOB. The team leaders from NCSTE and IOB were responsible for the desk study, the field studies, the questionnaire survey, and the presentation of the evaluation report. The desk study in the Netherlands was carried out by IOB, and the main part of the field work as well as the desk study in China by NCSTE.

A Reference Group (RG) was invited to join the evaluation to provide support and advice. The RG members included experts and officials from China, the Netherlands and the UN Resident system in China, namely, the Chinese National People's Congress (NPC), the Ministry of Finance of China (MOF), the State Development and Reform Commission of China (SDRC), the Royal Netherlands Embassy in Beijing, the Netherlands Development Finance Company (FMO), and the UNDP Resident Office in China.

1.2 Scope and criteria of the evaluation

1.2.1 Scope

The scope of the evaluation, as defined in the TOR, covers key issues at three levels:

- *at the policy and programme level*: the relevance of the programme to the policies, needs and priorities of the Netherlands and China;
- *at the transaction level*: the efficiency of the system of processing requests for co-funding for export transactions, the efficiency of the transactions themselves, as well as the efficiency of the programme's management and procedures; and
- *at the project level*: the effectiveness of projects in meeting their own objectives, as well as in meeting the objectives and conditions of the programme as a whole.

The period 1991 to 2003 is taken as the evaluation period. The evaluation covers the 84 projects approved or executed during this period in China. The status of the 84 projects approved by 31 December 2003 is illustrated in Table 1.1.

TABLE 1.1 Status of the 84 project portfolio, at 31 December 2003

No. of projects	Finished projects ¹	Ongoing projects (44) ²		Total	
		Final Certificate of Completion (FCC) signed ³	Started but FCC not signed		Approved but Grant Agreement (GA) ⁴ not signed
	40	17	24	3	84

Notes:

1 *Finished projects*: According to the ORET/MILIEV regulation, finished projects are projects of which the whole administrative procedure has been finished, which means that the final project reports, including a Final Certificate of Completion (FCC), narrative and financial reports, and an auditor's report, have been approved, and the final instalment payment has been made. It is only at this stage that an ORET/MILIEV project is considered finished.

2 *Ongoing projects*: Ongoing projects include those (1) for which the application has been approved but the Grant Agreement (GA) has not yet been signed; (2) that have started implementation but for which the FCC has not yet been signed; and (3) for which the FCC has been signed, but which are not yet administratively finished, for instance because the final reports have not yet been approved.

3 *FCC signed projects*: A Final Certificate of Completion (FCC) is a statement by the end user indicating acceptance of the equipment and/or service. It indicates that the activities covered by the transaction have been completed and agreed between the supplier and the end user. In most cases, when the FCC has been signed, the contract between supplier and end user is formally terminated. In this sense, the project has been completed at the transaction level and can be assessed in this evaluation.

4 *Grant Agreement (GA)*: The Grant Agreement is an official document signed by the Netherlands Investment Bank for Developing Countries (NIO) and the Chinese government for the arrangement of the grant part for a specific ORET/MILIEV project in China. The Grant Agreement can not be signed until the NIO has approved an original signed contract between the Dutch supplier and the principal/end user, and the financing arrangement for the non-grant component of the transaction.

1.2.2 Evaluation criteria

The general criteria for the evaluation of development cooperation activities were established by the Working Party on Aid Evaluation (since 2003 the Network on Aid Evaluation) of the OECD Development Assistance Committee (DAC). As stated in the TOR, the definitions of the four criteria used in the evaluation are largely similar to those in the *Glossary of Terms in Evaluation and Results-Based Management* (DAC Working Party on Aid Evaluation, 2002).

Policy relevance

Policy relevance refers to the extent to which the programme's objectives and the effects of project activities are consistent with the needs of national/local authorities, as formulated in their policies, overall priorities and donor policies.

Efficiency

Efficiency indicates the degree to which the achieved outputs have been delivered as agreed, at both the transaction and the programme level, and whether they could have been delivered more cheaply or more quickly.

Effectiveness

Effectiveness indicates the extent to which the agreed objectives of the programme have been achieved. Effectiveness can be expressed as the direct benefits to the target groups, including end users, Dutch suppliers, local communities, governments, etc.

Impact

Impact refers to the intended or unintended, positive and/or negative long-term effects of the development intervention.

In the light of these four evaluation criteria, 20 key questions are listed in TOR. These questions are divided into four groups, each corresponding to one of the four criteria. The evaluation team held a series of meetings to develop consensus on the interpretation of the key questions listed in the TOR, so that all members of the team had a clear understanding of the evaluation criteria and the key questions to be answered in the evaluation.

1.3 Methodology

This section provides a brief overview of the principal components of the methodology, including the desk study, the field study, the stakeholder workshops, the questionnaire survey and the subsequent analysis.

The evaluation framework covered the key issues listed in the TOR with the four evaluation criteria – efficiency, effectiveness, relevance and impact. This framework formed the basis for the review of the desk materials, for the interviews conducted during the field visits and stakeholder workshops, for the questionnaire survey among suppliers and end users, and also for the subsequent analysis of the data collected. The evaluation matrix presented in the TOR served as the core of the framework for the evaluation.

1.3.1 Evaluation portfolio

Over the period 1991-2003, a total project portfolio of 84 ORET/MILIEV projects had been approved. Of these, 40 projects had been administratively finished and 44 were ongoing. In terms of transactions completed, marked by the signed FCCs, there were 57 projects, including 40 finished and 17 ongoing projects. An overview of the projects, sectors and transaction amounts for these 84 projects is presented in Annex 4.

TABLE 1.2 Overview of evaluation portfolio by sector

Sector	Evaluation portfolio				Total
	Field study	Desk study	Completed questionnaires		
			End user	Supplier	
Agriculture and water conservation	4	11	9	10	11
Energy and transportation	5	10	10	6	10
Environment and waste treatment	5	10	9	6	10
Factory equipment	2	6	4	2	6
Farm produce processing and equipment	7	21	13	15	21
Medical equipment	3	7	5	4	7
Water treatment/supply	6	15	15	13	15
Others	3	4	3	4	4
Total	35	84	68	60	84

All of the 84 approved projects were included in the desk study conducted as part of this evaluation. Of these 84 projects, 35 were chosen for field visits (see section 1.3.3, Field study). In each case, questionnaires were sent to end users and suppliers, of which 68 and 60 questionnaires were returned, respectively. Tables 1.2 and 1.3 provide a general overview of the portfolio of projects included in the evaluation. The samples used for in-depth analysis are specified in the introduction to each chapter in this report.

TABLE 1.3 Overview of evaluation portfolio by region

Region	Evaluation portfolio				Total
	Field study	Desk study	Completed questionnaire		
			End user	Supplier	
Southeast and developed region	11	34	25	28	34
Central and northeast region	15	32	27	22	32
Western region	9	18	16	10	18
Total	35	84	68	60	84

Note: The division into regions took into account both geographical and economic development aspects. The southeast and developed region comprises southeast China and the coastal eastern area where the economy is highly developed. The central and northeast region covers an area where economic development is average. This area includes the three provinces in northeast. The western region includes west China, and covers areas where the economy is less developed.

1.3.2 Desk studies

The desk studies included a review of project documents, relevant Dutch and Chinese policies, and of other key documents (e.g. the ORET/MILIEV review 1994-1999, IOB Evaluation No. 283). The outputs from the desk studies are included as background material in chapter 2 of this report. Some special data and issues raised in the project documents, such as delays in project implementation, the reasons for the failure or success of projects, management efficiency, etc., were specifically checked during the field study.

These documents were reviewed for each of the 84 projects, and a fact sheet was compiled based on the information in the project files of the MFA, FMO, the Dutch embassy and the Chinese MOF.

The research on relevant Dutch and Chinese policies provided background material for the evaluation. The main content of these policies is summarized in chapters 2 and 3.



1.3.3 *Field study*

The evaluation team carried out the field study as its primary activity. For each selected project, the field study consisted of two main parts: a workshop with major local stakeholders and a field visit to the location of the project. The purpose was to collect information (opinions as well as facts, both qualitative and quantitative) at the regional and case levels, focusing on the key issues and questions listed in the TOR. The fieldwork output included the minutes of the 17 provincial workshops, verification of information in the fact sheets, 35 field visit reports, a list of interviewees, etc.

Field study manuals

Field study manuals to guide the conduct of the field visits were developed during the preparation stage. They included the field study projects list (see Annex 6), checklists (see Annex 7) for the fieldwork and procedures of the field study. All the team members consulted and discussed the manuals prior to the field visits in order to ensure a common understanding for the fieldwork. The manuals gave specific guidance on how the fieldwork was to be conducted from beginning to

completion, both to ensure the quality of the field visits and to help the field study team in the preparation of the visit reports.

Selection of cases

The evaluation team selected the cases after reviewing project documents, with no restrictions imposed by the programme administrators. As required by the TOR, 35 projects were selected as cases for field study, as follows:

- Projects were selected on the basis of their location, sector and status (e.g. finished or ongoing).
- These 35 projects included 19 finished and 16 ongoing projects, representing 50% of finished projects and 30% of ongoing projects.
- The selected cases accounted for 41% of the total of 84 projects and about 42% of the total transaction amount.
- The selected cases were located in 17 of the 22 provinces.¹
- With regard to sector distribution, between 30% and 50% of projects in each of the eight sectors in the programme were selected as cases.
- Moreover, some 'nationwide' projects that are administered and implemented by ministries with operational offices based in Beijing were also selected as cases.
- The ongoing projects selected as cases covered the three phases, i.e. FCC signed but not yet finished, GA signed but FCC not signed, and approved but GA not signed. There are nine projects with FCC signed that in fact, with 19 finished projects, could answer questions about effectiveness and, to some extent, impact.
- 28 out of a total of 46 Dutch suppliers were included.
- The 35 projects included 11 projects that were visited by a previous review in 1999. The performance of these 11 projects before and after 1999 could therefore be compared to assess aspects of the programme such as financial sustainability of projects, prices, etc.

Therefore, judging from the geographical and sector distribution, the sample of 35 projects selected for the field study can be considered to be representative of the ORET/MILIEV Programme in China.

¹ In this report, for the sake of simplicity, 'province' is used as a generic term to refer to provinces, autonomous regions, and municipalities directly under the State Council. For example, Ningxia Hui Autonomous Region and the Municipality of Shanghai are referred to as 'provinces'.

Field study checklists

Field study checklists for the stakeholder workshops and for the project visits were designed and adjusted during the process of carrying out the field visits (see Annex 7). The two checklists were similar in some respects, but served somewhat different purposes. The checklist for the workshops was designed for local stakeholders, focusing on policy and management issues, whereas the checklist for the project visits was aimed at end users and those practically involved in the projects, emphasizing detailed information about the projects. The two checklists were issued to the target groups before the field visits started.

The questions in the checklist were designed to obtain information on the key issues stated in the TOR – policy relevance, efficiency, effectiveness and impact. Considering the thinking pattern of the Chinese people, the questions were arranged in chronological order, i.e. the project application, conduct, completion, effect and impact.

With regard to the checklist for project visits, apart from the above-mentioned unified checklist, each field visit team drew up a specific checklist for each project. Based on the findings of the desk study, they identified issues in the project fact sheet that required verification, and took the local characteristics into account.

Procedures of the field visits

The field visits were carried out by four teams, in accordance with the uniform procedure for the field study and the checklists, in order to ensure the quality and comparability of their work. The procedures of the field visits can be summarized as follows:

- In preparation for a field visit, the team first examined the project files for the selected project, designed the specific checklist for the visit and the stakeholder workshop, and drew up a detailed schedule.
- The team established contact with the project, especially to identify a contact person who could provide sufficient support for the field visit. One or two weeks before the field visit the end user/local authority was sent a fax containing the detailed visit schedule and the checklists.
- The team interviewed people who were or had been practically involved in the projects, including project managers, technicians and workers.
- On-site visits were made to all the selected projects.
- At the beginning of each field visit the team attended a workshop with major local stakeholders. The discussions were facilitated by the field visit team using the checklist for the workshop.
- Collecting additional information.

- After each field visit, the team members shared their experiences, findings and data analysis among themselves, and drafted a field visit report to be sent to stakeholders to obtain their feedback.

Stakeholder workshops

In order to gather a wide range of views and perspectives, to raise awareness and to help create mutual trust among individuals with different viewpoints, the evaluation team adopted a 'stakeholder dialogue approach' (SDA), i.e. stakeholder round-table workshop.

In practice, 17 provincial level stakeholder workshops were conducted during the field visits. More than 300 selected stakeholders, including local officials, on-lending banks, purchasing companies, and end users, were invited to participate.



1.3.4 Questionnaires

Questionnaires were sent to Chinese end users and Dutch suppliers for each of the 84 projects in order to obtain their opinions and attitudes regarding the programme in a structured way. 68 completed questionnaires were received from Chinese end users, a response rate of 81% , and 60 from the Dutch side, a

response rate of 71%. The questionnaires for the Chinese end users and the Dutch suppliers are presented in Annex 8. The specific sector and regional distributions of the returned questionnaires are shown in tables 1.4 and 1.5.

TABLE 1.4 The returned questionnaires by sector

<i>Sector</i>	<i>Returned questionnaires</i>			
	<i>End users</i>	<i>Response rate for the sector</i>	<i>Suppliers</i>	<i>Response rate for the sector</i>
Agriculture and water conservation	9	82%	10	91%
Energy and transportation	10	100%	6	60%
Environment and waste treatment	9	90%	6	60%
Factory equipment	4	67%	2	33%
Farm produce processing & equipment	13	62%	15	71%
Medical equipment/supplies	5	71%	4	57%
Water treatment/supply	15	100%	13	87%
Others	3	75%	4	100%
Total	68	81%	60	71%

TABLE 1.5 The returned questionnaires by region

<i>Region</i>	<i>Returned questionnaires</i>			
	<i>End users</i>	<i>Response rate for the region</i>	<i>Suppliers</i>	<i>Response rate for the region</i>
Southeast and developed region	25	74%	28	82%
Central and northeast region	27	84%	22	69%
Western region	16	89%	10	56%
Total	68	81%	60	71%

1.3.5 *Analysis of evidence and data collected*

The information in the fact sheets and the evidence collected from the field visits was processed and cross-verified to support in-depth analysis. To corroborate the evidence concerning the key issues listed in the TOR, the same questions were asked of end users, suppliers, relevant local authorities and others during the field visits and in the questionnaires. The evaluation teams then compared their observations during the field visits with the fact sheets and the responses to the ques-

tionnaires. Once verified, the information was assessed and incorporated into a database. The structure of the database of initial evidence for the 35 visited projects is shown in table 1.6.

TABLE 1.6 Structure of the database of initial evidence for the visited projects

<i>Evaluation criteria</i>	<i>Issues</i>	<i>Project 1</i>	<i>Project 2</i>	<i>...</i>
Policy Relevance	Listed as a priority in the local/ministries' development plans			
	In line with sector development strategies at national level			
	o/m info-sources			
	Main reasons for applying for o/m			
	Without o/m support, would the project be implemented			
	Who initiated the project			
	Effect on poverty alleviation (during appraisal)			
Efficiency	Effect on w&d (during appraisal)			
	Effect on environment (during appraisal)			
	Whether should the project/programme objectives be adjusted			
	State of the project			
	Achieved the objectives on schedule and within budget			
	Delays during implementation comparing with fact sheet			
	Delays during implementation according to end user			
	Main causes of delays			
	Price of the equipment			
	Main causes resulting in higher prices			
Effectiveness	Period of appraisal by Dutch side			
	Duration of application procedures in Dutch			
	Duration of (whole) application procedure in China			
	On-lending procedure (time-consuming)			
	Acquiring tariff exemption			
	Cooperation between end user and supplier			
	Comments on efficiency by end user			
	Achievement of the short-term objectives			
	Achievement of the long-term objectives			
	Successfully trained personnel			
	Quality of delivered goods/ services			
	Spare parts supply			
	Prices of spare parts			
After-sales service (degree of satisfaction)				
Number of jobs created in the project				
Increasing indirect employment				
Equipment still functioning x years after FCC signed				
Project sustainability				
Repayment of loans				
New supplier representative offices/joint venture/agents, etc. China				

<i>Evaluation criteria</i>	<i>Issues</i>	<i>Project 1</i>	<i>Project 2</i>	<i>...</i>
Impacts	Overall impacts on end user			
	Additional Dutch exports to China			
	Demonstration and replication effect			
	Poverty alleviation			
	Gender and development			
	Environmental impacts			
	Local economic promotion			
	Future cooperation opportunities			
Suggestions	On appraisal by the Dutch side			
	On application procedures on the Dutch/Chinese side			
	On on-lending procedures			
	On lowering prices			
	On 60% content			
	On working capital/ matching funds			
	On qualification of Dutch suppliers			
	On bidding			
	On purchasing procedure			
	On evaluation/ supervising			

In the process of in-depth analysis, in order to ensure the accuracy and reliability of the key findings, the team paid special attention to make a distinction between findings related to facts and those related to opinions. The findings related to facts are based on observable results, most specifically answering questions on some fact-related key issues in the TOR, such as: Have the projects achieved the outputs according to the time schedules and budgets? Have the projects experienced delays in different stages of the implementation? The findings related to opinions centred on some key issues in the TOR that involved responses from stakeholders, such as: How satisfied are the end users with the supplier's 'efficiency' in terms of maintenance, after-sales service and the provision of spare parts by the supplier's local agent? How satisfied are the end users with the quality and scope of the training provided by the suppliers?

1.4 Comments on the evaluation

This section comments on this particular type of evaluation. It discusses the advantages and disadvantages of the country-led joint evaluation, as they became apparent during its implementation, and discusses the limitations in terms of evaluation design, implementation and organization.

1.4.1 *On the evaluation sample*

The desk study of the evaluation covered all 84 projects. The returned questionnaires accounted for over 70% of all projects. The evaluation team visited 35 projects, which accounted for over 40% of all projects. In other words, the evaluation sample is considered representative of the ORET/MILIEV Programme in China.

For this evaluation, the sample of projects selected for the field study is considered to be representative not only in terms of geographical and sectoral distributions, but also in terms of the status of the projects – the 35 cases selected for field visits included 19 finished and 16 ongoing projects.

In choosing the projects for field visits, the question was raised as to why the team wished to include ongoing projects, as these could not provide information about outcomes and impacts of the programme. The team's decision was based on the following considerations.

First, as is pointed out in the TOR, the evaluation was intended to provide information for both the Chinese and the Dutch that could be used to improve the programme, as well as for policy formulation. In 1999 China introduced a new management system of Foreign Government Loans (FGLs), in which the Chinese MOF would take charge of FGLs. In order to check whether the new system better serves the FGLs and to provide the MOF with useful practical information about project management that could contribute to policy making, it was considered necessary to conduct an in-depth investigation of ongoing projects, to collect and analyze new information and experiences.

Second, the Chinese MOF, a major audience of this report in China, hoped that the evaluation would pay particular attention to facts and analysis that could be important to enable MOF to improve its work. Since 1999, and especially in the last three years, MOF has introduced a number of new policies and regulations intended to improve transparency and efficiency. The Chinese MOF would therefore be very interested in the state of the ongoing projects, so as to identify whether these policy changes have improved the performance of the newly approved projects. To satisfy this interest it was necessary to include a number of ongoing projects in the selection of field study cases.

1.4.2 *About the questions related to facts and those related to opinions*

The TOR contain two kinds of questions: those related to facts and those related to opinions. While adhering to the principle that the evaluation would be based on the facts rather than opinions, as far as programme evaluation is concerned, it can be said that questions related to opinions are also very important. These include questions such as:

- How do different stakeholders view the efficiency of the programme?
- From their point of view, are the procedures and time cycle reasonable for project application, appraisal and approval?
- To what extent are the end users satisfied with the supplier's 'efficiency' in terms of maintenance, after-sales service and the provision of spare parts by the supplier's local agents?

According to the preliminary findings of the evaluation, some officials and project managers complained about the complicated procedures and lengthy time cycle of the programme, while others considered that the procedures and time cycle were reasonable. Considering that the evaluation is intended to provide information for both the Chinese and the Dutch to improve the programme, as well as for policy formulation, representative stakeholders' opinions can also be taken as crucial evidence. In practice, stakeholders' opinions have to be substantiated through triangulation.

Both sets of evidence – one related to facts and the other to opinions – were drawn on as necessary to develop the main findings for each of the areas of the TOR. Thus, in the evaluation report, there are two levels of key findings: the evaluation judgements mainly based on facts and stakeholders' perceptions that reflected the opinions of various circles.

1.4.3 The challenges and limitations faced by the evaluation

In the process of designing and implementing this joint evaluation, both IOB and NCSTE recognized that the differences in the evaluation systems and cultures in China and the Netherlands must be given full consideration. In the Netherlands, programme evaluation is an institutionalized activity that is implemented regularly. In China, there is not yet a system with regard to programme evaluation. The National People's Congress (NPC) has never directly requested an evaluation. There is quite a long way to go before programme evaluation is institutionalized in China. However, there are good signs that some NPC members are showing an interest in evaluation. In particular, one member of NPC joined the Reference Group for the ORET/MILIEV Programme evaluation.

In China, programme evaluation has not yet become a necessary part of decision making. There are no regulations stipulating which programmes must be evaluated, when should it be evaluated and how, nor is there a special budget for programme evaluation. Therefore, evaluation is not something that must be done, according to current Chinese regulations. At present, in China's line ministries, there are no units with particular responsibility for governing and coordinating programme evaluation work. Neither is there an annual plan for evaluation nor a

special fund. Right now only a few line ministries, such as the Chinese Ministry of Science and Technology, the Ministry of Finance and the Ministry of Health, have tried to conduct programme evaluations, and only to a limited extent.

In terms of the audiences for this evaluation report, in the Netherlands, the primary audiences are the Dutch parliament, the Ministry of Foreign Affairs (MFA), the Netherlands Embassy in Beijing, and the FMO. In China, the primary audiences are the Ministry of Finance (MOF) and the staff at various levels of government departments in charge of aid programmes. The National People's Congress is considered to be secondary audience. Local stakeholders are also expected to derive lessons from this evaluation.

In view of the differences in the evaluation systems in China and the Netherlands, it is indeed a challenge to ensure that the evaluation meets the needs of both countries. Apart from these challenges, there are limitations are also manifest in the following respects:

The gaps in data and project information

In China, the government organization reform of 1998 transferred responsibility for foreign government loans from MOFTEC to MOF. Since this transfer did not include the transfer of the relevant files, most of the project files before 1998 that had been held by government departments were lost. Even for the projects after 1998 the project files and data held by relevant Chinese government departments are in a bad condition, due to poor file management and personnel changes during the execution of the projects.

During the field visits, each team tried its best to collect relevant existing documents and materials kept at the project sites. However, the teams found that the availability and quality of data varied considerably between projects. This implies that the primary data and information collection was uneven in quality and comprehensiveness. Detailed explanations of the specific influence of these gaps in data and project information on the analysis can be found in the following chapters.

Time demarcation

As is pointed out in the TOR, in the course of the programme enormous changes have taken place in China. In order to study the relevance of these changes, the evaluation team tried to analyze changes in project data over time. The year 1999, when China launched the Western Development Programme and the administration of foreign aid loans was transferred from MOFTEC to MOF, is considered as a turning point. In other words, the team tried to identify 1999 as the 'turning point' in the implementation of the programme and to conduct a comparative analysis of the project portfolio. However, as evaluation has not been incorporated into Chinese programme management, and end users do not keep documents and

data concerning the projects well, it proved difficult for the team to obtain comprehensive and reliable data for the relevant time periods. The evaluation team was therefore unable to carry out a turning point analysis of the portfolio according to the time demarcations specified in the TOR.

Measurable impact

The 1999 ORET/MILIEV review mentioned that the short period under review, 1994-1999, imposed limitations on the review, in that projects started and/or finished in this period may not yet have had a measurable impact.

The current evaluation team also experienced limitations with respect to the measurement of impact in this evaluation, due in particular to the lack of available data. The absence of such data reflects the fact that information related to a project's impact on poverty or the environment, for example, has never been collected systematically. In the absence of suitable project-level data on the situation before the start of the project, it has been impossible for the evaluation team to generate these data within the context of this evaluation. Chapter 6 of this report describes some cases to illustrate impact at the project level. The team found that these cases have had measurable impacts, and reliable data were obtained during the evaluation. This does not imply that cases that are not mentioned have not had an impact, or that the cases mentioned had more prominent impacts than other projects. Because of the gaps in the data and project information, the team thinks some projects may have had an impact, but it is difficult to find hard facts to substantiate this, especially for long-term projects.

Therefore, it is difficult to assess the impact at the programme and even sector level because the evaluation team did not succeed in gathering comprehensive statistical data. Moreover, the team acknowledges that it is difficult to provide a sufficient basis for drawing firm conclusions about impacts at the sector level. This is mostly because of the limited number of projects, combined with the difficulty in assessing the impacts of individual projects.

The analysis and conclusions concerning Dutch suppliers

Some key questions in the TOR concerned the effectiveness and impact of the programme on Dutch suppliers. In the evaluation, the answers to these questions were mainly based on the questionnaires completed by suppliers and information provided by Chinese end users. A few face-to-face interviews with Beijing-based Dutch suppliers were conducted during the evaluation.

Attribution

The evaluation team would have liked to see project data showing, for example, improvements in water quality, and how many people have been or will be affected

by such changes. Similarly, the team would have liked to see project data showing improvements in air quality as a result of wind power. However, the same effects could be attributed to other projects being implemented in the locality. Due to the lack of data, it is not possible to conduct such quantitative comparisons.

1.4.4 *Some deviations from the TOR*

The number of projects covered by the evaluation

It is pointed out in the TOR that the evaluation would cover the 86 projects executed during the period 1991–2003. After the verification of the desk study, the scope of evaluation was amended slightly. First, an application was made to visit ORET 2003/19 Epidemic Prevention Center, Huhehaote City, but the project had not yet been approved, and hence was omitted from the evaluation. Second, the two projects MILIEV 1997/20 and ORET 1997/20(a), both of which related to a banknote destruction system for the People's Bank of China, were combined into one project. Thus the evaluation covers only 84 projects.

The regional distribution of ORET/MILIEV projects in China

As is pointed out in the TOR, mainland China has 31 administrative provinces. Based on the levels of economic development and the Chinese government's preferential policy for development, these 31 provinces can be divided into four regions: the southeast developed region, northeast region, central region and western region. Because there are only three ORET/MILIEV projects in the northeast region, this is merged with central region, whose level of economic development matches that of the northeast region. In this report, therefore, the analysis of regional distribution was based on three regions.

1.4.5 *On the partnership between donor and recipient for the evaluation*

The evaluation was initiated jointly by IOB and NCSTE. In designing and implementing the evaluation IOB and NCSTE made it clear that the recipient country would lead the process, supported by the donor, and that both sides would be jointly responsible for the evaluation. Joint decision-making would be the starting point for the whole evaluation.

IOB and NCSTE jointly drafted the TOR. During this process, the two sides realized that in most evaluations of development aid, usually it is the donor who initiates an evaluation, decides on the TOR, sets the agenda and appoints the evaluators. It therefore addresses the donors' need for accountability, while paying less attention to the recipients' requirements. As a result, the voice of the recipient country is rather weak. In the design of this evaluation, therefore, particular atten-

tion was paid to the needs of different circles in China, and to reflect them in the decisions on the scope, methodology and procedures of the evaluation, drawing up an evaluation matrix and identifying the key issues the evaluation needed to address.

In implementing the evaluation, IOB provided various kinds of assistance, including allowing NCSTF access to all kinds of documents required by the evaluation team, which are usually available only to the donor.

As mentioned above, because ownership has been strengthened by building full partnership in the process of initiation, design and execution, this evaluation has been made more relevant to the needs of the recipient country. The evaluation team therefore believe that the DAC recommendation to have more CLES that are truly country-led is fundamentally sound.

1.5 Content of the report

This report first outlines the main findings and issues for the future. The main report is divided into six chapters. Chapter 2 outlines the objectives, the legal-policy framework and overview of the ORET/MILIEV Programme, and the following four chapters present the key findings with regard to policy relevance, efficiency, effectiveness and impact.

The ORET/MILIEV Programme and the Chinese context

2.1 Introduction

In 1979, the Netherlands Ministry of Foreign Affairs (MFA) decided to establish a Mixed Credit Programme (MCP) for export transactions that would be relevant to the development of the importing country. Mixed credits for export transactions combine concessional loans or grants and commercial loans.

In 1983, the Development-Related Export Transactions (ORET programme) was launched as a combination of programmes administered jointly by the Netherlands Ministry of Economic Affairs (MEA) and the Directorate-General for International Cooperation (DGIS) of the MFA. The purpose of the programme was to support development-related export transactions by Dutch companies. These transactions were initially financed through the award of soft loans to developing countries.

In 1987, the mixed credits were replaced by a programme for Less Concessional Loans (LCLS), which not only provided concessional loans for exports of capital goods but also included service contracts that were linked to civil engineering projects or institution building in developing countries. The ORET programme is such an LCL programme. When the programme assumed its present form in 1991, loan-based financing was replaced by the award of grants to cover part of the transaction costs.

The Industry and Environment (MILIEV) programme was set up in 1993 with the aim of promoting projects that would have a positive environmental impact. MILIEV financing had a larger grant percentage than ORET, but was otherwise identical to ORET financing. On 1 January 1998, the two programmes were merged to form the Development and Environment Related Export Transaction (ORET/MILIEV) programme, in which the same financing criteria and grant percentages are applied to both ORET and MILIEV projects.²

2 The legal basis for ORET/MILIEV is Article 2.7.4(h) of the Ministry of Foreign Affairs Grant Regulations (Government Gazette no. 249, 1998).

The ORET/MILIEV is a grant programme of the Ministry of Foreign Affairs. On 14 February 2002, the Netherlands Investment Bank for Developing Countries (NIO), a wholly owned subsidiary of the Netherlands Development Finance Company (FMO), was authorized by the Ministry of Foreign Affairs to administer the programme in consultation with the Ministry of Economic Affairs.

Dutch companies that wish to implement a project in a developing country may apply for an ORET/MILIEV grant. Once the application is approved, the NIO allocates the grant to the developing country. The grant agreement contains a clause whereby the developing country authorizes the NIO to make payments directly to the supplier from the grant. Thus, the grant is awarded to the developing country, but is in fact used to make these direct payments to the supplier.

The approval of a grant application – in the form 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 therefore an applicant within the meaning of the AWB.

The ORET/MILIEV Programme is also subject to a number of international rules and agreements. Since the grants must be used to purchase goods and services from the Netherlands, ORET/MILIEV financing is regarded as a form of tied aid. It is therefore governed by EU directives and by arrangements (known as the Consensus) of the Organisation for Economic Cooperation and Development (OECD) intended to curb state aid, eliminate distortion caused by state aid, and ultimately to level the playing field for international transactions.

As of the end of 2003, the annual grant budget of the ORET/MILIEV Programme was €104,369,000. 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.³

The grant percentage of ORET/MILIEV has varied over time. Currently, the ORET/MILIEV grant normally equals 35% of the total value of the transaction, and the remaining 65% comes from other sources.

³ The rule of maximum total grant amount of 20% per year per country, which became effective in 1998, was not effective in China until 2003. In 1995 China was offered the 'Kok package', which meant a commitment of €227 million over 7 years (on average €32.5 million per annum, or between 22 and 43% of the budget). When the Kok package lapsed, on 31 December 2002, the rule of 20% maximum grant amount per year per country also became applicable to China. For more information see section 2.6.

2.2 Policy development and features of the programme

2.2.1 Policy changes of the ORET/MILIEV Programme

The policy of the ORET/MILIEV Programme changed between the start of the programme in 1991 and 31 December 2003.⁴ In general, the changes implied a sharpening and tightening of the regulations combined, with lower grant percentages, with the exception of increased flexibility of the Dutch share condition. The main changes can be summarized as follows:

- 1991: the start of the ORET programme in its present form. Financing is on the basis of a partial grant instead of loans.
- 1993: introduction of MILIEV.
- 1997: closure of the programme due to overspending for six months.
- 1998: new management regulations: consolidation of ORET and MILIEV according to ORET conditions; the grant percentage reduced to a maximum of 35%.
- 1999: ORET/MILIEV becomes a subsidy under the General Administrative Law, implying more stringent selection at the door.
- 2001: commercially viable projects involving transactions of less than SDR 2 million are also excluded from the programme; the Dutch content requirements are relaxed from a minimum Dutch share of 60% to a minimum of 50% Dutch and 10% local.
- 2002: Contracting out of the programme to the FMO; maximum transaction amount raised from €27 to €45 million; least developed countries (LDCs) are no longer eligible for ORET/MILIEV aid due to the tied character of the programme.
- 2005: To comply with the OECD DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries, the ORET/MILIEV Programme was made untied for LDCs. Applications for ORET/MILIEV grants relating to projects in LDCs from companies not registered and operating in the Netherlands can be accepted.⁵

2.2.2 Budget, grant allocation and expenditures of ORET/MILIEV

Budget

At the start of ORET in 1991, the programme was in fact still the Low Concessional Loans (LCLS) programme, which means that the budget (€99.5 million) for that year was reserved for loans. The ORET/MILIEV Programme actually started in 1992

⁴ The evaluation covers the period until 31 December 2003.

⁵ ORET Programme Regulation 2005.

with a budget of €38 million, which grew to €150 million in 1999, but was reduced to €45 million in 2002 because the LDCs are entitled to untied assistance and the ORET/MILIEV Programme is a tied aid programme.⁶ Since 2002 the budget has been more or less fixed at €104 million per annum. In 2005 it was decided to make the ORET programme untied for LDCs.

TABLE 2.1 Total ORET/MILIEV Programme budgets worldwide, 1992-2003 (€ million)

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Budget	38.7	63.2	68.2	72.7	74.9	84.0	142.9	149.8	149.8	136	104.0	104.0

Source: Annual Reports of Development Cooperation, several years

Grant

In the early years of the programme ORET offered a (minimum) grant percentage of 40%. Also the costs of the commercial loan were often granted up to a maximum of 5% of the transaction costs, making the total grant percentage 45%. At the start of the MILIEV programme in 1993 the grant percentage was 40% of the transaction amount plus the costs of the credit (up to a maximum of 5%), similar to ORET. In special cases the grant percentage could be higher, to be decided on a case-by-case basis. If the environment component was only part of the transaction, it was considered to grant this part for 100%. Although the grant percentages have been changed over time, since 1998 the ORET/MILIEV grant has equalled 35% of the total value of the transaction, and 50% in LDCs.⁷

TABLE 2.2 Official grant percentages, 1992-2003 (%)

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Grant percentage (% of total transaction)	40+5 ¹	40+5	40+5	45	60	45/60 ²	35	35	35	35	35	35

1 40% grant plus 5% costs for financing the commercial loan.

2 45% for ORET and 60% for MILIEV.

Source: FMO annual report

Financing the commercial part of the transaction

The Netherlands offers the possibility to reinsure the political and commercial risks related to export transactions. The risks of transactions with developing countries are possibly higher than those of transactions with other countries. The

⁶ ORET Programme Regulation of 21 March 2002.

⁷ ORET Programme Regulation 2005.

absence of export credit insurance could lead to the situation that a grant could not be combined with a bank loan from the Netherlands. An ORET/MILIEV grant is only offered when the transaction is of sufficient importance for the economy of the receiving country and if it is sustainable and feasible⁸ for the recipient company or organization. In cases where credit insurance cannot be offered, the developing country can try to complete the financing in another way than via a Dutch bank loan, but only when the significance of the transaction is clear.

Expenditures

ORET/MILIEV Programme expenditures have fluctuated over the years. Starting with some €14 million in 1991 the expenditures were increased, but the programme did not spend its entire annual budget until 1996. As stated above, in 1997 the annual expenditures exceeded the annual budget and the programme was closed for some time, except for applications from China that had already been received at the time the programme was closed.

TABLE 2.3 ORET/MILIEV Programme expenditures, 1991-2003

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total amount (€ m)	14.5	8.6	22.1	27.0	37.2	75.6	99.7	96.7	95.9	95.1	79.0	63.0	74.7
Amount in China (€ m)	0	0.6	6.9	6.4	10.1	5.5	12.5	13.1	30.7	23.8	20.6	12.8	10.5
Share of China in the total (%)	0	7	31*	24	27	7	13	14	32	25	26	20	14

Note: In the early days of the programme most of the transactions were made with Indonesia. When in 1989 the ORET desk for Indonesia was closed, many Dutch companies turned to China. Since 1992 there was a trend of raising aid funds and activities. The programme came to full operation in China in 1993. Therefore the share of China in the total expenditures of the programme greatly increased in that year.

Source: FMO annual reports

2.2.3 Limits to countries, companies and transactions

At the start of ORET programme no more than 25% of the annual available budget could be used to finance projects delivered by a single company. For the MILIEV programme, in principle, no more than 40% of the budget was used annually per country when it was introduced in 1993. The maximum transaction of a MILIEV

⁸ Sustainable and feasible means that the recipient company or organization should be able to pay interest and repay the principal of the loan that accompanies the grant, and that it should be able to run the project from a technical and organizational perspective.

project was €22.73 million, and no minimum was set.⁹ In order to spread projects over the exporting companies, the maximum amount that could be awarded to any one company or group of companies per year was 20% of the available annual budget.

As of 1 January 1998, when the ORET and MILIEV programmes were combined, the maximum amount granted to a single country per year was set at 20% of the available annual budget, and the maximum amount of the transaction was €27.26 million.¹⁰ As of 21 March 2002 the maximum amount of the transaction was raised from €27.26 million to €45 million. The upper limit has been applied to the total amount of the two transactions – for both amounts – if there are two inter-related transactions in a single project.¹¹

2.2.4 Dutch content

Until the end of 2000, the ORET/MILIEV regulations stipulated that a maximum of 40% of the transaction amount could consist of supplies from other countries. In other words, the minimum Dutch content of ORET/MILIEV transactions was 60%. In 1999 the MEA and MFA suggested to make the 60% rule more flexible in response to the IOB review,¹² which stated ‘the actual sourcing may well be below 60% as components with a minimum value added of 51 percent are considered fully Dutch. This method of calculation may not be inconvenient to exporters, many of whom indicated that in the era of globalization it is often difficult to attain the 60 percent condition’. Also, ‘the 60 percent condition occasionally leads to higher prices as the inclusion of cheaper non-Dutch alternatives would render the Dutch share too low. If such cheaper alternatives of acceptable quality are available in the recipient country, this condition is not conducive to development interests’.¹³

Following this, in the regulations of December 2000 this rule was relaxed somewhat, i.e. products and services from the Netherlands should account for at least 60% of the transaction sum, but

- if the products and services produced in the developing country amount to 10% or more of the transaction sum, the Dutch content may be as little as 50%;
- if there is a service contract involving a high number of local experts, the Dutch content may be as little as 40%.

9 MILIEV programme, May 1993.

10 ORET/MILIEV in Brief 1998 and Regulations of January 2003, p.3.

11 Regulations of January 2000 and March 2002.

12 8 December 1999/Acts of Lower Chamber/32/p.2432-2483.

13 ORET/MILIEV Review 1994-1999, IOB, November 1999, p.xxviii.

2.3 Appraisal criteria for the ORET/MILIEV Programme

2.3.1 General

In the early 1990s, to reduce the length of the appraisal procedure, a standard appraisal was introduced for one year. The length of the procedure was reduced to six months as one of the measures taken based on the results of ORET/MILIEV Review 1994-1999.¹⁴

In general, the application must meet the following criteria:

- 1 the project is commercially non-viable according to the OECD's two key tests, i.e. financially non-viable and unsuitable for financing on market or arrangement terms;
- 2 the project ties in with the aims of the development policy of the Netherlands;
- 3 the transaction contributes to sustainable economic relations between the Netherlands and the developing country.

2.3.2 Commercial non-viability¹⁵

At the end of 1991 new arrangements within the OECD (the so-called Helsinki Package) led to restrictions on non-commercial financing¹⁶ of commercially viable projects. In the case of the Netherlands, this meant that commercially viable projects could not benefit from ORET (and later MILIEV).

In February 1994, the OECD decided that the test on commercial viability would not be required for projects with a total transaction amount of less than €2.27 million (2 million SDR). For the Netherlands, this meant that projects with a transaction amount of less than 2 million SDR could benefit from ORET and MILIEV even if the projects were commercially viable, provided that the results with regard to other relevant development cooperation and ORET selection criteria were positive.

This exception was removed at the end of 2000. Based on the findings of the ORET/MILIEV review 1994-1999 and the reaction of the Minister for Development Cooperation to the new regulations of 21 December 2000, it was decided that the non-viability test also would have to be applied for projects with a transaction amount of less than 2 million SDR. This was a change in the Netherlands; OECD

¹⁴ Official publications Lower and Higher Chamber 24400 V no.2/Explanatory Memorandum.

¹⁵ The rules on commercial non-viability are based on discussions within the OECD. These discussions are described in more detail in section 2.4.

¹⁶ Non-commercial financing includes for example grants, loans with interest rates that are below market rates, loans with long grace periods, and loans involving a combination of all these elements.

rules still contain the exception for projects below 2 million SDR, and at least some countries make use of it.

2.3.3 *Development relevance*

ORET/MILIEV grants are intended to promote investment in developing countries that will contribute to sustainable economic, ecological and social development. Grant applications are appraised for their impact in these three areas.

Until recently the emphasis of development relevance was put on economic development, extensively described in terms of economic, financial, institutional and technical sustainability. These aspects have not been changed in the ORET/MILIEV regulations. The aspects of ecological and social development are described more extensively in the revised regulations of 21 March 2002, as elaborated below.

Ecological development/environmental impact

The proposed project must on balance be not harmful to the environment. The environmental impact is appraised on the basis of the environmental and safety standards set by the World Bank or the developing country's own standards.

Social development

The project for which a grant is being sought will have to conform to established international standards for social impact. More specifically, only a project that will not have negative impacts on social development, especially for the poor and women, can be approved. The project should contribute to the creation of sustainable employment in the developing country. This contribution can be either direct or indirect.

2.4 OECD guidelines

Through various mechanisms, such as state-supported export credit insurance, interest rate subsidies, and other forms of government support, exporting countries try to improve their competitive position on the world market.

In the early 1970s, the United States, Japan and the members of the then European Economic Community were involved in an escalating battle for more advantageous export credit terms. This put prospective buyers in a position to negotiate ever better conditions in terms of interest rates, repayment periods and down payments. Such favourable export terms, well below regular market rates,

can only be realized through some form of government support, often through Export Credit Agencies (ECAs).

In 1981 and 1983, minimum interest rates were increased and so-called Commercial Interest Reference Rates (CIRRS) were introduced for OECD member-country currencies. The CIRRS reflect market interest rates for the countries concerned, on the basis of certain formulas, and are recalculated on a monthly basis. For any subscribing government entering into a tied aid agreement, i.e. aid tied to the procurement of goods in the donor country, it was agreed that prior notification to the other subscribers would be required.

In 1991 the various conditions of the Arrangement as they had matured over the years were consolidated in the so-called 'Helsinki package'. However, for EU Member States, the Arrangement is binding under a European Council decision that was taken in 1992.

According to the OECD guidelines, a project must be commercially non-viable to qualify for tied aid. A project is regarded as commercially non-viable if within 10 years it fails to generate sufficient income under free market conditions to cover the initial capital investment and ongoing costs (operating as well as financing).

On 27 June 2000, the OECD countries signed the OECD guidelines, which cover important issues such as child labour, hard labour, human rights, the environment, corruption, competition, taxation and consumer protection. An applicant has to declare in writing that it is aware of the guidelines and that it will make an effort to ensure the implementation of the guidelines within the company in order to qualify for the financial support. The recipients of any export or investment-related grant awarded by the Dutch authorities are asked to make a similar declaration.

2.5 China's development policies

2.5.1 *Reform and opening up to the outside world*

In 1979, China adopted the policy of reform and opening up to the outside world. Since then, a great number of changes have taken place in the political, economic and social spheres, as well as in science and technology, culture and education. For many Chinese people incomes, standards of living and health care services have improved steadily in recent years.

China joined the World Trade Organization (WTO) in 2001, which will increase the pace of economic reform. As a WTO member, it has become increasingly important for China to establish and/or reformulate its laws and regulations to ensure compliance with WTO rules.

A milestone in the reform process was the Chinese government policy, introduced in 2000, that endorsed a stronger role for the private sector in order to accelerate progress in the transformation from a centrally planned to a market-oriented economy. Government statistics show that in the last five years the number of non-state-owned firms has increased steadily, and they now account for more than half of China's GDP.

2.5.2 Introduction of foreign direct investment (FDI)

China started to encourage foreign investment in 1979. Over the subsequent two decades (1979–2000) it attracted a total of US\$538 billion, which have successfully helped the country to develop its economy, improve social life and speed up the reform process. Between 1999 and 2003, China attracted an average of US\$50–60 billion per year in foreign direct investment (FDI).

In each of the last ten years China has enjoyed GDP growth rates of 7–8%. In 2003 it was already the world's sixth largest economy, with a per capita GDP of US\$1000.

Nevertheless, China is an enormous country with an area of 9.6 million square kilometres and a population of 1.28 billion, of whom 160 million (12.5%) are still extremely poor with incomes of less than US\$ 1 per day (PPP), according to a 2002 World Bank estimate. Moreover, there are growing inequalities between regions, and between urban and rural areas. The government still emphasizes its policy of using foreign funds to reduce poverty and to solve the problems of inequality.

2.5.3 Introduction of foreign aid grants and loans

It has long been Chinese government policy to attract foreign development aid grants or government preferential loans. From 1979 to 2000, China received US\$ 18.4 billion in foreign development aid loans, for a total of 1746 projects, 1654 of which have been completed. Foreign development aid grants or government preferential loans are to be utilized according to China's sectoral and regional development policies and invested mainly in the agriculture, water conservation, transportation, energy, communication, environmental protection, and the urban infrastructure sectors. Also, foreign development grants and loans were encouraged to invest in the western, central and northeastern regions, especially the public sector in these regions.

Although China has made impressive gains in social and economic development, it has also experienced growing gaps and inequalities between rich and poor, and between the developed and less developed regions.

2.5.4 *Special development policy for specific regions: the Western Development Strategy (wds)*

In 1998 the government introduced special development policies that gave priority to the relatively less developed regions. Since then, the central and western regions have received 68% of all foreign development aid loans, and the northeast and southeast developed regions the remaining 32%.

In order to balance regional development, the Chinese government has launched several development strategies that give the priority to the poor and undeveloped regions. In 1999, the government launched the 'Western China Development Programme' as one of its most important strategies. A year later, a special administration agency was established, the West China Development Office, under the State Council.

The western region, which includes 12 provinces, Municipalities Directly under Central Government (MDCGs) and autonomous regions, covers 71% of the area of China and is home to 28% of the population. For decades the western region has suffered severe soil erosion, deforestation and desertification due to excessive logging and cultivation. According to Chinese official statistics, in 2003, the per capita GDP of the region was about us\$ 500, about half the national average, although the region has rich mineral, oil and natural gas resources.

In order to achieve the goals of the wds, the Chinese government has emphasized the importance of promoting infrastructure construction, improving the environment, and encouraging the utilization of foreign funds. Moreover, the central government uses policy tools that will appropriately increase the matching funds to these projects. For example, large-scale fiscal transfers towards the western region are planned.

2.6 Cooperation between the Netherlands and China

Since establishing diplomatic relations at ambassador level in 1972, the Netherlands and China have signed a wide range of cooperation agreements, covering political and economic affairs, culture, science and technology, and investment.

In recent years, bilateral trade and economic cooperation between the Netherlands and China has increased significantly. In 2003, the value of the bilateral trade reached us\$15.44 billion, an increase of 44.6% on 2002, of which Chinese exports were us\$13.5 billion and imports from the Netherlands us\$1.94 billion, increases of 48.3% and 23.1%, respectively, on the previous year. The Netherlands is now China's second largest European trading partner, after Germany.

Between 1979 and 2003, the Netherlands invested in a total of 1125 projects in China, with agreed or contracted investments amounting to us\$9.4 billion, while actual investments were us\$4.6 billion, including €473 million transaction amount (among which €209 million in grants) the ORET/MILIEV Programme.

In February 1995, the Netherlands Prime Minister Wim Kok visited China with a delegation of Dutch companies. With this mission the Sino-Dutch relationship was greatly intensified. Kok offered China €227 million from the ORET/MILIEV budget for seven years (on average €32.5 million annually, between 22% and 43% of the ORET budget). This amount was part of the support for intensifying Dutch-Chinese economic relations. This 'Kok package' also included another €341 million in commercial loans.

2.7 Management of the programme in the Netherlands and China

2.7.1 In the Netherlands

The Ministry of Economic Affairs (MEA) and the Ministry of Foreign Affairs (MFA) have run the ORET/MILIEV Programme since its launch in 1998. These two ministries managed the programme, together with the Ministry of Finance, jointly through two committees. One of these was the Inter-ministerial Project Committee (IPC), which met on a regular basis and discussed all applications.

Starting in 1994, in most cases the Netherlands Economic Institute (NEI) was called in to appraise projects with regard to some of the programme conditions and to advise the Private Sector Department (PSD) of the MFA.

Since the start of the programme the FMO has been authorized to assign the grants to developing countries by order of the MFA. In February 2002, the programme was formally transferred to the FMO, which has since executed the programme under the mandate of MFA and MEA. The FMO is now responsible for the receipt, taking up, appraisal, approving or disapproving of the applications financing, and for monitoring and evaluating the programme. It was expected that professional management of the programme by this specialized organization would lead to improved coherence and efficiency, as well as the realization of possible synergies. Every six months, the FMO sends a report to MFA with an overview of ongoing projects and expenditures. One year after a transaction is finished, the FMO evaluates the transaction.

At the start of the programme, the Netherlands embassy in China played a minor role. In 1994, however, it was decided that the tests for development relevance and for the viability of projects could be executed more quickly in cooperation with the embassy, which would shorten the procedure.

For the ORET/MILIEV Programme, the involvement of the embassy was emphasized in the frequent discussions with the Chinese, for example, in the half-year policy discussions with the Chinese authorities. Since 2002, when the programme was transferred to the FMO, it was decided that the role of the embassy in executing the programme would be minimized during the appraisal and monitoring. But the embassy would remain a point of contact for companies preparing or executing projects, especially during the start-up phase.

2.7.2 *In China*

Foreign government loans are managed by several Chinese authorities, the main ones being the 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 State Auditing Administration (SAA). Among these, the MOF and SDRC are the most important authorities dealing with the ORET/MILIEV Programme.

Since taking over responsibility for foreign development aid loans from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) in 1999, the Ministry of Finance (MOF) has introduced a number of new policies and regulations. One of the most important of these involved changes to the on-lending categories on the Chinese side. At the moment, the MOF accepts three kinds of grant or foreign government loan:

- 1 the central or local government is the borrower, and bears the obligation for reimbursement;
- 2 the end user is the borrower, and the local government guarantees its reimbursement;
- 3 the end user is the borrower, and the on-lending bank is responsible for reimbursement.

On 19 February 2000 the Chinese MOF issued a regulation related to the ORET/MILIEV Programme – 'The Notification of Utilization of Netherlands Government Loans' – which deals with the main characteristics of the programme and the application procedures in China. This document is intended to help end users to make full use of ORET/MILIEV funds.

In 2002 the MOF introduced another important new regulation requiring that all transactions financed with tied aid from foreign donors be put out to public tender. This regulation may, to some extent, affect Dutch suppliers. For all projects under the ORET/MILIEV Programme, the MOF now issues invitations to tender, which are posted on the website www.chinabidding.com.

Overall, the Chinese MOF is responsible for negotiation, consultation and signing contracts with foreign governments concerning foreign aid or foreign government loans (FGLS), as well as for providing information about these loans to domestic end users and assessing the reimbursement capacity of the projects.

In March 2003, the National People's Congress approved the reorganization of the cabinet, and the creation of a new and powerful authority – the State Development and Reform Commission (SDRC) – to replace the former State Development and Planning Commission (SDPC). Like the SDPC, the new SDRC will play an important role in the management of foreign funds, including planning the utilization of development aid loans, approving project feasibility studies and deciding on the scale of projects.

One important SDRC regulation relates to the official approval of the utilization of foreign development aid loans. At the application stage, the central government's SDRC is authorized to assess and approve projects with budgets of more than US\$5 million, while projects of less than US\$5 million may be decided by the local Development and Reform Commission (DRC) at the provincial level.

2.8 The procedure of the ORET/MILIEV Programme

Following several modifications of the regulations concerning the management of the ORET/MILIEV Programme in the Netherlands, and some rounds of government institutional reforms in China, the present procedure of management and organization of ORET/MILIEV Programme is summarized in figure 2.1.

Step 1 — Project proposal by the Chinese end user and appraisal and/or approval by the local Development and Reform Commission (DRC), in consultation with the local Financial Bureau (FB).

Step 2 — Appraisal and approval by the Chinese provincial DRC and FB. After the local project approval, it is submitted to provincial DRC and FB for appraisal and approval by the provincial authorities. The provincial DRC and FB can only decide on projects with a transaction amount up to a ceiling of US\$5 million.

Step 3 — Appraisal and approval by the Chinese SDRC and MOF. The provincial DRC can approve projects with a transaction amount of less than US\$5 million, but in any case should inform SDRC about its decision. At same time, the provincial FB applies to the MOF for a request for ORET/MILIEV funding.

Projects with a transaction amount of US\$5 million or more should be submitted to SDRC for appraisal and approval. If approved, the MOF will be informed and the project can be placed on the Chinese government's priority list.

Step 4 — Project submission by the Chinese MOF and review by NIO.

The MOF proposes the project and its feasibility study report prepared by the Chinese end user to the Netherlands Investment Bank for Developing Countries (NIO) for review. NIO reviews the feasibility study report and carries out a field review, if necessary. If the project goes through the review, it is then placed on the priority selection list for utilizing ORET/MILIEV funds.

Step 5 — Technical and commercial negotiations between the Chinese end user and the Dutch supplier.

When the project has completed all the domestic appraisal and approval procedures and/or at due time of these procedures, the Chinese end user may hold technical and commercial negotiations with the Dutch supplier.

Step 6 — Selection and appointment of the on-lending bank and the window company.

As mentioned above, when the Chinese MOF took over responsibility for foreign government loans (FGLs) from MOFTEC in 1999, three categories of on-lending for grants or FGLs were defined. Only policy banks¹⁷ and state-controlled commercial banks mandated by the MOF qualify to serve as on-lending banks.

Moreover, according to MOF regulations, the end user should use a qualified Chinese window company or procurement agent when applying for an FGL. The role of the window company is to help the end user negotiate with the supplier and prepare the tendering documents.

Step 7 — Application by the Dutch supplier.

Only companies registered and operating in the Netherlands are eligible to apply for ORET/MILIEV Programme grants. These companies must have sufficient export experience, show adequate technical, organizational and financial capacity to carry out the transaction successfully, and must generally be able to contribute to sustainable economic relations with the developing country.

¹⁷ Policy banks in China refer to banks that are fully state-owned with special development objectives rather than profit orientation. There are three policy banks in China, namely, the China Development Bank, the Export-Import Bank of China, and the Agricultural Development Bank of China.

When applying for an ORET/MILIEV Programme grant, the company must first ascertain whether the project concerned is included on the list drawn up jointly by the Dutch and Chinese authorities.

An application for ORET/MILIEV financing, which must be submitted to FMO/NIO in duplicate, must include: an accurate and fully completed and signed application form, a declaration from the national authorities of the developing country and a feasibility study covering the entire project of which the transaction is a part. The applicant must supply reasonable evidence that the application meets the programme criteria.

Step 8 — Appraisal by FMO/NIO.

FMO/NIO appraises ORET/MILIEV applications solely on the basis of the information submitted by the applicant. It may consult with independent experts during this process. As a rule, FMO/NIO arranges for external experts to interview the applicant. If the applicant is unable to answer their questions at the interview he is given the chance to do so in writing within a period set by FMO/NIO.

Step 9 — Approval and decision.

If the application is approved, FMO/NIO notifies the Dutch applicant by means of a formal decision stating that it is prepared to offer the authorities of the developing country an ORET/MILIEV grant, which will be used to finance part of the proposed transaction between the applicant and the developing country.

If in the end the application is rejected, the applicant will be sent a formal decision stating the reasons. When an objection is lodged, a hearing takes place, the application is reconsidered and a decision on the objection is issued. An appeal against this decision can be lodged with the Trade and Industry Appeals Tribunal in The Hague. Each decision ends with an explanation of the relevant objection or appeal procedure.

Step 10 — Notification.

FMO/NIO notifies the OECD and EU of its intention to provide ORET/MILIEV financing at the earliest possible stage. Other countries then have 30 working days to submit questions or raise objections based on the perceived commercial viability of the project of which the transaction is a part. Failure to respond within 30 working days of the notification will be taken as tacit approval of the application.

If questions are asked or objections raised, the qualifying period will be suspended while responses are prepared. It then resumes until 30 working days have elapsed. If the objections are sustained, the project – and hence the proposed transaction – will not qualify for state support and none of the Consensus participants will be allowed to provide tied aid for that transaction.

Step 11 — preparation and signing of the grant agreement.

Once the application has been approved, FMO/NIO draws up a grant agreement awarding the funds to China. This grant agreement regulates the payment procedure and sets out a number of general conditions, for example, with respect to financial and other securities, taxes and arbitration and any specific project-related conditions. FMO/NIO sends the agreement to China to sign before signing it itself. If an application is approved before the contract between the supplier and the principal is signed, NIO generally first sends a general declaration of intent (preliminary grant agreement), which may or may not be subject to approval by the OECD and the EU.

The grant agreement will take effect once all the conditions specified in the agreement have been met, and the notification procedure has resulted in approval of the intended ORET/MILIEV grant by the EU and OECD. The offer of an ORET/MILIEV grant stands for six months. It may be extended once for a maximum of six months at the request of China or the supplier, after which it will lapse.

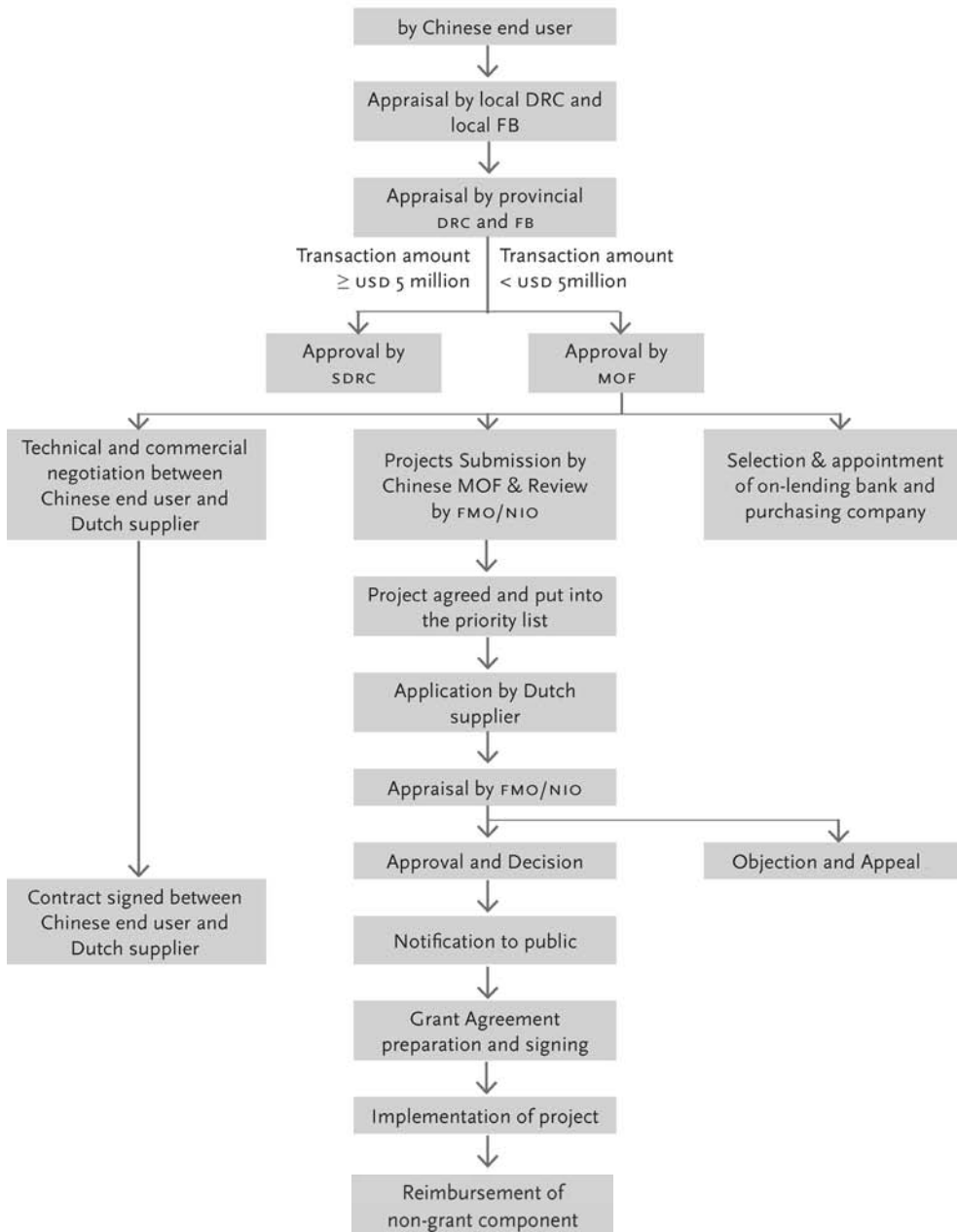
Step 12 — Implementation of project.

Under the terms of the ORET/MILIEV regulations, the supplier is obliged to provide narrative and financial reports on the progress of the transaction every six months, on 1 March and 1 September. The reports should cover the periods July-December and January-June, respectively. Each half year the FMO sends a report to DDE with an overview of the running projects and expenses based on the progress reports. One year after a transaction is finished, the FMO evaluates the transaction. The Chinese government and organizations involved will each be asked to provide an ex-post evaluation.

Step 13 — Reimbursement of the non-grant component of ORET/MILIEV funds.

In China, a foreign government loan is defined as state debt and therefore the government is responsible for supervising and monitoring its repayment. In the event that the end user is declared bankrupt, the local and/or central government as well as on-lending banks in some cases will directly reimburse the non-grant fund on time.

FIGURE 2.1 Management and organization procedure of the ORET/MILIEV Programme



2.9 Overview of the ORET/MILIEV Programme in China

Over the period 1991-2003, 217 ORET/MILIEV projects were applied for in mainland China. Of these 217 applications, 124 projects were rejected or cancelled, and 84 projects were approved and implemented; these projects are included in this evaluation. At the end of the evaluation period nine projects were still in the appraisal process.

This section gives an overview of the ORET/MILIEV portfolio (84 projects) in China. It shows how the total transaction amount and grant percentage varied from year to year, and how the projects and transaction amounts were distributed by sector and by region.

2.9.1 *The ORET/MILIEV portfolio in China (1991-2003)*

The total grant provided to the 84 approved projects amounted to €208,744,028, with a total transaction amounting to €473,446,212. The transaction represents the total investment volume for a project, including the grant part as well as the commercial part. The largest transaction was €33,565,545 and the smallest €1,089,073.

Among the 84 projects, the average grant was about 44% of the transaction, and the largest 100%. In terms of the status of the projects,¹⁸ 40 projects have been finished or closed (48% of the total) and 44 (52%) are still running or ongoing. With regard to the total transaction amount, the share of finished projects is about 38% and that of ongoing projects 62%.

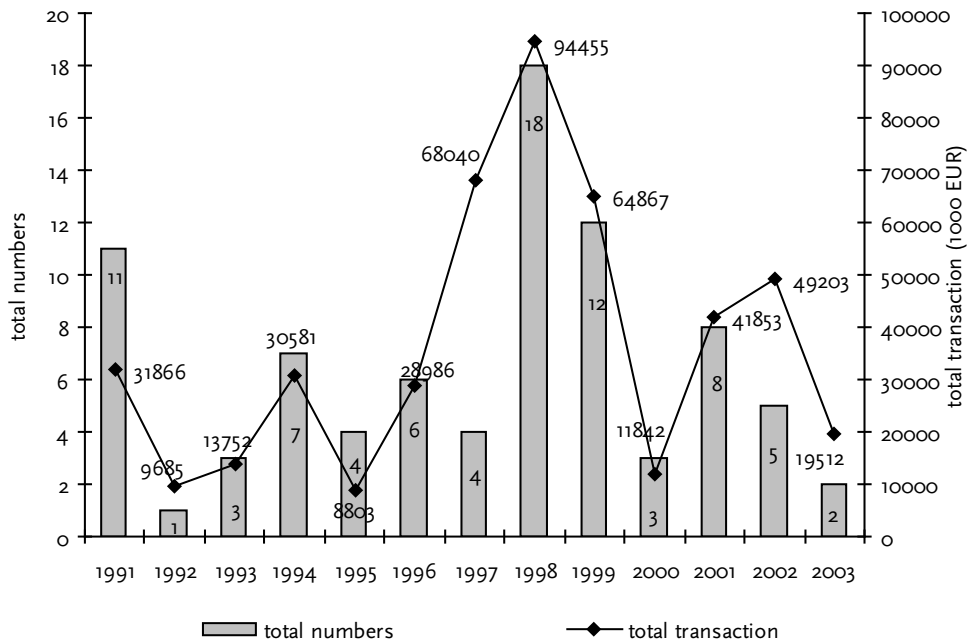
As figure 2.2 shows, the numbers of approved projects varied considerably over the period 1991-2003. In 1998 both the number of projects and the transaction amount of the programme peaked sharply as an effect of the Kok package.

2.9.2 *Types of projects*

Of the 84 projects, 25 are MILIEV and 59 are ORET projects. The total transaction amount of MILIEV projects is €167,395,815 (35% of the total) and ORET projects account for €306,050,396. On average, MILIEV projects are slightly larger than ORET projects – €6.7 million and €5.2 million, respectively. The average grant percentage of MILIEV projects is 52%, which is higher than that of ORET projects, 40%.

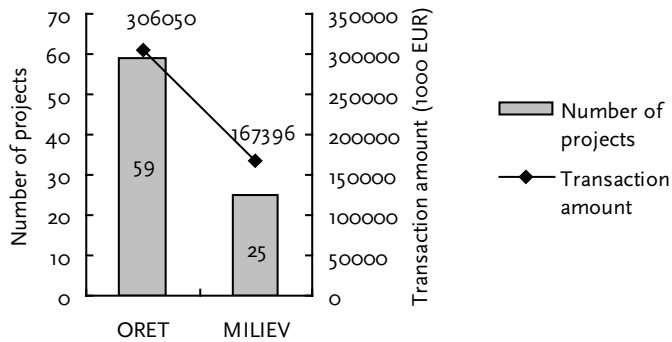
¹⁸ As at 31 December 2003.

FIGURE 2.2 Numbers of projects approved and total transactions by year of application (1991-2003)



Source: Desk study of 84 projects

FIGURE 2.3 Types of project



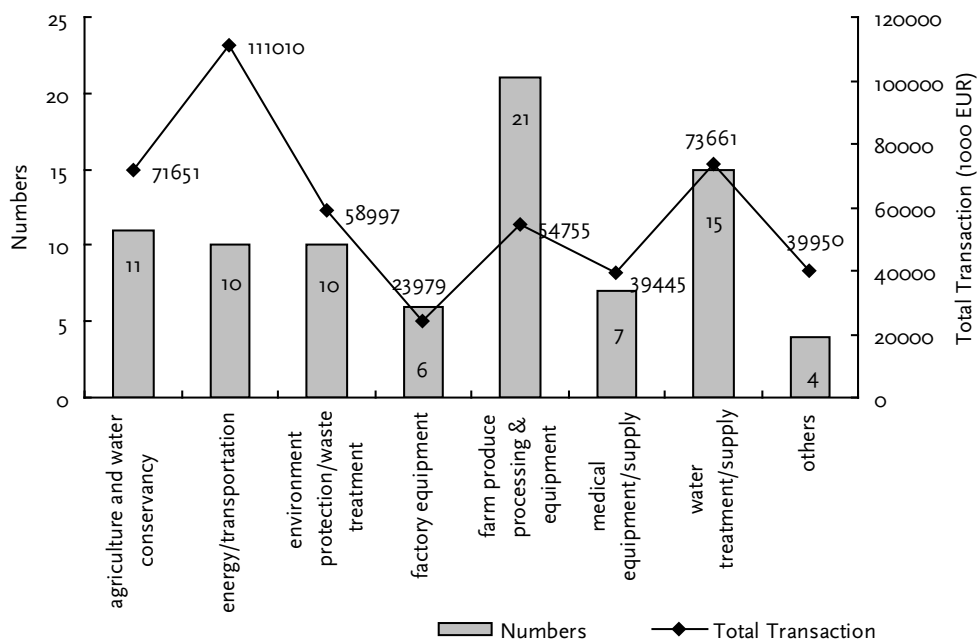
Source: Desk study of 84 projects

2.9.3 Sector distribution

In line with the criteria used in the ORET/MILIEV Programme, the main aims of the individual projects, and the standard industry classification used by the Chinese authorities, the projects can be categorized according to eight sectors: agriculture and water conservation, energy/transportation, environmental protection/waste treatment, factory equipment, farm produce processing and equipment, medical equipment/supplies, water treatment/supply, and others. This sector categorization is used in the evaluation.

Figure 2.4 shows that the largest number of approved projects (21, or 24% of the total) was in the farm produce processing and equipment sector, followed by the water treatment/supply sector with 15 projects. However, projects in the energy/transportation sector accounted for the largest total transaction amount (€110,002,000, or 23% of the total).

FIGURE 2.4 Numbers of projects and total transactions, by sector



Source: Desk study of 84 projects

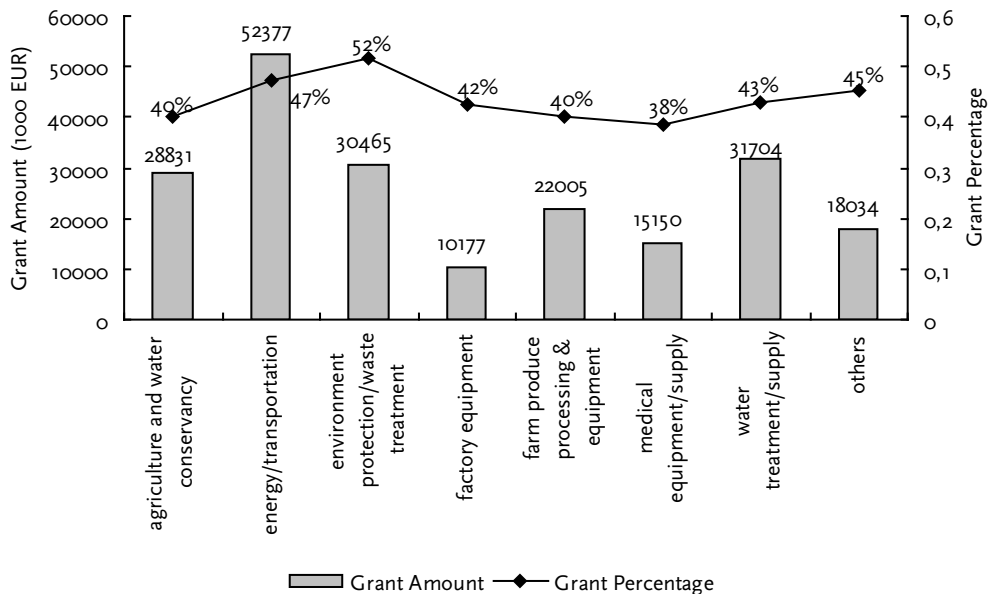
The average transaction amount per project is €5,636,000, with a maximum of €11,101,000 in the energy/transportation sector and a minimum of €2,607,000 in the farm produce processing and equipment sector (see table 2.4)

TABLE 2.4 Average size of projects, by sector

Sector	Average transaction amount (€1000)
Agriculture and water conservation	6,514
Energy/transportation	11,101
Environmental protection/waste treatment	5,900
Factory equipment	3,997
Farm produce processing and equipment	2,607
Medical equipment/supplies	5,635
Water treatment/supply	4,911
Others	9,988

Source: Desk study of 84 projects

FIGURE 2.5 Grant amount and grant percentage, by sector



Source: Desk study of 84 projects

Figure 2.5 shows how the grant percentage varied over the different sectors, from a minimum of 38% (medical equipment/supplies) to a maximum of 52% (environmental protection/waste treatment). In the energy/transportation and environmental protection/waste treatment sectors, there are more MILIEV projects with a grant element higher than 60%, which leads to a higher grant percentage in these sectors. Also projects with a large technical assistance component have a higher grant part.

2.9.4 Regional distribution

Mainland China has 31 administrative provinces, Municipalities Directly under Central Government (MDCGs) and autonomous regions. ORET/MILIEV projects can be found in 22 of them (see the map of China and table 2.5).

Based on their level of economic development, geographic location and the Chinese government's preferential or priority policy for development, the 31 provinces, MDCGs and autonomous districts can be divided into three regions:

- 1 *Southeastern and developed region* – 9 provinces and MDCGs whose levels of economic development are above the national average;
- 2 *Central and northeast region* – 10 provinces whose economies are at about the national average;
- 3 *Western region* – 12 less developed provinces, MDCGs and autonomous regions where poverty reduction has long been at the top of the development agenda.

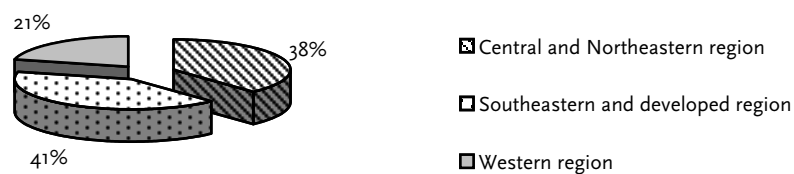
TABLE 2.5 Regional distribution of ORET/MILIEV projects, by number of projects

Region	Province	Number of projects
Southeast and developed region	Beijing	13
	Fujian	0
	Guangdong	4
	Hainan	7
	Jiangsu	3
	Shandong	3
	Shanghai	2
	Tianjin	0
	Zhejiang	2
	<i>Sub-total</i>	34

Region	Province	Number of projects
Central and northeast region	Anhui	8
	Hebei	7
	Heilongjiang	0
	Henan	3
	Hubei	4
	Hunan	3
	Jiangxi	2
	Jilin	0
	Liaoning	3
	Shanxi	2
	<i>Sub-total</i>	32
Western region	Chongqing	1
	Gansu	1
	Guangxi	0
	Guizhou	0
	Inner Mongolia	2
	Ningxia	5
	Qinghai	0
	Shaanxi	0
	Sichuan	3
	Xinjiang	4
	Xizang	0
	Yunnan	2
		<i>Sub-total</i>
Total		84

Source: Desk study of 84 projects

FIGURE 2.6 Regional distribution of ORET/MILIEV projects, by number of projects

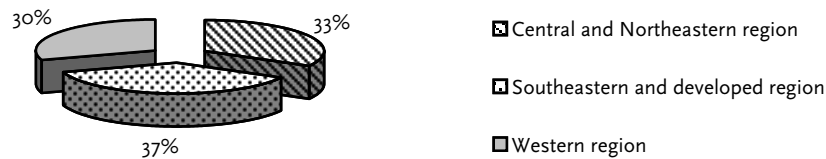


Source: Desk study of 84 projects

TABLE 2.6 Regional distribution of ORET/MILIEV projects, by transaction amount

Region	Transaction amount (€1000)
Central and northeast region	156,740
Southeast and developed region	175,717
Western region	140,989
Total	473,446

Source: Desk study of 84 projects

FIGURE 2.7 ORET/MILIEV transaction amount, distribution by region

Source: Desk study of 84 projects

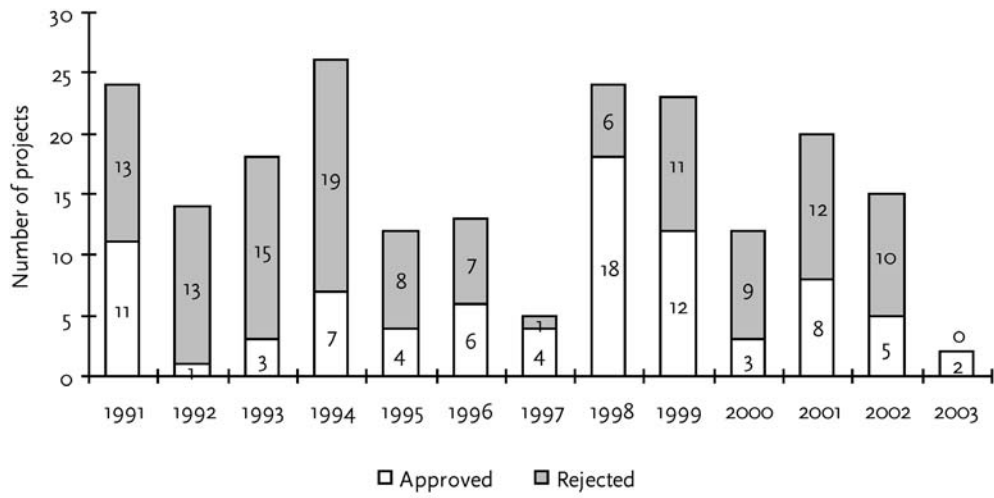
2.9.5 Chinese end users and Dutch suppliers

In the period 1991–2003, 83 Chinese end users and 46 Dutch suppliers were involved in ORET/MILIEV Programme activities in China. Out of 83 Chinese end users, 54 (65%) were enterprises, and 22 (27%) were government bodies or public institutions.

2.9.6 Rejected projects

During the period 1991–2003, 124 ORET/MILIEV project applications were cancelled or denied, whilst 84 projects were approved (see figure 2.8). The reasons for rejection were as follows:

- 1 the project was commercially viable;
- 2 Chinese on-lending bank refused to provide the non-grant part of the transaction;
- 3 the final contract was not signed;
- 4 the project did not comply with Dutch environmental policy; and
- 5 insufficient technical and management capacity of the end users.

FIGURE 2.8 Number of rejected and approved projects (1991-2003)

Source: Desk study

Policy relevance

3.1 Introduction

Policy relevance refers to the extent to which the objectives of the programme and the effects of project activities are consistent with the needs of China's national and/or local authorities, as formulated in their policies, and the overall priorities of China. Moreover, relevance indicates the degree of consistency with the Netherlands development cooperation policy.

It should be noted that the policy relevance was defined as the ex-ante relevance, which means that the relevance of ORET/MILIEV projects to the aspects mentioned above were considered at the time of their application. Although it is clear that an ORET/MILIEV project should be relevant, otherwise it cannot be approved by Dutch government, how is it relevant and to what it is relevant should be necessarily cross-checked by the evaluation mission.

Beginning with an overview of the objectives of ORET/MILIEV Programme and development policies of the Netherlands, this chapter focuses on the four aspects of relevance: to China's Western Development Strategy (WDS), to China's sector development policies, to China's local development plans, and to the Netherlands development policy.

3.2 The Netherlands development cooperation policy and the relationship with China

Support to sustainable development is the general objective of the Netherlands development cooperation policy. In order to realize the sustainable economic growth that will benefit future generations, economic growth should be steady and balanced, should not result in environmental deterioration, and should ensure social equity.

The Netherlands development policy focuses on several aspects of development, including poverty alleviation, gender, environment protection, etc. More specifically, the ORET/MILIEV programme at least should not have any negative impact on any of these aspects. This is the basic principle of the ORET/MILIEV policy that has not changed over the years.

In early and mid-1990s, the Chinese government was mainly interested in agricultural activities, port development and environmental activities. That is why in the early 1990s many applications concerned projects in the farm produce processing and equipment sector.

In February 1995, Prime Minister Wim Kok visited China with a delegation of Dutch companies. During this visit, the prime minister, on behalf of the Netherlands government, offered China €227 million from the ORET/MILIEV budget. This amount was part of the support for intensifying Dutch-Chinese economic relations, the 'Kok package', which is a tied-aid credit facility offered for seven years, starting on 1 January 1996 and ending on 31 December 2002, and besides the ORET funds, included another €341 million in commercial loans.

With regard to the promotion of bilateral economic cooperation, the two governments agreed to concentrate on certain sectors and regions. During the half-yearly consultation meeting between the two governments in December 1998 in Beijing, the Chinese side expressed a preference for projects in the undeveloped inland parts of China, and would give priority to projects focusing on agriculture, infrastructure and environmental protection. Although the ORET/MILIEV scheme is open to all regions and sectors in China, the Netherlands delegation welcomed the focus on underdeveloped regions and further proposed to concentrate on water and water management, including dredging works, in which Dutch suppliers are considered to have technical advantages.

3.3 The relevance of ORET/MILIEV to China's Western Development Strategy (WDS)

Although China has achieved impressive results in social and economic development, it has also experienced growing gaps and inequalities between rich and poor and between the developed and less developed regions. In an effort to balance regional development, in 1999 the Chinese government launched the Western Development Strategy (WDS), which provides special development policies for the poor and undeveloped regions.

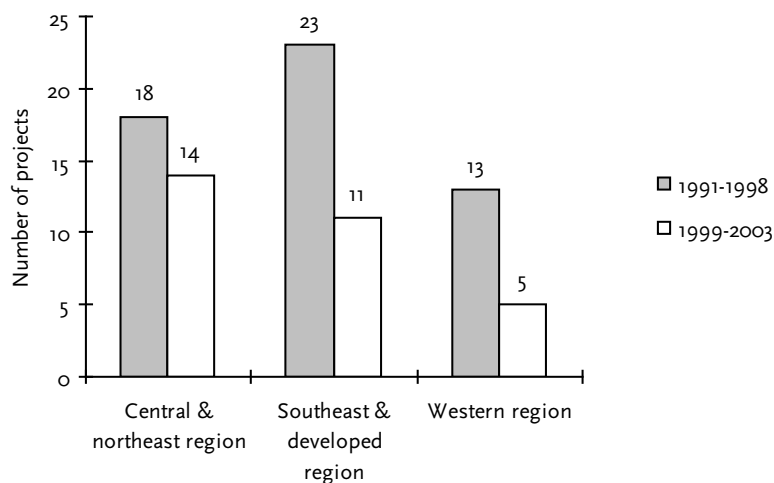
The western region, which comprises 12 provinces, municipalities (Municipality Directly under Central Government, or MDCG) and autonomous regions, covers 71% of the area of China and is home to 28% of the population. For decades, the western region has suffered severe soil erosion, deforestation and desertification due to excessive logging and cultivation. According to Chinese official statistics for 2003, the per capita GDP of the region is about US\$500, about half the national average of US\$1000 per capita.

There are many factors that restrict the development of the western region, including poor infrastructure, water shortages, and inadequate health and education services. Despite these problems, the region has enormous potential for development – it has rich mineral, oil and natural gas resources.

In order to achieve the goals of the Western Development Strategy, the Chinese government has introduced preferential policies to encourage the implementation of projects in the region. Thus foreign government loans and international organization loans are encouraged to finance major infrastructure projects in the region. Also the government plans to implement a number of projects in the region related to agriculture, water conservation, transportation, energy, and environmental protection.

The central government has also introduced a policy to increase the matching funds to these projects and to improve the local investment environment through large-scale fiscal transfers, such as tax refunds, special subsidies for some kinds of project, etc. By the end of 2004 the central government had arranged a total of RMB 500 billion (about €50 billion) in fiscal transfers to the western region.

FIGURE 3.1 Number of ORET/MILIEV projects in the western region, 1991-1998 and 1999-2003

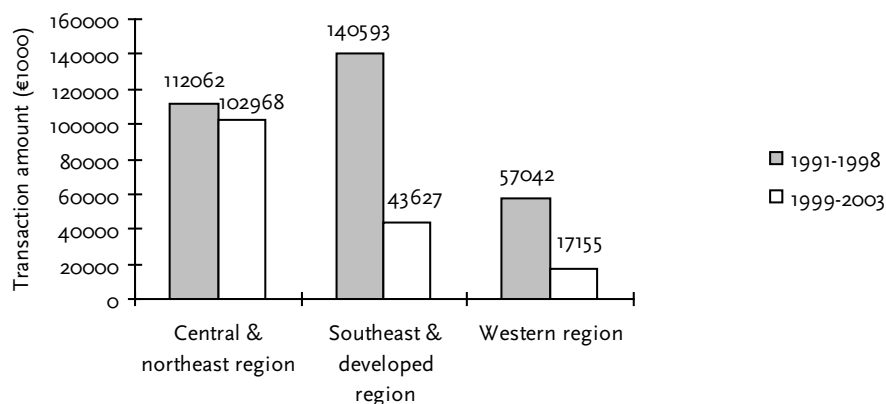


Source: Desk study of 84 projects

Compared with the period 1991-1999, it appears that there have been fewer ORET/MILIEV projects, with lower transaction amounts, in the period 1999-2003 (see figures 3.1 and 3.2) although this may just be because of the difference in the

lengths of those periods – eight and five years, respectively. However, the share of projects in the western region declined from 24% to 17%, and the total transaction amount fell from 18% to 10%. Therefore, it is reasonable to conclude that, as far as the number of projects and transaction amount are concerned, the ORET/MILIEV Programme has not been closely relevant to China's Western Development Strategy (WDS), at least at the time of the evaluation at the end of 2003.

FIGURE 3.2 ORET/MILIEV transactions in the western region, 1991-1998 and 1999-2003



Source: Desk study of 84 projects

3.4 The relevance of ORET/MILIEV to China's sectoral development policies

In 1994, the Chinese government published the 'Policy Guideline of China's Sectoral Development in the 1990s', which defined the basic principles of sectoral development in that decade. The aim of China's sectoral development policies is to strengthen the position of agriculture as the foundation of the economy, to enhance water conservation, energy, transportation, and basic industry. As a consequence, each industrial sector has issued its own (industrial) policy that will be further described below.

As stated in China's regulation on foreign government loans (FGLs), such loans should be in harmony with the sectoral development policies of the national or local government, and so should the ORET/MILIEV Programme. Data and information from the desk study, field missions and local stakeholder workshops are used in this assessment.

3.4.1 General assessment

The desk study and cross-checks by the field mission confirmed that the 35 projects visited are in line with China's sectoral development policies at national and/or local levels. These projects are encouraged by the Chinese government to facilitate the development of these sectors.

3.4.2 Farm produce processing and equipment

In China there are about 900 million farmers, for most of whom living standards are low. For a long time, agriculture and agro-industry have been two of the most important industries encouraged and supported by Chinese government, in particular farm produce processing and equipment. In all kinds of development plans, programmes, industrial policies, etc., agriculture and agro-industry are always high on the list of development priorities.

The policy relating to farm produce processing aims to readjust and optimize the structure of agriculture, to increase the economic returns from agriculture, and to improve the quality and quantity of farm produce to meet the increasing demand from the growing population. Of the 84 ORET/MILIEV projects in China, 21 are in the farm produce processing and equipment sector – more than in any other sector – and account for nearly 12% of ORET/MILIEV expenditures. The majority of these projects were implemented by Chinese end users in the first half of the 1990s.

In line with the changes in agricultural policies, many programmes have been launched in China. In 1988 the Ministry of Agriculture launched the 'Food Basket Programme', which aimed at increasing and diversifying food supplies. The 21 ORET/MILIEV projects all relate to food production or support activities, such as feed supply, raw material processing, slaughterhouses, etc., and many of them have been integrated into local development plans. Therefore these projects fit well with the 'Food Basket Programme' and the agro-industrial policy.

3.4.3 Water treatment/supply

With China's economic growth, rapid social development and the increasing population, ensuring adequate water treatment and supplies have become serious challenges. At the turn of the millennium, China's per capita water resources were only 25% of the world average. Since 1980s the problems of the drainage of untreated wastewater and shortages of clean water in cities have received increasing attention. As emphasized in many policies introduced by governments at various levels, the water treatment/supply sector and municipal water infrastructure

are now given the highest priority. Water treatment/supply projects should be included in development plans and efforts made to ensure they are carried out.

In China's eighth five-year plan, which began in 1991, environmental protection targets were clearly specified. The emphasis is gradually growing, with a target of treating 45% of urban wastewater by the end of the tenth five-year plan. The total capacity was expected to grow to 40 million tonnes/day in 2004. In order to attain the targets a total investment of about RMB 300 billion (about €30 billion) is specified in the plan. Meanwhile, China's central government has readjusted its policy to encourage foreign capital, including international financial organization loans, foreign government loans and the like, to invest in the sector, which has spurred the launch of many water treatment/supply construction projects.

There are 15 ORET/MILIEV projects, the second largest proportion of the ORET/MILIEV Programme in terms of number of projects in the water treatment/supply sector. All of these projects belong to category I or II, in which local governments are borrowers or guarantors (see section 2.7.2). Moreover, local governments provide some subsidies from their fiscal revenues to ensure the financial sustainability of these the projects. Ten of these 15 projects involve wastewater treatment and five drinking water supply, and so are highly consistent with the policies relating to wastewater treatment and supply. In MILIEV 1996/07, Wujin



Municipal Waste Water Treatment Plant (wwTP), for example, Wujin has become a model city according to China's Agenda 21. The wwTP complies with the stringent government policy regarding Lake Taihu, which is one of the priorities of the Chinese government, and so from the Chinese perspective the project is considered development relevant.

3.4.4 *Water conservation*

Drought, soil erosion, floods and waterlogging, and water pollution remain serious problems in China. Therefore water conservation has a strategic position in national development. In accordance with the Water conservation Industry Policy of China, published in 1997, the emphasis is on the prevention or control of floods, the establishment and maintenance of sea defences, water and soil conservation, reconstruction and upgrading of existing water conservation facilities, water resources protection, hydropower, etc. The central government gives development priority to water conservation and encourages funds from domestic public, private and the foreign capital to invest in water conservation projects.

Eight ORET/MILIEV projects are in the water conservation sector. Six of them involve dredging, with the aim of reducing the direct threat of flooding and the associated flood damage. Dredging activities play an important role in deepening canals, creating elevated areas, erecting and improving the stability of dykes.

3.4.5 *Energy*

In recent decades China has achieved a sizeable economic development and this has resulted in an urgent need for increased energy supplies. The energy sector has become a major bottleneck for national economic growth. In trying to eliminate shortages of power, the state has planned a massive increase in the electricity production capacity. Meanwhile, in order to reduce the pollution due to the use of fossil energy, the Chinese government is encouraging the development of renewable energy supplies, including wind, solar, hydro and nuclear power, through fiscal subsidies to renewable energy projects, preferential taxation to hydropower and wind power projects, and protective prices for their products.

There are seven ORET/MILIEV projects in the energy sector, of which four are windmill projects, two are natural gas projects, and one solar energy project. The development of wind power will improve the national energy structure by adding a renewable source of energy, protecting the environment by saving conventional energy, and solving energy supply problems in poor areas that have a deficit of power and lack transmission/distribution networks. The four windmill projects are fully in line with the Chinese policy on utilizing renewable sources of energy.

For example, the MILIEV 1998/17 Dali Wind turbine project fits within the Chinese policy to increase investments in sustainable energy from 0.4 to 1.3% by 2020 (Programme of New and Renewable Energy Development 1996-2010). The project also fits with the policy to develop hydro and wind energy in remote areas of the country.

Box 3.1 MILIEV 1999/07, Silk Road Solar Home Systems

The Silk Road Solar Home Systems project fits very well with the Chinese government's 'Brightness Programme', in which 23 million people will be provided with solar and wind energy in 2010. The programme also involves improving the quality of solar heating systems for a reasonable price, training local technicians and engineers, and installing a distribution and service network. Through the 'Brightness Programme', the project will contribute to the large-scale electrification of rural households in the remote areas of Xinjiang Uygur Autonomous Region (XUAR). Besides the delivery of Solar Home systems, the project also includes the establishment and making operational of a service and distribution network with that guarantees high quality and fair prices.

The Planning Commission (now the Development and Reform Commission, DRC) of XUAR agreed to arrange for at least RMB 1.6 million from the Poverty Alleviation Fund (PAF) to subsidize the poorest households without electricity to purchase solar heating systems. In 30 counties classified as poverty areas by the Chinese government or the XUAR, some 4500 households with an average income of less than RMB 2000 per annum will receive these subsidies. The subsidies paid by city governments of XUAR reached RMB 4.6 million by the end of 2003. Also, in September 2003, the DRC planned to arrange a special subsidy of RMB 5.2 million to this project, of which RMB 1.32 million had been disbursed by June 2004.

Source: Field Mission, Grant Agreement and desk study

3.4.6 Environment

At the second National Environmental Protection Meeting of 31 December 1983, the State Council of China defined environmental protection as a strategic mission and a basic national policy in China's modernization drive.

To demonstrate its commitment to the UN Conference on Environment and Development in 1992, the government of China has taken practical steps to implement its strategy for sustainable development. In March 1994, the government published a white paper on China's Population, Environment and Development in the 21st Century (Agenda 21), in which sustainable development was estab-



lished as the basic guiding principle for China's economic and social development strategy.

Environmental protection is an essential aspect of sustainable development. Three categories of priority programmes or plans concerning the environment include cleaner production and environmental protection industries, clean energy and transportation, environmental pollution control, etc.

China's Trans-Century Green Project set out the long-term environmental protection objectives as follows: 1) by 2000 to control the trend towards increasing environmental pollution and ecological deterioration and to improve the environmental quality of some cities and areas; 2) by 2010 to reverse the situation of ecological environment deterioration; 3) by 2010 to greatly improve the environmental quality of urban and rural areas; and 4) by 2010 to develop a group of cities and areas with a clean and beautiful environment and a beneficial ecological cycle, taking into account the importance of a sustainable environment.

To realize these objectives, Chinese governments at all levels have introduced a series of laws, regulations, policies, standards, guidelines, etc., to guide the implementation of environmental protection plans. Thus environmental protection

projects are given high priority and can attract subsidies from central and local governments.

In China all projects that plan to utilize foreign government loans must go through the environmental appraisal procedures. However, out of the 84 ORET/MILIEV projects, one was found to have had negative effects on the environment, due mainly to a problem caused by the end user. In ORET 1997/34, Hebei Weichang Potato Starch Processing Line, the end user violated the contract obligation because they did not construct the wastewater treatment installation, and the wastewater from the production line was discharged directly into a nearby reservoir. Consequently, the end user had to pay a penalty for the emission of wastewater (5.5 tonnes/day) that amounted to RMB 100,000 per year.

Some 40% of ORET/MILIEV projects, equal to 47% of total ORET/MILIEV expenditures, make direct contributions to environmental protection and are expected to result in positive effects on the environment. Most of these projects are in the water treatment/supply, environmental protection/waste treatment, agriculture/water conservation, and energy/ transportation sectors, and were implemented after the Agenda 21 was published.

The Chinese government's Trans-Century Green Project of the 1990s, known as the 'Green Plan', is designed to encourage relevant departments, localities and enterprises to pool their financial and material resources to carry out a series of measures in key areas suffering from significant environmental problems, including water and air pollution and solid waste management. In the South Yunnan Plateau Lakes Region (SYPLR), for example, the national and provincial governments assigned priority to projects aimed at improving the environment. One of these, the MILIEV 1994/59 Yunnan Environmental Master Plan project, was included in the provincial five-year plan, in 'China's Agenda for the 21st Century' and in the 'Green Plan'.

3.4.7 Relevance to new Chinese public sector priorities

In order to enhance the management of foreign government loans (FGLs), in 1999 the Chinese Ministry of Finance (MOF) and the State Development and Reform Commission (SDRC) jointly issued a regulation, which was approved by the State Council. The new regulation emphasizes the importance of ensuring the relevance of projects for the public sector when end users introduce FGLs in China.

Since 1999, therefore, the utilization of FGLs in China has gradually shifted to areas related to the provision of public services. As for the ORET/MILIEV Programme, both the percentage of projects related to public services and the transaction amounts have increased accordingly. In the environmental protection/waste treatment sector, for example, the number of public service projects has risen from

11% to 13%, and the transaction amounts from 8% to 19%. Similarly, the number of public sector projects involving medical equipment/supplies has increased from 6% to 13%, and the transaction amounts from 5% to 13%.

TABLE 3.1 Projects related to public service provision, by the number of projects

Sector	Number of projects	
	1991-1998	1999-2003
Environmental protection/waste treatment	6	4
Medical equipment/supplies	3	4
Water treatment/supply	10	5
Other	2	2
Energy/transportation	5	5
Agriculture/water conservation	7	4
Factory equipment	4	2
Farm produce processing and equipment	17	4
Total	54	30

Note: Because some sectors, such as agriculture/water conservation, energy/transportation, include projects related both to public service provision and competitive projects, the sectors in tables 3.1 and table 3.2 are listed in top-down order according to the proportion of projects related to public service provision.

Source: Desk study of 84 projects

TABLE 3.2 Projects related to public service provision, by transaction amount

Sector	Transaction amount (€ 1000)	
	1991-1998	1999-2003
Environmental protection/waste treatment	24,168	34,830
Medical equipment/supplies	15,665	23,780
Water treatment/supply	49,855	23,806
Other	33,338	6,611
Energy/transportation	60,961	50,049
Agriculture/water conservation	50,393	21,258
Factory equipment	7,730	16,250
Farm produce processing and equipment	44,060	10,695
Total	286,170	187,279

Source: Desk study of 84 projects

3.5 The relevance of ORET/MILIEV to China's local development plans

ORET/MILIEV projects are considered relevant to China's local development plans if they were listed as prior projects in local development plans. In China all administrative provinces, municipalities and autonomous regions, including the cities, have their own periodic development plans, especially five-year development plans, which include economic, social, environmental, educational, medical and health, cultural, and poverty alleviation plans, etc.

It should be noted that local development plans change with the times, so that the evaluation assessed the relevance of an ORET/MILIEV project to local development plans at the time of its application by Chinese end users. Thus the indicator used to assess relevance was whether the project is listed as a priority project in local development plans.

A sample of 35 projects was visited, of which 31 projects were used to assess their relevance to local development plans. The four that were excluded were nationwide projects, i.e. MILIEV 1995/42 Low-NO_x-Burners Demonstration Project, ORET 1996/40 Sinotrans Dangerous Goods Transport Vehicle, ORET&MILIEV 1997/20(a) Bank Note Destroy Machine, People's Bank of China, and ORET 2000/74 Capacity Building Project, China Groundwater Info Center.

Out of these 31 projects, 25 were listed as priority projects in local development plans at provincial and/or prefecture levels. Hence, these projects are relevant. In general, these projects were responding to urgent prevailing problems concerning economic, social, environmental aspects of local development. 17 of the 25 projects were initiated by Chinese authorities and only eight by end users. Information from the local stakeholder workshops shows that the ORET/MILIEV Programme, as one of foreign government loans, is mainly government-driven in China, and most ORET/MILIEV projects are given priority in or relate to local development plans.

Box 3.2 Relevance of projects to local development plans in Hainan province

So far, Hainan province has implemented seven ORET/MILIEV projects, among which four are in the farm produce processing and equipment sector and three in the agriculture/water conservation sector. These projects are strongly linked to the local development plans of Hainan province.

Hainan is an island, and so needs to transport large volumes of farm products from the mainland to meet the needs of its people. With the rapid pace of urbanization, increased local tourism, and rising living standards of the local people, the demand for farm produce is rising. Hence, agriculture and farm products processing is one of main sec-

tors supported by Hainan province. In this sector, ORET 1991/10 Hainan Feedmill Project, ORET 1993/34 Feeds Processing Plant in Sanya City, ORET 1994/68 Sanya Layer Project, ORET 1996/65 Chicken Processing Plant in Sanya City, and ORET 1998/67 Fruit and Vegetable Processing Line are intended to increase and diversify the local food supplies.

Water conservation is another development emphasis of Hainan province. Its coastline suffers from severe soil erosion due to strong tides and winds, which greatly affects local livelihoods. To protect the coast, reduce soil erosion, and improve the quality of the marine environment, MILIEV 1996/42 Retaining Wall Project for Xinfu Island and ORET 1998/13 Hainan Longwan Delivery of two Beaver Dredgers, have had a positive impact on fisheries, as well as the incomes and living conditions of the local population along the coast.

Source: Field mission and local stakeholder workshops

BOX 3.3 ORET 1991/54 Guangdong Shrimp Feed Plant

In 1986 the Guangdong provincial government made a strategic decision to develop shrimp production in order to transform its industrial structure, to develop foreign exchange-earning agriculture, and to alleviate poverty in the coastal areas. To put this decision into effect the provincial government launched several programmes, one of which was the 'Prawn Export-Oriented Production Programme of Guangdong Province'. As part of the programme, the Guangdong shrimp feed plant was incorporated into the Guangdong development plan, where it is listed as a priority project. The objectives of the project are to accelerate the process of modernizing the aquaculture industry in Leizhou peninsula and to raise both the quantity and quality of shrimp production. The project has boosted the shrimp production industry and contributed to the economic development of Guangdong and other coastal areas of southern China.

Source: Field mission

3.6 The relevance of ORET/MILIEV to the Netherlands development policy

As described above, the Netherlands development policy, also applicable to the ORET/MILIEV Programme, stipulates that projects should not have negative impacts on poverty, women or the environment. In the assessment, the results of the development test on these three aspects during the appraisal carried out by Dutch authorities were taken as indicators to decide whether a project complies

with the Netherlands development policy. The development test may have positive, neutral or negative result, or may not be applicable. A project that has a positive overall development test result can be viewed as relevant to the Netherlands development policy.

3.6.1 *Poverty alleviation*

Although the major aim of the Netherlands development policy is poverty alleviation, a proposed project need not itself have a direct positive impact on the poor, but it must not harm their interests.¹⁹ The poverty test assesses, among others, the income and living standards of the poor part of population. The degree of participation of the poor during the preparation, planning and implementation of a project is also considered, as well as the creation of job opportunities, both direct and indirect, provided by the project.

No project had negative test result, but only 22 out of the 75 projects for which data were available had positive result. A positive result on the poverty test means that a project will increase the incomes of the poor and/or improve their living standards, or improve the status of the poor, or provide (direct and/or indirectly) jobs for the poor segment of the population. It is remarkable that in the majority of projects no positive effect on poverty alleviation is expected.

TABLE 3.3 Results of the poverty test

<i>Result of test</i>	<i>Number of projects</i>
Positive	22
Neutral	42
Negative	0
Not applicable	11
Total	75

Source: Appraisal memoranda for a total of 75 projects for which data were available

3.6.2 *Gender*

A proposed project must not bring about any negative impact on women. Hence it may not cause discrimination against women, worsen the working or living conditions of women, reduce the income of women, etc. Although no project had a negative result on the ‘women and development’ test, only five projects had a

¹⁹ ORET/MILIEV Regulation 2002 DDE 0181.

positive result. It can be reasonably concluded that the ORET/MILIEV Programme has not promoted the development of women to a great extent.

TABLE 3.4 Results of the women and development test

<i>Result of test</i>	<i>Number of projects</i>
Positive	5
Neutral	58
Negative	0
Not applicable	12
Total	75

Source: Appraisal memorandums for a total of 75 projects for which data were available

3.6.3 *The environment*

A proposed ORET/MILIEV project must not on balance be harmful to environment. When assessing applications for ORET/MILIEV the environmental implications of projects are routinely taken into consideration.

On 1 June 2001 the Netherlands introduced an environmental assessment that prevents granting government-supported export credit insurance if a project could have a large negative environmental impact. The assessment focuses on the use of scarce resources, the use of energy, emissions into air, surface water and soil, waste flows and the effects on flora and fauna.²⁰

TABLE 3.5 Results of the environment test

<i>Result of test</i>	<i>Number of projects</i>
Positive	31
Neutral	34
Negative	1
Not applicable	7
Total	73

Source: Appraisal memoranda for a total of 73 projects for which data were available

An adequate environmental impact assessment is required in the case of a major infrastructure project in environmentally sensitive area. At the appraisal stage, 31 out of 73 projects for which sufficient data were available were deemed to have had

²⁰ Policy Reconstruction ORET/MILIEV, Development of the ORET and MILIEV Policy and Programme 1991-2003, 10B, 18 February 2004, updated 3 December 2004.

positive impacts on the environment, with negative results for only one project.²¹ Most projects are expected not to harm the environment.

3.7 Other issues with regard to relevance

This section presents other information reflecting the policy relevance of ORET/MILIEV Programme. It is well known that China has made the transition from a centrally planned economy to one that relies largely on market forces to determine the allocation of resources. However, Chinese governments at different levels still have relative large power to determine the allocation of resources, especially the government debts from foreign countries and international organizations such as the ORET/MILIEV loans. Chinese governments always use these borrowed funds to invest in priority areas to meet national or local needs. If an ORET/MILIEV project has been initiated by governments at different levels it can be seen as related to national or local needs.

During the field visits to 35 projects, it was found that the Chinese local or central authorities initiated 21 out of 35 projects (60%). Hence, it can be concluded that the ORET/MILIEV Programme in China is mainly government-driven.

TABLE 3.6 Who initiated the project?

	<i>Number of projects</i>
End users and suppliers	13
Chinese local authorities	17
Chinese central authorities	4
Dutch central authorities	1
Total	35

Source: Field missions

Some projects are *per se* priority projects, and would have been implemented even without ORET/MILIEV Programme support. In the opinion of end users, in the absence of ORET/MILIEV support, 26% of the projects would have been implemented, but with some delay; 51% would have been possible to implement, but postponed; and 23% would not have been implemented. Implementation without

²¹ In the concept report from NEI, the Hebei Weichang Potato Starch Processing Line (1997/34) project was anticipated to have a negative effect on the environment. For this, the end user confirmed that he had sufficient funds to construct an anaerobic water treatment installation with a minimum capacity of 40 m³, but in fact failed to do so.

ORET/MILIEV support should be done through the end user's own funds, other foreign government loans, or fiscal funds.

TABLE 3.7 Without ORET/MILIEV support would the project still have been implemented?

Without ORET/MILIEV support would the project still have been implemented?	Number of projects
Yes, without delay	9
Yes, but will be postponed	18
No	8
Total	35

Source: Field missions

A cross-cutting analysis of the results obtained from field visits to 35 projects, local stakeholder workshops and the questionnaire survey shows the most important objectives of the ORET/MILIEV Programme are: 1) to promote trade between the Netherlands and China; 2) to promote Dutch exports to China; and 3) to boost the development of the Chinese economy. The above findings seem to confirm that both Chinese and Dutch stakeholders have a good knowledge of the objectives of the ORET/MILIEV Programme. In contrast, according to the findings from the field visits and local workshops, some Chinese end users and local government officials showed a limited knowledge of ORET/MILIEV regulations or specific programme management procedures.

3.8 Conclusions

Overall, the ORET/MILIEV Programme in China shows a high degree of policy relevance. It addresses national and/or regional problems and is in conformity with the declared policies of the Chinese central and/or local governments. However, the majority of projects achieved only neutral results in tests of their impacts on the environment, gender and poverty alleviation.

A large majority of ORET/MILIEV projects are well aligned with China's national sector policies and fit the local development plans very well. Over 80% of the projects have been listed as priority projects in local development plans.

The evaluation found that the ORET/MILIEV Programme has been less responsive to the Chinese special Western Development Strategy (WDS), which was launched in 1999 in 12 less developed provinces. The shares of both the number of ORET/MILIEV projects and of transaction amounts in the western region declined slightly after 1999, from 24% to 17% and 18% to 10%, respectively.

With regard to the objectives of the ORET/MILIEV Programme, the evaluation team found that, from the perspectives of Chinese stakeholders or end users and Dutch suppliers, the most important objectives of the programme are: 1) to promote trade between the Netherlands and China; 2) to promote Dutch exports to China; and 3) to boost the development of Chinese economy. However, some end users and local government officials showed limited knowledge or familiarity with the ORET/MILIEV regulations and/or specific programme management procedures.

Efficiency

4.1 Introduction

Efficiency is defined as the relation between inputs and outputs, or the amount of effort and resources used to achieve planned objectives. It indicates whether the planned outputs could have been delivered more cheaply or more quickly. This chapter tries to assess several aspects of the efficiency of the ORET/MILIEV Programme and/or projects in China, including the timeliness of project implementation, market conformity of prices, training, and programme management.

For each aspect to be assessed, first an overall judgement is given based on the data and information collected. Then the causes of the good or poor performance of projects are analyzed. Certain projects are highlighted in boxes to support the issue under discussion. Moreover, assessments of programme management issues are included. Finally, the main findings and conclusions concerning the efficiency of the programme are summarized at the end of the chapter.

4.2 Timeliness of project implementation

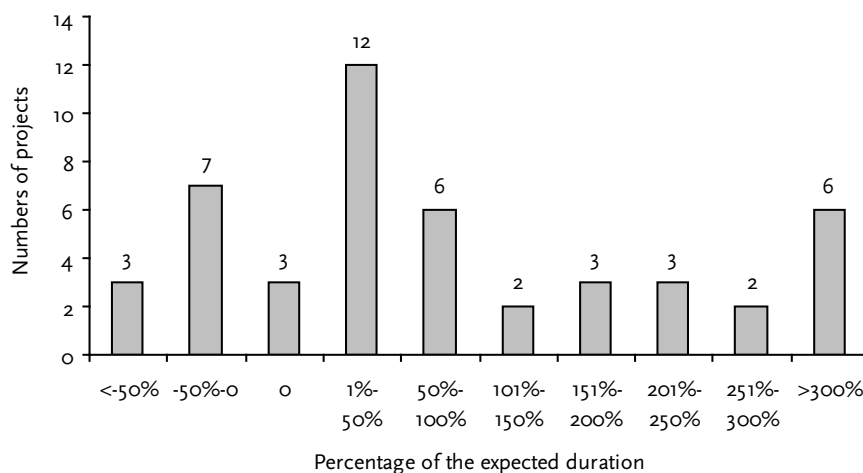
The timeliness of implementation is an essential aspect of project efficiency, and is assessed on the basis of whether the project was executed according to the planned schedule. The actual duration of a project activity is calculated as the length of time from the starting date of implementation to the date of signing of the Final Certificate of Completion (FCC). By comparing the expected and the actual duration of an activity stated in the project contract, it is possible to assess whether the project experienced delays, and if so how long was the delay, or whether they were ahead of schedule and if so, by how much.

The discussion is based on the projects with a signed FCC. Of the 84 projects, 57 have a signed FCC, and 40 are finished projects (see section 1.2). Due to the limited data available, only 47 projects have been used in the analysis below.²²

4.2.1 Assessment of timeliness

To give an overall picture of the extent of the timeliness of project implementation throughout the programme, a calculation was made in which the difference between the actual and expected duration was divided by the expected duration to obtain an indication of the delay relative to the expected project duration. Then the average of these percentage figures was calculated. For example, the expected duration of ORET 1999/09 was 10 months and actual duration was 17 months, so the project experienced a delay of 7 months, or 70% in percentage terms. The expected duration of projects varied from 4.5 months to 72 months, and the actual duration from 6 months to 64 months.

FIGURE 4.1 Frequency distribution of delays, by percentage of expected duration



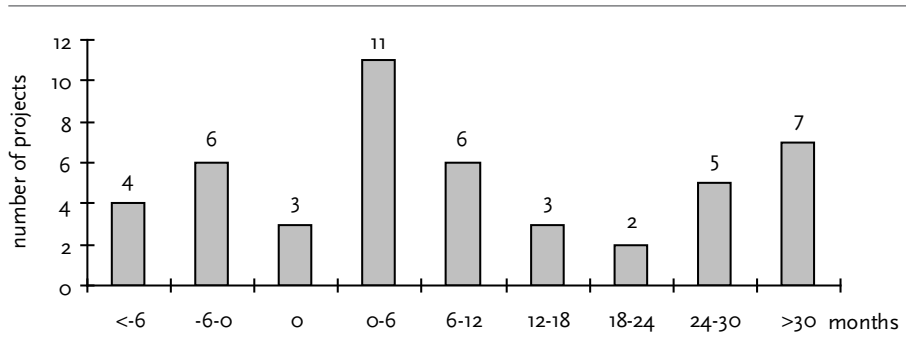
Source: Desk study, 47 projects in total

²² Specifically, the missing data include the FCC signing dates of projects 1991/60, 1991/61, 1994/04, 1998/48, 1998/63, 1999/16, 1999/43 and 2001/91, the starting dates of the implementation of projects 1994/62 and 1995/47, and the expected duration of project activities of projects 1998/48 and 1998/63.

Ten projects were implemented ahead of schedule, three on schedule, and 34 were behind schedule (72% of the 47 projects). Thus, based on the findings of the desk study, only 13 projects were executed satisfactorily or better regarding the timeliness of the project implementation.

Focusing on the 34 projects where implementation was behind schedule, the shortest delay was equal to 6% of the expected duration and the longest 614% of the expected duration.

FIGURE 4.2 Frequency distribution of delays, by months



Source: Desk Study, 47 projects in total

TABLE 4.1 Projects' adherence to the planned schedule, by sector

	Ahead of schedule	On schedule	Behind schedule	Subtotal
Agriculture/water conservation	3	1	-	4
Energy/transportation	2	-	3	5
Environmental protection/waste treatment	1	2	1	4
Factory equipment	-	-	2	2
Farm produce processing and equipment	1	-	15	16
Medical equipment/supplies	-	-	5	5
Water treatment/supply	3	-	6	9
Other	-	-	2	2
Total	10	3	34	47

Source: Desk study, 47 projects in total

The desk study shows that projects related to public service provision, most of which are in the agriculture/water conservation, environmental protection/waste treatment, and water treatment/supply sectors, were implemented according to the contract schedule. The farm produce processing and equipment sector expe-

rienced the most serious delays – 15 out of 16 projects in this sector were implemented behind contract schedule (see table 4.1).

Based on an analysis of the findings of the questionnaire survey of 47 end users (of which 11 were not returned, incomplete, or otherwise not possible to use), 19 end users stated that the project activity was executed according to the contract schedule. This figure is much higher than the 13 projects identified in desk study. The difference may be due to the fact that in the questionnaire, some end users may have regarded projects with only minor delays as ‘completed on time’. During the field visits, most end users stated that they felt that a delay of less than six months was acceptable, and that a project with such a delay may be considered as having been implemented according to the contract schedule.

TABLE 4.2 End users’ opinion on adherence to the planned schedule

<i>According to the planned schedule</i>	<i>Frequency</i>
Yes	19
No	17
Total	36

Source: Questionnaire to end users

4.2.2 Causes of delays

The results of the questionnaires and the field visit reports are used to assess the main causes of the delays.

The field missions found that projects were delayed for many reasons, the three most important being the lack of Chinese matching funds, delays in local civil construction, and the institutional weaknesses of the end users.

In general, the ORET/MILIEV Programme only supports activities that represent the foreign transaction component of a whole project to be implemented. Other support activities, especially local civil construction, use the matching funds provided by the end user. The field visits revealed that in most delayed projects the end users did not have sufficient matching funds, which led to delays in the preparatory activities and of the ORET/MILIEV activity. Dutch suppliers are mainly responsible for the delivery of equipment, and the end users for local civil construction, such as the workshops, drainage network, power supply facilities, and so on. A majority of delayed projects experienced delays in local civil construction, which influenced the timely installation of Dutch equipment. Also, some end users admitted that their weak management capacity was a major cause of the delays in project implementation. Hence it is reasonable to conclude that the recipient country and/or the end users contributed a lot to the delays in implementing ORET/MILIEV projects.

Other causes, like poor cooperation between end users and Dutch suppliers, problems with the Dutch equipment, and Chinese on-lending difficulties, also contributed to the delay of the projects, although these factors were less important than the three mentioned earlier.

FIGURE 4.3 Main causes of the delays at different levels

<p>I Most important causes</p> <ul style="list-style-type: none"> Lack of Chinese matching funds Local civil construction delay Institutional weakness of the end user
<p>II Important causes</p> <ul style="list-style-type: none"> Poor cooperation Problems with Dutch equipment/technologies Chinese on-lending difficulties
<p>III Less important causes</p> <ul style="list-style-type: none"> Bad local weather Supplier's holidays

Source: Field missions

BOX 4.1 ORET 1994/68: lack of Chinese matching funds

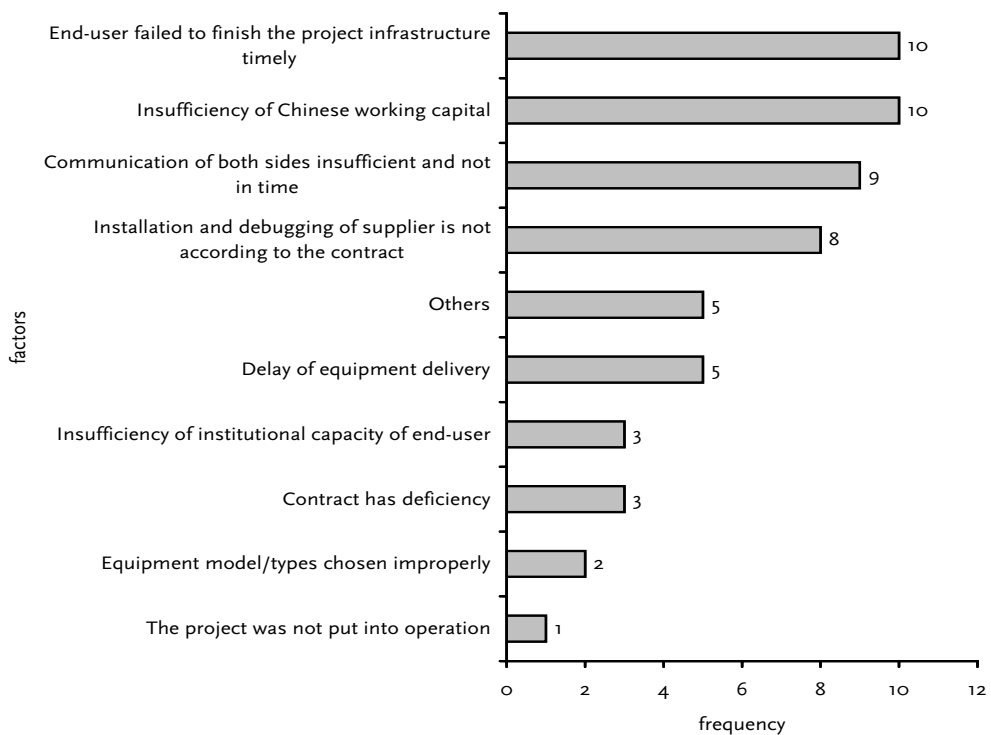
The transaction amount of ORET 1994/68 Sanya Layer Project, Hainan Province, was €2.18 million to finance the purchase of Dutch equipment and its installation and testing. It was planned that the end user would raise an additional RMB 28.9 million (about €2.89 million) as matching funds for local civil construction. All deliveries were complete in January 1999, but the equipment had to be placed in storage because the end user had failed to raise the matching funds. As a consequence, the project was halted and the equipment has still not been installed.

The lack of Chinese matching funds is the most important reason for delays in the implementation of projects. Nine projects out of 16 visited had experienced delays in execution due to the lack of matching funds. The field missions found that a majority of projects had limited own capital of their own and the matching funds were over-dependent on domestic commercial loans. If the end user fails to obtain the commercial loan, the project is put at risk.

Source: Field missions and progress reports

The analysis of the questionnaires completed by end users gave the same result – that the two most important factors leading to slower than expected implementation were insufficient Chinese matching funds and the failure by end users to complete the infrastructure on time. On the other hand, insufficient and untimely communications between the two sides, defective equipment delivered by Dutch suppliers, and problems with installation and debugging, also caused delays in the execution of projects.

FIGURE 4.4 Main factors delaying the implementation efficiency of projects



Source: Questionnaire to end users. Note: maximum 3 choices possible, 27 projects

In the questionnaires completed by suppliers, the most frequently mentioned factor (by five respondents) that had delayed implementation was the lack of Chinese matching funds. Other factors included delays in equipment delivery, either their own and/or that of a third party (three respondents), failure by the end user to finish the project infrastructure on time (two respondents), and insufficient institutional capacity of end user (two respondents).

Box 4.2 ORET 1999/03: delays due to the Dutch supplier

With regard to ORET 1999/03, Henan Province Greenhouse Demonstration, the supplier admitted in his questionnaire that installation and debugging was not done according to the contract, and was one of the main reasons for the delay in project implementation. Apart from this problem, the project experienced operational problems during the implementation process, although there were no critical contractual disputes. In one case, for instance, the Dutch supplier did not pay a third party (a Dutch seed company that was responsible for supplying flower seeds to an end user) the consulting fee, which consequently led to a delay in organizing a seed planting training session in the Netherlands. Moreover, the end user was dissatisfied with the supplier's technical service – there was insufficient time for technical instruction, and spare parts were not delivered in full. In this case it took a lot of time for the end user to contact the supplier to resolve all the problems.

Source: Questionnaire to supplier and field mission

Box 4.3 MILIEV 1998/20: delays due to both the Dutch supplier and the end user

The project MILIEV 1998/20 Wind Turbine Project Dabancheng 2, Xinjiang region, was designed to deliver 51 wind turbines with capacity of 500 kw each. The transaction amount was €18,354,202, with a grant of €11,012,521. The equipment was transported in four partial shipments according to the commercial contract. The first delivery of four turbines was made in June 1999. The second delivery of 16 wind turbines was made in July 1999, but most were damaged and three were completely destroyed due to damage during shipment. The end user soon claimed compensation. The reaction of the supplier was delayed. The supplier did not transport the damaged equipment back to the Netherlands for repair until 20 September 1999. On 2 September 1999 the third delivery was made and it was found that some of the wind turbine blades were damaged. In January 2001 the fourth delivery was made. During a detailed check by both the supplier and the end user it was found that one central monitoring system, two control tanks, and some spare parts were not provided, with a total value amounting to nearly NLG 1.1 million (€500,000). In May 2002 the 16 repaired wind turbines and other missing equipment were delivered. A majority of the equipment provided by the supplier was found to be of low quality. The end user considered that the supplier had not fulfilled his obligations according to the commercial contract, and therefore temporarily withheld the last 5% of the payment. Finally, the supplier terminated the contract with the end user in May 2001. Hence the project could not be completed correctly.

The conclusion is that after four years, the Dutch and Chinese governments are confronted with an unfinished project on which €17 million has been spent. The question of guilt has been investigated, but without a clear result. Because the project cannot be closed before it is finished properly (approval was given to the Chinese authorities), the FMO together with the Chinese authorities have been trying to find a solution. In 2003 the FMO started the procedure for a follow-up project to establish a windmill park as proposed in the original application. In 2003 a mission was sent to Dabancheng to examine the equipment. It was clear that the equipment was damaged and that several parts would have to be repaired or replaced. At the moment, negotiations for the start-up of the project (tender procedure) are ongoing.

Source: Field mission and desk study

4.3 Market conformity of prices

In this evaluation, market conformity of prices is defined as whether the contract price (the price stated in the commercial contract between end user and supplier) of the equipment and/or service delivered were in line with international market prices, for the same model, quality and/or service, when the contract between the end user and the supplier was signed. It should be noted that the contract price of a transaction includes the grant and non-grant amount, although the end user pays only the latter.

It is rather difficult to compare and judge the market conformity of prices, for several reasons:

- 1 for some projects the contract price cannot be ascertained because evaluators did not have the contract;
- 2 it was not possible for the evaluators to obtain information on international prices at the time the contract was signed;
- 3 for some projects, the equipment provided is unique, completely customized or provided by only one Dutch supplier. In those cases, the issue is not whether the contract price conformed to international market prices, but rather whether it was reasonable.

Therefore, the end users' and suppliers' perceptions of the market conformity of prices are used as proxies for this indicator. The analysis is based on the answers given by end users and Dutch suppliers to the question: *At the time the contract was signed, do you think that the price, including the grant, of the equipment and/or service supplied for the project was higher or lower than the international market price (for the same model, quality and/or service)?*

The analysis is based on the information provided in the completed questionnaires to end users (56) and to suppliers (54) that answered the above question.

4.3.1 Assessment of market conformity of prices

Of the 56 end users who answered this question, 41 respondents considered that the transaction price was higher than the international market price, and five thought it was lower (see table 4.3). The full range is from 40% above the international market price to 30% below. During the interviews, most end users stated that were dissatisfied with the transaction price.

TABLE 4.3 End users' perception of market conformity of prices

	Frequency
Higher	41
Equal	10
Lower	5
Total	56

Source: Questionnaire to end users

TABLE 4.4 End users' perception of prices higher than international market prices

	Frequency
30–40% higher	10
20–30% higher	8
10–20% higher	16
Less than 10% higher	7
Total	41

Source: Questionnaire to end users

Although most end users believed the contract prices were higher than international market prices, over half of those interviewed thought that a contract price of 10–15% above the market price was acceptable or understandable, given the fact that:

- 1 With an average 44% grant proportion provided by Dutch government, the recipients would still benefit considerably from the programme.
- 2 As the application and appraisal procedure is uncertain and time-consuming, the Dutch supplier is likely to spend more financial and human resources going through the procedure. Adding these extra costs into the price of the transaction was therefore considered reasonable by the end users.

- 3 The Chinese government has a preferential tax-exemption policy for all imported equipment funded by foreign government aid programmes. Hence, any equipment imported for an ORET/MILIEV project is exempt from import tariffs and value-added tax. The import tariffs depend on the category of equipment imported and value-added tax is 17% of the contract price, which can bring substantial cost savings.

Therefore, taking into consideration the grant, and the exemption from import tariffs and 17% value-added tax, the final price paid by end users is less than the contract price, and is also less than if the goods had been purchased directly on international markets.

The perceptions of Dutch suppliers differ somewhat from those of end users. Some 46% of suppliers indicated that the transaction price was higher than the market price, 35% indicated that it was equal to the international market price, and 19% thought it was below the market. However, the perceptions of both suppliers and end users are the same – both groups consider that the transaction prices are higher than international market prices.

TABLE 4.5 Dutch suppliers' perception of market conformity of prices

	<i>Frequency</i>
Higher	25
Equal	19
Lower	10
Total	54

Source: Questionnaire to suppliers

For 32 projects the perspectives of suppliers and end users can be compared. In this sample, in 13 cases the end users and suppliers shared the same opinion on the market conformity of prices (in 12 cases above, and in one case below market), whereas in 19 cases their opinions differed.

In light of the ORET/MILIEV Programme regulation, during the appraisal a price setting procedure is carried out by experts called in by NIO, which aims to control Dutch transaction prices to acceptable levels. The Appraisal Memorandum stated that in six projects the Dutch experts had requested the suppliers to lower their transaction prices. However, according to the questionnaires, the end users in three of these six projects considered that their contract price was 10-20% higher than the international market price. The suppliers to two of the projects thought that contract price was 30-40% higher than the international market price.

Based on the evidence presented above it can be concluded that in most cases contract prices appear to be at or above international market prices, and that only in a few cases below. This issue was further elaborated by information collected during 17 workshops organized as part of the field missions. Most stakeholders considered that the contract prices were above international market prices, but due to the grant and tax exemptions the end users and the suppliers still profited from the transaction.

4.3.2 *Reasons for higher prices*

The end users and other stakeholders cited several reasons for the relatively high transaction prices, in particular: (1) the condition that Dutch content should account for at least 60% of the transaction value; (2) the suppliers need to cover the costs incurred during the ORET/MILIEV application process; (3) the intended sharing of the ‘profit’ from the ORET/MILIEV grant by Dutch suppliers; and (4) the lack of international bidding.²³

One important condition of the ORET/MILIEV Programme is that the Dutch content should account for at least 60% of the total transaction value. Although most end users accept this condition, some complained that it may negatively affect the quality-price ratio of the equipment funded by ORET/MILIEV loans. In this regard, the ORET/MILIEV review 1994-1999 also concluded that ‘the 60 per cent condition occasionally leads to higher prices’. It seems clear that a tied aid programme results in higher prices. Other tied aid programmes, such as the Danish and Norwegian Mixed Credit programmes, are also thought to result in above-market contract prices of equipment. In ORET Regulation 2005 the condition of 60% Dutch content was relaxed, so that the minimum Dutch content is now 50%.

4.4 Training

Training is an important part of project activities, which aims to contribute to the smooth operation of projects and their technical sustainability. In general, training includes technical training both in the Netherlands and in China for installation, operation, management and maintenance of the equipment, although in some cases training aims at improving the institutional capacity of end users. In

²³ It should be noted that the Chinese Ministry of Finance has recently introduced international bidding, but too little experience has been gained so far to assess whether this will help to reduce prices.

most ORET/MILIEV projects, Dutch suppliers provided substantial training opportunities, while the end users provided a small part. In terms of efficiency, in this section training is assessed on the basis of whether the training was delivered in compliance with the contract, and if so, how many training courses were provided, and how many trainees were involved.

Due to the lack of data, only 20 projects can be used to compare the number of planned and actual training courses. The number of planned courses was taken from the project contracts between end users and suppliers, while the actual number of training courses was obtained from the questionnaires to end users. Of the 20 projects, 14 provided training activities equal to or more than planned, three projects provided fewer training activities than planned, and the other three projects offered no training at all.

TABLE 4.6 Planned versus actual training courses

<i>Number of projects with stated number of courses</i>	<i>Number of training courses</i>						<i>Total</i>
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>>5</i>	
Number of projects with planned training courses	0	5	6	2	2	4	19
Number of projects with actual training courses	2	3	1	7	1	5	19

Note: The data in the table are based on only 19 projects. ORET 1991/46 Textile Refinement, in which training courses were planned but the number was not specified, has been excluded.

Source: Desk study and questionnaire to end users

With reference to results of 55 questionnaires to end users, close to 70% of projects provided one to three training courses, which included between one and 30 trainees. The number of training courses and of trainees depended on the type of project. Those projects focusing on knowledge transfer and capacity building of end users provides more courses and involved more trainees. For example, MILIEV 1999/02, Integrated Mangrove Management and Coastal Protection Project, Leizhou City, Guangdong Province, organized more than 10 training courses and trained over 100 trainees because one of its major aims is to enhance the capacity of end users to manage mangrove forests.

TABLE 4.7 Number of training courses per project in China and in the Netherlands

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>>5</i>	<i>Total</i>
No. of training courses provided per project	13	6	18	8	3	7	55

Source: Questionnaire to end users

TABLE 4.8 Number of trainees per project in China and in the Netherlands

	1-10	11-20	21-30	31-40	41-50	>50	Total
No. of trainees per project	19	6	10	7	4	9	55

Source: Questionnaire to end users

Box 4.4 ORET 1991/46: supplier failed to provide training

Training in the Netherlands was part of ORET 1991/46, Xingtai Cotton Textile Factory, Hebei Province. The training was necessary to guarantee the efficient use of Dutch equipment. Owing to the bankruptcy of the original end user, which was acquired by the Xingtai Printed Cotton and Textile Factory, the project was put on hold for three years and 8 months. In October 1997, the new end user signed a supplementary agreement with the supplier to restart the project. In a progress report of 29 July 1998, the supplier stated that 'probably in August 1998 a Dutch trainer will go to China to help with the operation of the machines', but this did not happen. Also no training has been provided in the Netherlands. Because the Dutch supplier failed to provide training in accordance with the contract, the end user had to raise funds to send 30 technicians to Shandong province for a month of training.

Source: Field mission

4.5 Management efficiency

As described in chapter 2, the ORET/MILIEV Programme involves management procedures of both Chinese and Dutch authorities. These procedures can be divided into three phases:

- 1 the first phase, which involves only the Chinese authorities, extends from the first application by a Chinese end user to local authorities until the project is listed on the Chinese priority list for ORET/MILIEV;
- 2 the second phase, which is carried out mainly by the Dutch authorities, extends from the first application by Dutch supplier to the Netherlands authorities to the approval of the application (the appraisal procedure); and
- 3 the third phase, which involves the authorities of both sides, extends from the approval to application to the signing of the Grant Agreement (GA) – see section 2.8.

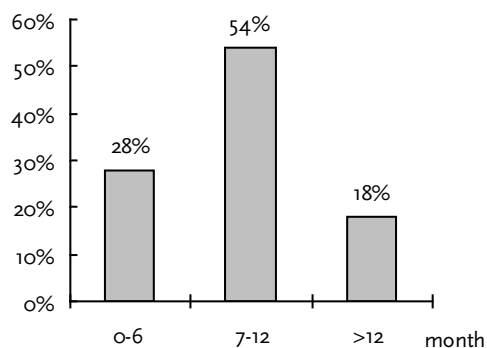
Theoretically, management efficiency should consist of the efficiency of these three phases. Despite great efforts by the evaluation team, little information on the

first phase was received, which made it hard to assess the management efficiency of this phase. Moreover, from the Dutch authorities' view, the first application by a Dutch supplier can be seen as the start of ORET/MILIEV project management procedures. Based on these two facts, the assessment of management efficiency is defined as the time required to complete the management procedure in the Netherlands, starting from the first application by a Dutch supplier to the Netherlands authorities to the final decision by the Netherlands authorities in the form of the signing of the GA.

4.5.1 Appraisal procedure on the Dutch side

According to the ORET/MILIEV regulation, the supplier must submit an application to the FMO/NIO, in duplicate, and will be sent an acknowledgement of receipt. The date of this acknowledgement marks the official start of the appraisal procedure. When the procedure finished, an Appraisal Memorandum (AM) will be signed. Hence, the actual time needed to complete this procedure could be used to assess the management efficiency. For the 82 projects²⁴ considered, this required an average of nine months. The shortest period was just seven days, while the longest was 30 months. Only 23 projects went through the appraisal procedure within six months, while for as many as 44 projects (54%) it took 7–12 months, and for 15 projects more than 12 months.

FIGURE 4.5 Time needed to complete appraisal procedure on the Dutch side



Source: Appraisal memoranda of 82 projects

²⁴ Two projects, ORET 94/04 Dong Ting Lake, and MILIEV 99/14 Dabancheng Wind Power Project Phase 1, without the date of AM were excluded.

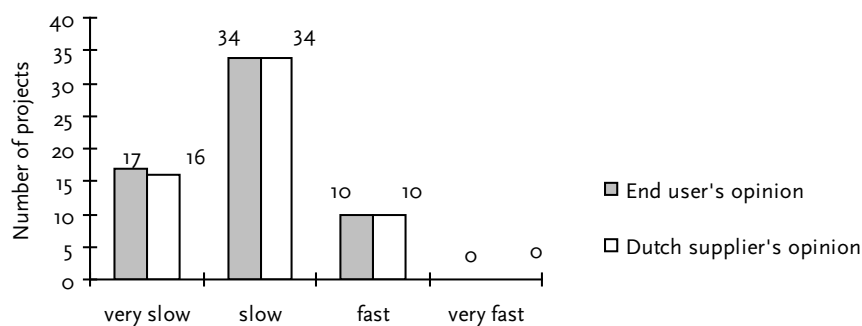
In response to the suggestion of ORET/MILIEV review 1994-1999, the length of the appraisal procedure was reduced to six months in 2000. A comparison of the time taken to complete this procedure before and after 2000 shows that the average time has been reduced from 9.7 to 7.7 months.

This lengthy appraisal procedure is not necessarily the result of the inefficiency of Dutch institutions. There are several underlying reasons:

- 1 in some cases the first application was incomplete and did not meet the requirements of the programme, and the time needed to complete the application is not deducted from the six-month period;
- 2 in other cases, during the appraisal procedure, either the supplier or the end user did not give satisfactory answers to FMO's questions, and it took time to obtain all the required information;
- 3 after submitting their first application, some suppliers or end users wanted to change the contents of the transaction, such as the transaction amount, the grant percentage, the equipment to be delivered, etc., all of which added to the length of the procedure.

Despite these factors, it is very interesting to note that both suppliers and end users appear to be dissatisfied with Dutch appraisal and approval cycle. Almost 85% of both groups of respondents considered the approval procedures 'slow' or 'very slow'. It should be mentioned, however, that for most project applications submitted before 2000, most end users/suppliers complained about the lengthy appraisal procedure.

FIGURE 4.6 Opinions on the Dutch appraisal and approval procedure



Source: Questionnaires to end users (61) and to suppliers (60)

4.5.2 The Grant Agreement signing procedure

Once a project has been approved, FMO/NIO draws up a draft grant agreement to award the funds to China and sends the pre-signed document to the Chinese authorities. It then enters the third phase, which extends from the date of approval to the date on which the Grant Agreement (GA) is signed. The average time needed for the signing of GA is six months, with the shortest only two days and the longest 19 months. For 70% of the projects the GA was signed within six months.

FMO/NIO will not issue the final GA until it has approved: 1) an original signed contract between the applicant and the end user, and 2) the financing arrangement for the non-grant component of the transaction. In fact these are two main factors that influence the signing of GA. In practice, prior to submitting their applications to the Dutch authorities, most suppliers have been engaged in contract negotiations with Chinese end users, which do not always proceed smoothly. In the responses to the questionnaire, 44% of end users and 88% of suppliers complained that the process of negotiating and signing contracts was slow or very slow, resulting in delays in the signing of the GA.

TABLE 4.9 Time needed for the signing of the Grant Agreement

<i>Time needed for the signing of the GA (months)</i>	<i>Number of projects</i>
0-6	55
7-12	13
13-18	10
>18	1
Total	79

Source: Appraisal Memoranda and Grant Agreements for 79 projects

TABLE 4.10 The process of negotiating and signing the contract

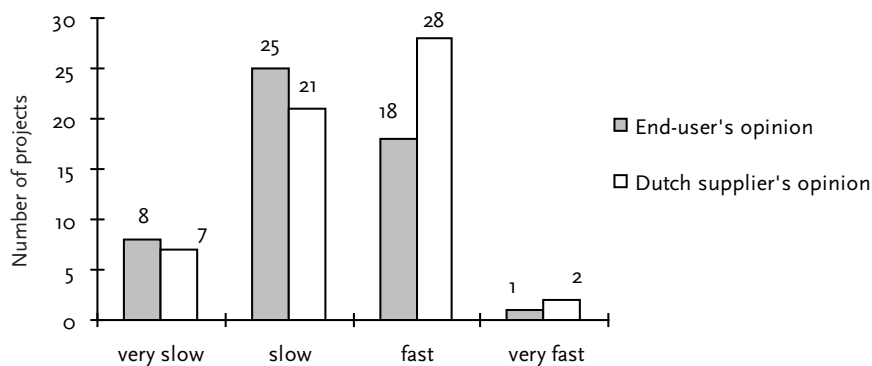
<i>Perceptions of the process of negotiating and signing contracts</i>	<i>End users' opinions (Frequency)</i>	<i>Suppliers' opinions (Frequency)</i>
Very fast	1	-
Fast	33	13
Slow	22	33
Very slow	5	13
Total	61	59

Source: Questionnaires to end user (61) and questionnaires to supplier (59)

The on-lending procedure in China is a unique policy adopted by the government, which requires that all end users must have an on-landing bank in order to obtain funding for the non-grant part from foreign banks. In general, the on-lending bank should be designated by Chinese Ministry of Finance (central MOF) or the local Department of Finance (local MOF), or selected by the end user, as soon as central MOF has approved the project and is prepared to deliver the proposal to the Netherlands government. But in reality, finding an on-lending bank and going through the bank's feasibility study or appraisal process has proven rather difficult in a number of cases. Therefore, the Chinese on-lending procedure might have a negative influence on management efficiency on the Dutch side.

As shown in figure 4.7, 33 end users (63%) and 28 suppliers (48%) considered the Chinese on-lending procedure to be 'very slow' or 'slow', which might have influenced the implementation of projects to some extent.

FIGURE 4.7 Degree of the time needed for Chinese on-lending procedure



Source: Questionnaires to end users (52) and to suppliers (58)

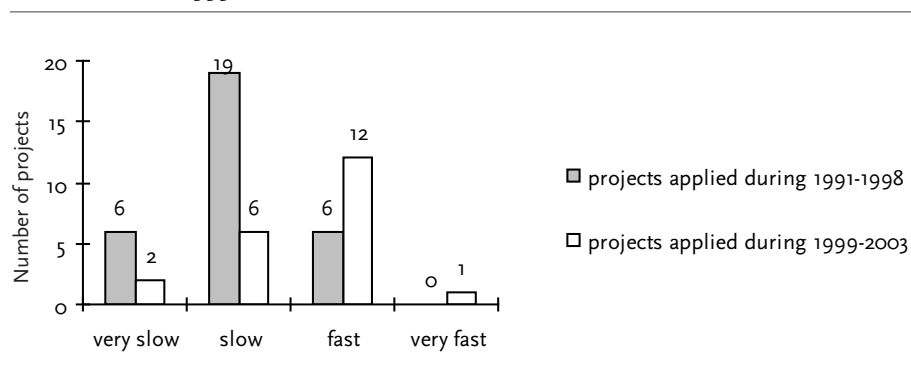
In 1999 Chinese Ministry of Finance introduced a policy that established three categories of on-lending for projects funded by foreign government loans:

- *Category I*: the central or local government is the borrower, and bears the obligation for reimbursement;
- *Category II*: the end user is the borrower, and the local government is responsible for the warranty;
- *Category III*: the end user is the borrower, and the on-lending bank is responsible for reimbursement.

The classification aimed to identify who bears responsibility for reimbursement and to improve the efficiency of on-lending (also see section 2.7.2).

Figure 4.8 shows that the efficiency of on-lending has clearly been improving since 1999. Of the projects applied for in the period 1999-2003, the on-lending procedure was considered 'fast' or 'very fast' in 13 cases (61%), much better than in the case of projects dating from 1991-1998.

FIGURE 4.8 Comparison of on-lending efficiency in terms of time needed – before and after 1999



Source: Questionnaires to end users (52 in total)

During the field missions, many end users implementing category III projects complained that Chinese banks were often reluctant to get involved in the on-lending business for commercially non-viable projects labelled as category III and were worried about the repayment. However, commercial non-viability is one of the preconditions when applying for the ORET/MILIEV Programme. Resolving this paradox – commercial non-viability is a requirement of ORET/MILIEV, while commercial viability is the standard approach for Chinese banks – often involved time-consuming procedures before the Grant Agreement could be signed.

Box 4.5 MILIEV 1999/07: a lengthy application procedure

Shell Solar Energy BV, the supplier of the MILIEV 1999/07, Silk Road Solar Home Systems, submitted an application to the Netherlands government on 25 February 1999. The Appraisal Memorandum was signed on 12 December 2000, and the signing of the Grant Agreement (GA) was planned for 31 October 2001 during the visit of a Chinese delegation to the Netherlands. The Chinese abandoned the signing, however. The Chinese Ministry of Finance wanted the Import and Export Bank of China to get involved in the project. Further, the local Xinjiang MOF indicated it did not have full confidence in the project and needed more information before it could approve the project. Shell and the Dutch em-

bassy helped to resolve the problem and finally, on 21 January 2002, the GA was signed. Altogether it took 35 months to complete the whole application procedure.

Source: Desk study and field mission

4.5.3 *Efforts to improve programme management*

Due to the nature of Official Development Assistance, ORET/MILIEV Programme involves many participants, including governments, end users, suppliers, banks, purchasing companies, and other stakeholders. It is unfair and impossible to attribute efficiency or inefficiency to either the Chinese or the Dutch side. Improving the management of the programme will depend on cooperation among all of these participants and their own efficiency.

Both governments have recognized that it is important and necessary to improve their cooperation. Every six months, in either Beijing or in The Hague, the Netherlands Ministry of Foreign Affairs (MFA) and the Chinese Ministry of Finance (MOF) hold consultation meetings on policy and procedural issues.

The conclusions from the agreed minutes in 1998 and 2000 are summarized below:

- Both governments felt the need to improve the management of the programme. At present (December 1998) the processing of projects is too slow and the rules of the game are not always clear to everyone. The Chinese side proposed to improve the efficiency of the programme application procedure, for instance, by establishing a time limit for each step in the process. After the Chinese MOF taking over the management of FGLS, it set a time limit for each step in the process from project submission by the MOF to FMO to the signing of the GA, which together amount to 10 months. In practice, however, the process often exceeds this time limit.
- During the meeting on 18 and 19 May 2000, the Dutch side expressed its concern about the length of time taken by bank appraisal in China for the commercial financing of projects. After a project had been put on the list and declared eligible for ORET/MILIEV, the financing procedures could sometimes take up to a year before the commercial financing was secured.

The efforts of both the Chinese and the Dutch sides have improved the efficiency of ORET/MILIEV Programme management, although some end users and suppliers are still not satisfied with the management efficiency of the programme.

4.6 Conclusions

In order to assess the efficiency of the ORET/MILIEV Programme in China several factors have been considered, including the timeliness of project implementation, market conformity of prices, training, and the management efficiency of the programme.

Timeliness

The timeliness of project implementation is unsatisfactory. Over 70% of projects have experienced delays, in some cases substantial, with a maximum delay of 52 months, while only 20% of the projects were implemented faster than expected. The main causes of the delays included: 1) the lack of Chinese matching funds; 2) end users failed to complete the infrastructure construction on time; 3) institutional weakness of end users; and 4) the lack of or difficult communications between end users and suppliers.

Market conformity of prices

The assessment of the market conformity of prices has been hampered by the lack of objective data. However, the opinions of both end users and suppliers indicate that prices are, on average, above international market prices, in some cases substantially (up to 40% higher). There is only one example of a project where both the supplier and end user considered the price to be below the market price.

The end users, considering that the supplier has additional costs due to the application procedure and the associated uncertainty, can accept a transaction price that is to some extent above the market. This is particularly the case because they still benefit from the ORET/MILIEV grant and tariff and tax exemptions. Also, the end users tend to believe that some sharing of the 'profits' from the ORET/MILIEV grant may be reasonable. However, they consider a price difference of more than 10-15% above the market price unreasonable. Taking into account the grant, and exemptions from import tariffs (depending on the equipment) and 17% value-added tax, the final price paid by end users is much lower than if the equipment had been purchased directly from international markets. In other words, the final price is favourable for both end users and suppliers.

Training

Almost three-quarters of projects had provided training in accordance with the contract, with the actual training courses equal to or more than the number planned. Almost 70% of projects had provided between one and three courses, involving up to 39 trainees. In cases where the number of training courses departed from planned, more training courses were held than planned, while in other cases less

training courses were held. For the 19 projects used for this analysis, the number of training courses provided was equal to the number planned.

Management efficiency

The management procedures of ORET/MILIEV Programme consist of three phases: appraisal and approval by the Chinese authorities, appraisal and approval by FMO/NIO, and the signing of Grant Agreement by both countries. The management efficiency in terms of time needed to complete these procedures is unsatisfactory. Both suppliers and end users complain that the appraisal procedures of the Dutch authorities are time-consuming, taking an average of nine months to complete. This is partially mitigated by the fact that some suppliers submit incomplete applications that require clarification and, in other cases, wish to change the contents of an application.

After the approval of an application, in some circumstances, it also took a long time to sign the Grant Agreement by both governments. This is mainly influenced by the lengthy on-lending procedures and commercial contract signing between end users and suppliers. The evaluation team found that 63% of end users and 48% of suppliers considered the Chinese on-lending procedure to be slow or very slow. Also, 44% of end users and 88% of suppliers complained that negotiating and signing a contract was a time-consuming process.

To improve management, both governments have made some policy changes. In 1999 Chinese Ministry of Finance introduced a new policy through which Chinese on-lending was divided into three categories to make clear the responsibility for the use of foreign government loans. In practice, this change has speeded up the on-lending procedure and facilitates the reimbursement of non-grant part of transaction. In 2000, in response to the suggestion of ORET/MILIEV review 1994-1999, the Dutch appraisal cycle was reduced to six months. The measure had a good effect on the appraisal process, in that the average time required was reduced from 10 months before 2000 to eight months afterwards. Despite these improvements, the management efficiency of the programme is still unsatisfactory, and there is still room for improvement.

Effectiveness

5.1 Introduction

Effectiveness indicates the extent to which the agreed objectives of the projects and the programme have been achieved. It can be expressed as the direct benefits to Chinese end users and Dutch suppliers, and to the target groups identified in the project design. As a project feasibility study sets out the objectives during the application and the appraisal stage of the projects, the evaluation may assess the achievement of the project objectives as the most important indicator of effectiveness.

To operationalize the concept of 'effectiveness' for this evaluation, the following criteria are examined: 1) achievement of project objectives; 2) the creation of employment in China and the Netherlands; 3) the programme's effect on the access of Dutch suppliers to Chinese markets; 4) the quality of the equipment and/or technologies delivered; and 5) the continuity of the projects.

In order to make a systematic analysis of the programme's effectiveness, different sources and different samples have been used. This chapter is organized as follows. First, the overall assessment of each criterion is given based on the data and information collected. Second, reasons for the good or poor performance of each criterion are analyzed. Certain projects are highlighted in separate boxes to support a specific issue. Finally, the main findings and conclusions about the effectiveness are summarized at the end of the chapter.

5.2 Achievement of project objectives

The most immediate indicator to reflect the effectiveness is the extent to which the objectives of ORET/MILIEV projects have been achieved. The assessment whether the objectives have been achieved is based on *de facto* finished projects. According to ORET/MILIEV Programme regulation, a project is finished when the entire administrative cycle ends (see table 1.1), although a project for which the end user and Dutch supplier have signed the Final Certificate of Completion (FCC), which means that all planned activities have been wound up, could be selected to judge

this indicator. Thus, the sample used for assessing the achievement of objectives consists of 28 projects with signed FCCs among the 35 projects visited by the field missions.

5.2.1 *General assessment*

Based on the results of field visits to 28 completed projects with a signed FCC, 20 had achieved all of their objectives, seven had achieved some, and one project had achieved none at all. In other words, about 70% of the sample projects demonstrate a high level of effectiveness in terms of their achievement of expected objectives.

5.2.2 *Findings for projects that have achieved all their objectives*

As table 5.1 shows, of the 20 projects that had achieved all their objectives, 11 were in the public sector – environmental protection/waste treatment, water treatment/supply, medical equipment/supplies, and others.²⁵

TABLE 5.1 Achievement of project objectives, by sector

<i>Sector</i>	<i>Positive</i>		<i>Negative</i>		<i>Subtotal</i>
	<i>All objectives achieved</i>	<i>Partially achieved</i>	<i>None achieved</i>		
Agriculture/water conservation	2	-	-	-	2
Energy/transportation	4	-	-	-	4
Environmental protection/waste treatment	1	1	-	-	2
Factory equipment	1	1	-	-	2
Farm produce processing and equipment	2	4	1	-	7
Medical equipment/supplies	3	-	-	-	3
Water treatment/supply	5	1	-	-	6
Others	2	-	-	-	2
Total	20	7	1	-	28

Source: Field missions

²⁵ Two projects, MILIEV 1997/20 Banknote Destruction Machine for the People's Bank of China, and ORET 2001/91, Supply of Equipment for an Education Facility, Jinhua Middle School, Jiangsu Province, were also classified as public sector projects.

Water treatment/supply

Dutch suppliers have executed 15 projects under the ORET/MILIEV Programme, among which six were visited in this evaluation. Five of these six projects have successfully realized their objectives. Since the implementation of these projects, the capacity of local water supply or wastewater treatment facilities has been significantly upgraded, and the problems of local drinking water shortages and wastewater drainage have been solved.

Box 5.1 Achieving objectives: water treatment/supply

MILIEV 1994/06, Chengdu Sanwayao Waste Water Treatment Plant (WWTP) phase II, applies A/O/E biological treatment technology. Since completion, the plant has operated fairly well at its full design capacity, treating 300,000 m³ of urban wastewater per day, with an annual capacity of more than 100 million m³. After the project finished, Chengdu city's daily wastewater treatment capacity increased from 100,000 m³ to 400,000 m³.

MILIEV 1998/69, Beijing Shunyi WWTP project, provides another example. This plant applies Carrousel 2000 biological wastewater treatment technology designed to treat 80,000 m³ per day. The plant has been running at full capacity since the project was completed and can treat all the sewage of Shunyi district. The wastewater discharged after treatment complies with national emission standards. The project has effectively reduced water pollution, thus protecting underground water resources and the ecosystem of Shunyi district.

ORET 1993/45, Nanchang Drinking Water Supply project. This fully automated water processing and control plant uses water pumps with variable frequency. The full automation of the plant helps reduce operating costs. After the project was completed the plant's capacity of 200,000 m³ per day has meant that the water supply capacity of Nanchang city has been increased from 830,000 to 1.03 million m³ per day, and the water meets national quality standards. Due to the water supply by the project and thereby reducing the use of underground water. The plant has effectively resolved the problem of low water pressure, and has fostered the growth of the new hi-tech development zone in the eastern part of the city.

Source: Field mission

Energy/transportation

There are 10 projects in energy/transportation sector and four of them were visited. All the four of these projects have achieved their objectives. Two projects,

MILIEV 1998/17, Chifeng Windmill, Inner Mongolia, and MILIEV 1999/14, Dabancheng Wind Power Plant phase 1, in Xinjiang Region, were both related to utilization of wind power, a source of clean energy that is advocated by Chinese government. Project ORET 1996/40 Sinotrans Dangerous Goods Transport Vehicle aimed to increase the capacity of dangerous goods transportation, and project ORET 1997/35, Chengdu Shuangliu Airport, increased the airport's capacity from 4 million to 11 million passengers per year.



Box 5.2 Achieving objectives: Dabancheng Wind Power project, phase 1²⁶

Daban, located in southern Xinjiang region, is a city with abundant wind resources. Serving as a main power supplier to the Xinjiang power grid, Daban has a good location to build wind electric power parks. The objectives of the project, MILIEV 1999/14 Dabancheng Wind Power project phase 1, were: 1) to deliver 10 Dutch-produced wind turbines and monitoring systems; 2) to reduce the use of fossil fuels; and 3) to develop

²⁶ This refers to Dabancheng 1, the first phase of the Dabancheng wind park. The much less favourable experiences with Dabancheng 11 are described in chapter 3.

and expand knowledge of the design, construction and management of wind turbines and wind energy parks. The project started on 1 October 2001. The erection of wind towers was completed on 20 February 2003; the wind turbines were successfully tested, and the end user and the supplier signed the Final Certificate of Completion (FCC) on 30 July 2003. The ten sets of 750 kW wind turbines have been put into operation and linked to the Xinjiang power grid with an annual generating capacity of 23 million kWh.

Source: Field mission

The success of these projects in achieving their objectives can be attributed to several factors:

- *Good quality Dutch equipment.* The good quality of the Dutch equipment ensured that the projects operated reliably and fully met the needs of production. This is a common factor among the successful projects.
- *Sufficient working capital.* There is no doubt that sufficient working capital of the end users is a prerequisite for the sound running of the projects. For projects in the public sector, end users can more easily obtain government subsidies to cover the costs of day-to-day operations.
- *Sound administration and leadership.* End users that have performed well often have a relatively sound administrative structure, regulations, management teams, and responsible, diligent and insightful chief executives. All of these factors have played a significant role in the operations.

Box 5.3 Achieving objectives: Yunnan Environmental Master Plan project

One project that has had a positive effect on the environment is the MILIEV 1994/59, Yunnan Environmental Master Plan project. This conservation project aimed to restore the biological environment of the Yunnan Plateau lake region through a decision support system (DSS), management instruments, modelling, capacity building, training, local community participation and raising awareness of environmental issues among local people. The project's additional objective is to attract international funds to support follow-up activities through project dissemination. The local government has incorporated the project's valuable suggestions and recommendations into the local tenth five-year plan, in which priority is given to environmental protection, in particular preventing and treating pollution in the nine lakes of the Yunnan Plateau. The Japanese government also used the results of the ORET/MILIEV Programme when it invested \$60 million to implement an environmental project in Fuxian Lake, one of the plateau lakes.

Source: Field mission

5.2.3 Findings for projects that have achieved only part or none of their objectives

Of the eight projects that had achieved only part or none of their objectives, five were in the farm produce processing and equipment sector. Among the projects in the factory equipment, environmental protection/waste treatment, and water treatment/supply sectors, only one has performed poorly.

Projects in the farm produce processing and equipment sector often scored badly on the achievement of the objectives. According to the findings of the field missions, there are three main reasons why these projects were unable to realize their aims, which had not been foreseen in the Dutch Appraisal Memoranda.

- *Fierce and increasing market competition.* Some projects submitted their applications when the market prospects were excellent, but by the time the projects were implemented and put into production, the market competition had become fierce, thus reducing sales, and causing the end users to lose money.
- *Lack of working capital.* Projects need working capital to operate, and this is usually comes from the end users' own funds. Some projects lacked working capital so that they could not operate at full capacity, and hence could not realize their objectives. The underlying cause of this situation, in some cases, could be the lack of sound on-lending appraisal. When an on-lending bank appraises a project, it should know whether the end user has sufficient working capital to run the project. However, no evidence was found that the on-lending bank had pointed out the risk that end users lacked sufficient working capital.
- *Insufficient institutional capacity of the end user.* This took the shape of insufficient insight into the market and the lack of management capacity of the end users, both of which have contributed to the failure of projects.

In the factory equipment sector, one end user mentioned that there had been problems with the Dutch equipment, with the result that the project had not completely achieved its objectives (see Box 5.4).

Box 5.4 ORET 1991-45/61: Problems with Dutch equipment

In one case, problems with Dutch equipment have influenced the achievement of the objectives. ORET 1991-45/61 project Shijiazhuang Textile Mill, Hebei province, planned to introduce a Dutch textile-printing line, including an engraving and design department, a broad bleach installation and a vertical cylinder dryer, with a design production capacity of 6 million metres of printed textiles per year. As mentioned in progress reports, owing to problems in obtaining some spare parts, the broad bleach machine was not running well, but the problem was resolved after some parts were replaced during the

assembly. During the field visit it was found that not only the broad bleach machine but also the vertical cylinder dryer had problems. Although Dutch supplier fielded nine on-site technicians in three separate visits to help the Chinese end user with the assembly, the problems still remain. Thus, the equipment can not be put to full use, and the mill is producing only 5 million metres of textiles per year.

Source: Field and desk study mission

5.3 Employment creation

One of the objectives of the ORET/MILIEV Programme is to generate employment. In reference to this objective, job creation assessment criteria are formulated as, after the completion of the project (the FCC has been signed), whether the ORET/MILIEV projects have actually created jobs, in China and in the Netherlands, and if so, how many.

5.3.1 Jobs in China

In the questionnaires completed by 44 end users whose project had been completed, 30 indicated that the project had generated jobs in China, 13 reported no change, and only one indicated the adoption of new technology had improved efficiency, leading to the loss of 20 jobs. These 30 projects had created about 3400 jobs – about 2000 for men and 1400 for women.

The employment effect varies over the different sectors. The direct employment effects of projects in the farm produce processing and equipment, agriculture/water conservation and factory equipment sectors are usually more apparent, since they involve building new production lines and hiring more workers. All projects in these sectors, with one exception, have provided jobs for more than 50 additional people. In the farm produce processing and equipment sector, three projects have created more than 200 new jobs, including ORET 1991/54 Guangdong Shrimp Feed Plant, ORET 1991/58 Milk Powder Plant, and ORET 1996/46 Wuzhong Starch Project. The latter project generated 260 additional jobs.



Projects in the energy/transportation, environmental protection/waste treatment, medical equipment/supplies and water treatment/supply sectors have generated fewer direct employment opportunities. Most of the 15 projects in these sectors employ less than 50 people, and only four employ 50–100 people. The nature of these projects determined the number of jobs created – since their main purpose is to provide public services, rather than large-scale production, fewer employees are needed.

Of the narrower sample of 28 projects visited with a signed FCC,²⁷ 24 projects have created employment in China. The contrast between actual job creation and job creation anticipated during the application stage is also interesting. Out of these 28 projects, only six provided more jobs than expected. About 60% of these projects created fewer jobs than anticipated. The main reasons are:

- the continuation of existing employment. Some employees will be transferred from their previous positions to new jobs;
- some projects have not attained their design production capacity, which has resulted in fewer jobs being created;
- as job creation is an appraisal criterion during project application, some projects may have overstated the number of jobs expected to be created.

Employment is an important issue in China. Job creation is often related to opportunity costs. Opportunity cost tried to give an answer to the question of whether a particular investment is the best one to create employment and can be used to judge whether resources are being wasted. By comparing the cost per job created by an ORET/MILIEV project and the minimum cost per job created by this kind of project, it can be determined whether the project is the best in terms of job creation. Although this issue is important, the evaluation team was unable to assess it due to the lack of available data.

5.3.2 *Jobs in the Netherlands*

To assess whether a project has fulfilled its employment goal in the Netherlands, a comparison was made between the planned and actual number of jobs created. The planned employment gain was based on the number of jobs stated in the application and the actual number reported by Dutch suppliers in the final progress report, which was approved by an accountant.

²⁷ Unless noted otherwise, the findings in the remainder of section 5.3 refer to this sample of 28 projects.

The majority of Dutch suppliers did not report the number of jobs created in their own organizations, so that only 21 out of 57 projects with FCC signed could be used for this comparison. There are 15 projects that generated employment equal to or more than planned, and the other six generated fewer jobs than planned. The sum of anticipated employment gains of 21 projects during application were 535 person-years, while 634 person-years were actually created. This illustrates that the ORET/MILIEV projects actually created more jobs in the Netherlands than had been expected.

5.4 Effects on access to Chinese markets by Dutch suppliers

One of the objectives of the ORET/MILIEV Programme is to support development-related export transactions by Dutch companies. According to the ORET/MILIEV regulation the project should contribute to cooperation with companies in the developing country and could have a positive effect on other export-related activities.

To assess the programme's effects on the business activities of Dutch suppliers in Chinese markets, four criteria are considered: 1) whether the projects had a positive effect on Dutch supplier's access to Chinese markets, 2) to what degree had the projects helped the supplier to operate in Chinese markets, 3) whether the projects had helped Dutch suppliers to establish a permanent presence in China, and 4) whether the projects had resulted in follow-up orders for Dutch suppliers. The discussion is based on the questionnaires to suppliers.

5.4.1 *On Dutch suppliers' access to Chinese markets*

The potential positive effect of an ORET/MILIEV project on a Dutch supplier's access to Chinese markets is assessed by the timing of the supplier's entry to the market in relation to the application. If the supplier entered Chinese markets after applying, the effect is assessed as positive. The 32 completed questionnaires indicate that seven suppliers entered Chinese markets at the same time as or after they applied for the ORET/MILIEV project. For these seven suppliers, there might be a plausible connection between their first entry into Chinese markets and the ORET/MILIEV Programme. The other 25 suppliers had entered Chinese markets before applying for the programme and were already engaged in business activities. From these figures it can be concluded that the programme has helped Dutch suppliers to enter Chinese markets only to a limited extent.

TABLE 5.2 When Dutch suppliers entered Chinese markets

	<i>Frequency</i>
Entered Chinese market before applying for ORET/MILIEV	25
Entered Chinese market at the same time as/after applying for ORET/MILIEV	7
Total	32

Source: Questionnaires to suppliers

5.4.2 *On Dutch suppliers operating in Chinese markets*

Out of 32 respondents, 20 suppliers considered that the ORET/MILIEV Programme had helped them to operate in Chinese markets to a large or very large extent, and 12 suppliers consider the programme's contribution low or very low. Some suppliers thought that the ORET/MILIEV Programme is a very good financing instrument to help Dutch companies extend their export activities, and to strengthen their position in Chinese markets.

TABLE 5.3 Rating of the help for suppliers operating in Chinese markets

	<i>Frequency</i>
Very high	10
High	10
Low	7
Very Low	5
Total	32

Source: Questionnaire to suppliers

5.4.3 *On Dutch suppliers establishing a permanent presence in China*

Although most suppliers entered the Chinese market without using the ORET/MILIEV Programme, it has had a positive influence on the further promotion of their businesses in China. Thanks to the programme nine Dutch suppliers (31 respondents) have established some form of permanent presence in China, ranging from representative offices to joint ventures, fully staffed service centres and wholly owned enterprises. Of these nine suppliers, six first entered Chinese markets due to the ORET/MILIEV Programme.

The establishment of the permanent presence in China provides support to suppliers in promoting their businesses. For example, the DHV Company set up its representative office in China in 1997, and by 2000 had grown into a wholly foreign-owned enterprise. Nijhuis Pompen Company opened an office in Beijing

in 1995 and established a joint venture in Shijiazhuang, Hebei province manufacturing water pumps.

5.4.4 *On bringing about follow-up orders*

From the 32 respondents, 15 suppliers, including four that first entered Chinese markets through the ORET/MILIEV Programme, indicated that they had acquired several new orders worth between €50,000 and €5 million each. For example, the business of DHV Company has grown rapidly with the support of the programme; it has now implemented 21 projects, including 13 ORET/MILIEV projects. As its reputation grows, DHV is poised to increase its market share in China.

Box 5.5 SIMED International BV in China

SIMED International BV is a privately owned multinational company that provides world-wide design, engineering and implementation services to health care projects. It is a subsidiary company of Simed Health Care Group. In 1999, the company successfully applied for ORET 1999/64, Anhui Tongling People's Hospital project, under the ORET/MILIEV Programme. The transaction value of the project was €2.4 million. In October 2002, the FCC was signed, marking the ending of the project transaction. This was the first time the company entered the Chinese market. After the project was completed, SIMED International BV carried out three other similar projects in China, including the Huangshan People's Municipal Hospital, Jinan No.4 People's Hospital and Jining No.1 People's Hospital. All three projects are currently ongoing, involving a total transaction value of €13 million. With the support of the programme, SIMED International BV has not only entered the Chinese market but has also seen a growing transaction volume in the market.

Source: Questionnaire to suppliers and SIMED website

Box 5.6 ORET & MILIEV 1997/20: substantial follow-up orders for the Dutch supplier

The project ORET & MILIEV 1997/20, Banknote Disintegration System, involved cooperation between the People's Bank of China (PBOC) and the Dutch company Kusters Engineering BV. The project is designed to solve the shortage of capacity for destroying used banknotes in China. The project purchased 19 sets of banknote disintegration machines, which were distributed to 18 local bank systems. The transaction value of the PBOC con-

tract represented four times the 1995 turnover of the company, and was crucially important for Kusters Engineering BV. The project produced a satisfactory effect with regard to pollution reduction, transportation security and protection against disease propagation. After the project was completed, PBOC purchased another 17 sets of banknote disintegration systems and 23 sets of banknote briquetting machines (OBS400DHP) costing €17 million. The project has attracted many new potential users from banks in India, Indonesia, Philippines and Pakistan.

Source: Field mission



5.5 Quality of equipment/technologies

5.5.1 Quality of equipment/technologies when delivered

The supply of equipment/technology is one of the most important parts of many ORET/MILIEV activities. The quality of the equipment and technology provided is therefore the main concern of end users. The sample comprises 34 projects visited by the field missions.²⁸ According to the findings of field mission, a great majority of end users thought the quality of equipment/technologies delivered by Dutch suppliers good – only three end users considered it bad. In fact, many end users believe that the Netherlands has leading-edge equipment and technologies in some fields, such as wastewater treatment and dredgers.

TABLE 5.4 Quality of the equipment/technologies delivered by Dutch suppliers

	<i>Number of projects</i>
Good	26
Fair	5
Bad	3
Total	34

Source: Field mission

Box 5.7 MILIEV 1998/69: an example of good-quality Dutch equipment

MILIEV 1998/69, Shunyi Waste Water Treatment Plant, serves as an example of the good quality of Dutch equipment. The project introduced the highly developed and automated Dutch Carrousel-2000 technology. Compared with other similar projects operating in China, this technology offers several advantages – it occupies only a small area; the water quality is stable after treatment; and its low maintenance requirements and costs.

Source: Field mission

²⁸ One project visited by the field mission, ORET 02/13 Anshan Fly-ash Utilization Plant, was not included in the sample because the grant agreement had not been signed.



5.5.2 Status of equipment after project completion

Out of 27 projects with an FCC²⁹, the field mission found that in 20 projects the equipment was well maintained and operating normally after the FCC was signed. With the other seven projects there were some problems with the equipment that have affected normal operations.

The equipment problems are threefold:

- 1 Design flaws, including failure of parts of the equipment to attain the design standard, like ORET 1991/45, Shijiazhuang Textile Mill, and ORET 1998/73, Snack food production lines, and failure of the design to consider the local harsh weather conditions, like ORET 1991/52, Jinzhou Feedmill.
- 2 In some projects where equipment was sourced from suppliers from countries other than the Netherlands, a small proportion of equipment does not

²⁹ MILIEV 1994/59, Yunnan Environmental Master Planning Project, which aimed to develop environmental policy plans, did not involve equipment and so was excluded from this assessment.

- work properly. These include ORET 1993/45, Nanchang Drinking Water Supply, ORET 1999/09, Shanxi Cardiovascular Diseases Research Institute, and ORET 1999/64, Tongling People's Hospital. The Dutch suppliers are contractually responsible for equipment provided by other suppliers, but these cases the after-sales service has not been good and the problems have not yet been solved.
- 3 Problems caused by the end user. Due to the bankruptcy of the former end user of ORET 1991/46, Xingtai Cotton Textile Factory, the machines delivered by the Dutch supplier had to be put in storage for three years and eight months. Some machine components were missing or damaged due to the lack of care and maintenance during storage, so that some parts of the equipment of the projects does not operate well.

TABLE 5.5 Status of equipment after the completion of the projects – by year

	'Satisfactory' or better	'Unsatisfactory' or worse	Subtotal
≤ 3 years	6	1	7
≥ 4, ≤ 6 years	9	3	12
≥ 7 years	5	3	8
Total	20	7	27

Source: Field mission

Box 5.8 ORET 1999/09, Shanxi Cardiovascular Diseases Research Institute

The end user of the Shanxi Cardiovascular Diseases Research Institute Project (ORET 1999/09) imported 13 sets of equipment from a Dutch supplier, among which the Tomoscan EC CT X, made in the US, did not work properly. During the first six months of operation, the machine stopped working many times and each time the supplier's technician went to repair and replace the main spare parts. Since it was put into operation in September 2001, the total shutdown time due to equipment failure amounted to nearly four months, which affected the normal work of the end user. At the time of the field visit in August 2004, the problem had still not been solved.

Source: Field mission

Although there have been some problems with the equipment of seven projects after completion, these has not necessarily affected the achievement of the project objectives. The field missions found that in only one project, ORET 1991/45 Shi-jiazhuang Textile Mill, have problems with equipment had a negative influence on the achievement of its objective. The mill's design capacity is 6 millions metres

of printed textiles per year, but it is actually producing only 5 million metres per year (see Box 5.4).

5.6 Continuity of the projects

The assessment of effectiveness also considers the continuity of the project outcomes, using their technical and financial sustainability as criteria. This is because a project that achieves the planned outcomes, but is unsustainable, cannot meaningfully be called effective and has no chance of achieving positive impacts in the long run.

5.6.1 *Technical aspects*

The technical aspects of the goods, services and/or infrastructure supplied in the transaction must be such that the end user is capable of maintaining them. If local staff needs technical training, the project should make provision for this.³⁰ Where a developing country applies certain standards or where standardization is one of its aims, the goods supplied should comply with these standards. The transaction must provide for the supply of sufficient spare parts and other forms of after-sales service.

Technical training

In order to distinguish from section 4.4 training in chapter 4, here the effectiveness of training is considered. This includes assessments of whether the degree of training for end users, capacity improvement of the end user's staff, and the increase in the number of skilled workers have been satisfactory.

In general, the end users are very satisfied with the quality of the training. For 27 out of 28 visited projects with a signed FCC (except for ORET 1991/46, Xingtai Cotton Textile Factory project, which did not providing training), 26 end users were satisfied or very satisfied with the training, and only one was dissatisfied. Most training is systematic and fruitful. During training on-site, the Dutch experts explained the functions of the installation and how to operate and maintain it in detail, which is of great benefit to the end users. One handicap during training is the end users' limited knowledge of the English language, which sometimes results in communication difficulties.

Training played an important role in improving the skills and abilities of the end users' employees. As the findings of the questionnaire survey of end users

³⁰ ORET/MILIEV Regulation 2002

showed, 57 respondents considered that the workers/staff had improved their skills and abilities when the project was finished. Only two respondents stated that the training had not resulted in improvements of the capabilities of the employees.

12 respondents indicated that the number of skilled workers had been increased by less than 10%; another 12 indicated that the increase was between 10% and 30% (see table 5.6). It should be noted that in some projects the trainees were technical workers. While the training had strengthened their skills and capabilities, this is not reflected in the questionnaire responses because end users thought the number of skilled workers had not increased.

TABLE 5.6 Increase in the number of skilled workers at project completion

Increase in skilled workers	Frequency
Less than 10%	12
11%-30%	12
31%-50%	5
More than 50%	5
Total	34

Source: Questionnaire to end users

Box 5.9 ORET 1999/09: training improved end user's skills and capabilities

The project ORET 1999/09, Shanxi Cardiovascular Diseases Research Institute, Shanxi province, introduced Philips-made diagnostic and medical treatment equipment to improve the quality of medical services in the field of cardiovascular disease and diagnostics for the population of Shanxi province. It is necessary and important to train staff of the end user to use this advanced equipment. The supplier also placed five technical groups in the field involving more than 20 technicians to provide assistance in the assembly and testing of the equipment, and training for local technicians and operators. The Dutch technicians provided high technical knowledge and worked diligently in the field, adhering to the proper technical processes and working procedures as required by the equipment. Through their participation in the process of assembly, testing and operation of the equipment, the Chinese technicians gained valuable technical knowledge, and they are now able to operate the equipment independently according to the design requirements.

Source: Field mission

The standard of the technology and equipment

Where a developing country applies certain standards or where standardization is one of its aims, the goods supplied should comply with these standards. In all projects visited, the goods supplied comply with Chinese standards, with the exception of the Zhangjiakou Drinking Water Supply project (ORET 1993/21).

For this project, the ORET/MILIEV loan was used to purchase 229 sets of equipment, which included submersible water pumps, an automatic contactor, 35 kV and 10 kV electric transformer and distribution systems, computers and control systems. In 1996 and 1997, due to the instability and high fluctuation frequency of the grid at the project location, two explosions occurred to the 35 kV and 10 kV PT systems in the electricity transformation and distribution process.

In the past, the current fluctuation frequency sometimes reached 30% on-site locally. This explains why safety fuses are needed for producing PT systems in China. In contrast, in EU countries, because of the stability of the grid, safety fuses are not required for producing PT. Another reason for the explosions is that both end users and suppliers did not consider in detail during the design phase the discrepancies between the standards of equipment in China and Europe. The issue of standards was also mentioned in the project progress reports. However, immediate action was taken to modify the equipment to conform to local standards, and the problem seems to have been solved.

Spare parts

Of the 28 visited projects with an FCC, only six reported problems concerning spare parts. All of them are finished projects. As the equipment ages, and as the spare parts delivered under the contracts are fully utilized, end users increasingly need to buy spare parts in the market, which makes the issue of supply and demand of spare parts worse. Six end users stated that some spare parts they needed had to be imported from the Netherlands. Transportation took a long time and the price was too high to be affordable for these end users. Besides this, one end user mentioned that for equipment sourced through suppliers from countries other than the Netherlands it is difficult to contact the manufacturer after the end of the project. As a result this particular end user was very dissatisfied with the delivery of spare parts.

To minimize the negative effects of these factors on project sustainability, the end user adopted some remedial measures, one of which was to use locally made spare parts as substitutes. But these domestic spare parts are not always compatible with Dutch equipment and their quality is not as high. The same complaint was also made in the local stakeholder workshops. The end user of Yinchuan Dairy products Plant (ORET 1991/58) was dissatisfied because the supplier has not met the increasing demand for spare parts for the aging equipment, which was

installed in August 1994. He was now using some locally made spare parts. The end user believes that for projects with imported equipment, long-term and stable after-sales service is one of the key factors to ensure their sustainability, particularly for projects with long lifetimes.

Most suppliers delivered spare parts in accordance with the terms of commercial contracts. However, from the perspective of sustainability of the projects and the commercial relations between end user and supplier, spare parts delivery remains important, especially after the contract has been completed. For example, ORET 1996/40, Sinotrans Dangerous Goods Transport Vehicles, involved the delivery of 47 trucks. Spare parts were provided in accordance with the contract, but the end user now needs more spare parts for the maintenance of the trucks after the contract is finished. He complained that the spare parts are expensive and not delivered on time, thus compromising the sustainability of the projects.

After-sales service

After-sales service includes equipment maintenance, and the provision of accessories, spare parts, technology updates, etc. Most end users and stakeholders agreed that good after-sales service is very important for maintaining advanced Dutch equipment. The field visits to 28 projects with an FCC showed that 16 end users were satisfied or very satisfied with the after-sales service and 12 were dissatisfied. Although end users received training and could operate the equipment, they had difficulties with its maintenance. Not all suppliers have after-sales service networks in China, and so can not provide timely and adequate equipment or vehicle maintenance, which encourages the end users to make better use of them. Some end users and other stakeholders hope that suppliers will provide better after-sales service in future.

5.6.2 Financial aspects

The financial sustainability of an ORET/MILIEV project is well defined in the ORET/MILIEV Programme regulation 2002. During its lifetime, a project must generate sufficient returns to cover the costs of the initial capital investment (excluding the ORET/MILIEV grant, to which no costs are attached) and the operating and replacement costs. Over a ten-year period, the accumulated net cash flow should be positive. If a project does not generate enough returns to cover the operating and replacement costs, a state guarantee may be used to bridge the gap. Preferably, the project should be carried out by an organization operating along business lines.³¹

³¹ ORET/MILIEV Regulation 2002.

Financial sustainability is understood to refer to whether a project is able to reimburse the commercial part of the ORET/MILIEV loan. Reimbursement of the commercial part of an ORET/MILIEV loan is the final consequence of financial sustainability, which means that the project is able to cover the operating and replacement costs, and to repay the commercial loan. In the case of projects in the social sector (provision of public services), the project revenues in themselves may not be sufficient to guarantee repayment, but the government is more likely to step in if the project runs into financial trouble. Projects in the commercial sector must be able to rely solely on project revenues, without support from the government.

At the time of the evaluation, 49 projects had entered the repayment cycle, among which 39 end users had paid off (or are repaying) the loans themselves, while in 10 cases the guarantors had paid off (or are repaying) the loans. This is not a problem for the loan repayment itself, because a state guarantee may be used to repay the loan if a project does not generate enough (or any) returns to cover the operating and replacement costs. In terms of the financial status of projects, around 80% show a good financial sustainability.

Table 5.7 shows that the financial sustainability of projects from the period 1991-1998 was worse than that of projects from the period 1999-2003. All projects where the loan was being repaid by a guarantor date from the 1991-1998 period. The majority of local financial authorities also believe that the financial sustainability of the projects approved after 1999 will become steadily better. One of the reasons is that the on-lending categories launched by the Ministry of Finance in 2000 specify more clear-cut repayment responsibilities, which helps the projects financial sustainability (also see section 2.6.2). Apart from these measures taken by the Ministry of Finance, fewer problems with repayment are to be expected with the more recent projects, simply because of the shorter repayment history.

TABLE 5.7 Status of repayment of the commercial part of ORET/MILIEV loans

	1991-1998	1999-2003
The end user has completely repaid the loan	8	1
The end user is repaying the loan according to the schedule	18	12
The guarantor has completely repaid the loan	4	-
The guarantor is repaying the loan	6	-
Total	36	13

Source: Questionnaires to end users, 49 of which were valid

Table 5.8 shows that the financial sustainability of projects related to public service provision, mainly in the environment protection/waste treatment, medical equipment/supplies and water treatment/supply sectors, is usually good. These projects have received sufficient guarantees that the loans will be repaid (by either the government or a government organization). Most projects do generate a flow of revenue, although it is insufficient to offset the investment and operating costs. Medical equipment and supplies, water treatment and supply, and environmental protection and waste treatment are all available to users for a fee, but the fees are not enough in themselves to cover the costs. At the same time, the governments provide subsidies to the projects. In strict commercial terms these public sector projects are not sustainable, but due to the commitment of the government, repayment is assured.

TABLE 5.8 Financial sustainability of projects, by sector

Sector	'Satisfactory' or better	'Unsatisfactory' or worse	Total
Agriculture/water conservation	2	-	2
Energy/transportation	4	-	4
Environmental protection/waste treatment	2	-	2
Factory equipment	1	1	2
Farm produce processing and equipment	3	4	7
Medical equipment/supplies	3	-	3
Water treatment/supply	6	-	6
Others	2	-	2
Total	23	5	28

Source: Field mission

The financial sustainability of farm produce processing and equipment projects is rather bleak. Out of seven projects, four have not generated sufficient returns to cover the costs of the initial capital investment and the operating and replacement costs, for several reasons. First, China's shift from a centrally planned to a market-oriented economy in the mid- to late 1990s exposed the shortcomings of many state-owned enterprises that were the end users of ORET/MILIEV projects in this sector. The shortfalls mainly manifested themselves in the absence of competition and competitive mechanisms within enterprises. Most failed to adapt to the changes, and some enterprises finally became bankrupt or were temporarily shut down. For example, ORET 1991/52 Jinzhou Feed Mill project has gone through many changes. The ownership of the project equipment and property was transferred several times, and the end user's poor management performance was far from adequate to meet the requirements of production as well as project

management. The end user was unable to pay off the loan when they entered the repayment cycle, and it was finally paid by the local financial bureau.

The second reason for poor financial sustainability is the shortage of working capital. For instance, the Snack Food Production Lines (ORET 1998/73), never entered into production because of lack of working capital, thus its financial sustainability is very bad. The same situation also happened in ORET 1993/34 Feed Processing Plant in Sanya City, Hainan province (see Box 5.10).

Box 5.10 ORET 1993/34, Feed Processing Plant in Sanya City, Hainan Province

The ORET/MILIEV review 1994-1999 assessed this project as commercially feasible³² in view of the growing demand for feed and poultry products. In fact, according to the last field mission, the equipment for the project has been in storage in the company warehouse since it was delivered. Confronted with a shortage of working capital and market constraints, the project has not yet reached its design production capacity.

This project is part of the local 'Food Basket Programme'. Due to the Asian crisis, all local funds that had been approved were no longer available. Since the 1990s, the central government had kept to a very stringent policy, which hurt many ongoing projects. The slow procedures of local financing also contributed to long delays with the project. Because of these financial problems, the project's construction activities were halted. Due to low product prices it is very hard to find new investors. Plans for new loans eventually failed. There are even plans to sell the project, or parts of it, but this is also difficult because of the low prices for eggs.

Source: ORET/MILIEV review 1994-1999, IOB Evaluation No. 283, and field mission

5.7 Conclusions

The effectiveness of the ORET/MILIEV Programme in terms of projects that have achieved their objectives is quite positive – among the sample of 28 projects with an FCC, 20 projects (about 70%) had successfully achieved all of their objectives.

Projects in public sector, such as environment protection/waste treatment, water treatment/supply, and medical equipment/supplies, have performed much better than those operating in the commercial sector. Sufficient working capital,

³² The commercially viable projects involving a transaction smaller than 2 million SDR are eligible at the time the project applied. but the rule was excluded from the programme in 2001.

good institutional capacity, and the quality of Dutch equipment supplied are the three key factors that have helped the projects achieve their objectives. Shortage of working capital, fierce market competition, and weak administration have been the main causes of the failure of projects.

With regard to the realization of the programme's objectives, the effectiveness is also positive. First, the ORET/MILIEV projects have created jobs in both China and the Netherlands. Almost 75% of projects have generated new jobs for Chinese people. Second, albeit to a limited extent, the programme has helped Dutch suppliers' to enter and to operate in Chinese markets. Seven out of 32 suppliers who returned the questionnaires stated that ORET/MILIEV projects help them to access Chinese markets. Nine suppliers have now established a permanent presence in China as the result of the programme, six of whom first entered Chinese market as mentioned above, and 15 indicated that they have since received follow-up orders.

Most of the equipment and/or technologies delivered to 35 projects visited by the field mission was thought to be satisfactory or fair, and in only three cases did the end users consider the project equipment unsatisfactory. In 21 out of 28 sample projects the equipment was running normally after completion of project; the other seven projects had some equipment problems, but they were relatively minor and had not affected the operation of the project. In only one project had a problem with the equipment prevented the project achieving its target. Around 40% of end users were dissatisfied with the after-sales service they had received, in particular the high prices and the lack of availability of spare parts.

The technical sustainability of all 28 sample projects is satisfactory. Most training has been effective and satisfactory, and has improved the capacity of end users and their staff. Six projects had problems obtaining spare parts, but these had hardly influenced the technical sustainability of projects in the short and medium term. Out of all 28 sample projects, nearly 80% are satisfactory or better in terms of their financial sustainability. Moreover, projects related to public service provision are faring better than those in the competitive commercial sector.

Impact

6.1 Introduction

As defined in the TOR, impact refers to the intended or unintended, positive and negative long-term effects of the development interventions of the ORET/MILIEV Programme, particularly as they relate to the priority areas of environment, poverty alleviation and gender equality.³³

The impact findings are based on the sample of 28 projects with a signed FCC that were included in the sample of 35 projects visited by a field mission. The information and data presented in this chapter were collected during the field visits, as well as from the stakeholder workshops, analysis of the returned questionnaires, and the desk study.

Although diverse information sources have been used, the limitations imposed on the measurement of the impact are not negligible. There are several factors that hinder the evaluation of the programme's impact. In particular:

- 1 It is hard to obtain an overall assessment of impact at the programme level because only part of the information that relates to impact is available for the sample of 28 projects.
- 2 It is difficult to find statistical evidence in China to assess the impact of ORET/MILIEV Programme.
- 3 Sometimes it is difficult to judge whether or not an impact was directly the result of the programme or whether there were other causes. To a certain extent, the local socio-economic impacts might be attributed to different causes, of which the ORET/MILIEV Programme is just one.

Therefore, the impact assessment has to be focused on the analysis of project activities and limit itself to the following three aspects: local socio-economic development; replication of the projects; environment, poverty alleviation, and gender equality.

³³ The Netherlands policy for ORET/MILIEV projects states, among other things, that the projects may not have negative impacts on the poor, on the environment, and on the position of women.

6.2 Impact on local socio-economic development

The assessment of a project's impact on local socio-economic development can be based on its contributions to economic growth and social development, to the development of the sector, and to the progress of other local industries. However, it is very hard or impossible to measure systemically to what extent the ORET/MILIEV projects have contributed to local socio-economic development because their influence is rather limited, and there are no statistical data available that can be used to link the projects to larger-scale impacts that would allow the evaluation team to make a quantitative analysis.

On the basis of the analysis of 28 FCC signed field visited projects and the opinions of stakeholders, 18 projects are found having achieved their long term objectives and likely to have resulted in a positive impact on local social-economic development. Examples of it are given in the two boxes below.

Box 6.1 ORET 1997/35, Chengdu Shuangliu Airport project – increased air transportation capacity of western China

This project involved an extension to and enlargement of the landing area and runway of Chengdu Shuangliu Airport. As a result, the flow of passengers increased from 4.39 million in 1998 to the current 11 million. The extension of the runway to 3600 m also made it possible to land large planes such as the Boeing 747-400. As the capital of Sichuan province, Chengdu is an important city and entry point for the whole western region of China. Chengdu has the only airport in western China with customs facilities for international passengers. Therefore the expansion of Chengdu Shuangliu Airport and the associated growth in the personnel and cargo flows, has removed an important transport bottleneck to the development of the western region.

Source: Field mission

Box 6.2 ORET 1991/54, Guangdong Shrimp Feed Plant: development of shrimp aquaculture in southern China

This project involved the development of a shrimp feed plant, which started production in 1995. The project has achieved a leading position in the field of shrimp feed production based on its technical strengths and large scale. The project has turned Guangdong into a low-cost and high-quality national shrimp feed production base and has driven the development of shrimp aquaculture in South China.

In 2002 the end user built a new feed production plant with a capacity of 60,000 tonnes per year, with support from the National Torch Programme.³⁴ Since 2003, the end user has generated profits and tax revenues amounting to RMB 100 million, and has become a major shrimp feed producer. The project will continue to contribute to the modernization of agriculture and aquaculture by fostering the shrimp production industry in Guangdong province and other areas of southern China. Compared with other shrimp feed production projects, this project provides a better model for keeping costs low (23% lower than other plants) and survival of shrimps high. Apart from these positive effects, the end user is using Dutch technology to manufacture tailor-made equipment, in cooperation with other manufacturers, and thus is contributing to Chinese manufacturers' technological progress.

Source: Field mission

6.3 Replication of ORET/MILIEV projects

Chinese stakeholders hold the strong opinion that replication is one of the most important indicators of the impact of ORET/MILIEV activities. The indicator is highly relevant in China, and thus it is logical and practical for this evaluation to concentrate on the demonstration and/or replication of good practices of ORET/MILIEV projects and Dutch technologies.

During the field visits, eight projects were found to have been replicated. Analytically, the eight replicated projects share some common characteristics: their high relevance to Chinese industrial policies, combined with state-of-the-art technology of Dutch equipment. For example, the replications are especially strong in the case of wastewater treatment plants and the supply of dredgers, based on a combination of relevance to Chinese sector policies and Dutch technologies.

In addition, the dissemination of good practices and successful experiences in pilot projects is another element leading to replication. After hearing the success story of the pilot projects, other end users have replicated the projects using the same equipment and technology provided by the Dutch suppliers. The replication can be in the form of direct copying of the project in other places by the same supplier, or new orders for equipment from the same end user or from new buyers, or new business between the supplier and end user.

³⁴ The National Torch Programme promotes industrialization by providing high-technology support to Chinese companies nationwide. The programme has been running for 20 years and is executed by the Chinese Ministry of Science and Technology.

Besides the on-site check during the field visits, a good example of demonstration and replication was reported at the local stakeholder workshop in Henan Province. The equipment of ORET 2001/87-Henan Luohe Pig Slaughtering Line Project has already been delivered to the end user for operation and the project has performed very well, in the opinion of local financial officials.

A number of counterparts from other provinces have visited the site of the ORET 2001/87 project. As a result, the sales of Dutch equipment for this type of project have also been promoted. The successful implementation of the project has not only helped the Dutch supplier, Stock MPS BV, to win market recognition, but has also resulted in eight additional sales contracts for meat processing production lines in China. For example, the same end user purchased another five production lines without funding from ORET/MILIEV, and three large meat processing enterprises in Inner Mongolia and Jilin province purchased three slaughtering lines with their own money.

Box 6.3 Replication of waste water treatment plant (WWTP) projects

Chinese environmental protection policies have encouraged wastewater treatment. Nevertheless, 61.5% of the cities in China currently do not have wastewater treatment plants, which means there is a huge potential for such plants in China. The Dutch supplier, DHV Company, entered the Chinese market with very strong technical strengths in wastewater treatment technology and equipment. The end user mentions that after the successful operation of MILIEV 1994/06, Chengdu Sanwayao Waste Water Treatment Plant phase II project, two similar projects were launched in Mianyang and Chengdu (in the same province, but without ORET/MILIEV funding).

In October 2002, MILIEV 1998/69 Beijing Shunyi WWTP, another project implemented by DHV, started operations. The project has provided a suitable demonstration and a base for training for potential WWTP users. More than 30 groups have visited the project, and 300 trainees participated in the training courses. As a result of the project, DHV was able to establish a subsidiary company in Beijing in July 2000. In summary, with China's policy support and the support of the ORET/MILIEV Programme, the replication of DHV's activities was significantly facilitated. Altogether DHV implemented 13 ORET/MILIEV projects in China during the period 1991-2003.

Source: Interviews, DHV (Beijing) Environmental Engineering Corporation, field mission

Box 6.4 Replication of dredger projects

The Dutch company IHC has supplied dredgers for two projects. In the first project, ORET 1996/22, Dredging Ships Dongting Lake, the end user purchased two dredgers from IHC, with support from ORET/MILIEV. He was favourably impressed with IHC's service and products. In 1996, the Chinese government invested RMB 12.6 billion in the Dongting Lake Treatment Project, phase II. Following the successful operation of Dongting Lake Dredging Ship programme's highly developed technology, IHC won the tender for the Dredging Ship Engineering project, organized by the Chinese government, which aims to reduce the threat of and damage caused by flooding. Among the 18 imported dredging ships in the tender, IHC supplied five Beaver 1600 dredgers without funding from ORET. The high percentage of IHC dredgers in the project is the result of three factors: 1) IHC's leading technology; 2) Chinese government policy support; and 3) IHC's efforts to establish a representative office in Beijing and a service centre in Tianjin tariff-free zone.

As a result of the project, according to the end users, at least three provinces (Hubei, Hainan and Shandong) have now bought IHC dredgers with foreign government loans. For example, the ORET 1998/13 Hainan Longwan project also purchased two Beaver dredgers from IHC. The end user later purchased an additional IHC Beaver 5014 to develop the infrastructure for Longwan harbour. The new order has not only helped the growth of the supplier's business in China, but has also helped the end user win a new cooperation opportunity. Specifically, through IHC, the end user was able to approach the Rotterdam Port Authority, which initiated a new cooperation plan to the end user for planning and developing Longwan harbour. According to the end user, the negotiations are currently ongoing, and are expected to result in the launch of a new big project between China and the Netherlands.

Source: Field missions

6.4 Impact on environment, poverty alleviation and gender equality

6.4.1 The environment

The environment has been an important focal area of the Netherlands' development cooperation activities since the 1990s. The Chinese government also pays considerable attention to the environmental protection. The findings of the field visits indicate that 12 out of a total of 28 projects had had a positive impact on the environment, while 15 were judged to have had a more neutral impact. Only one project was found to have had negative impacts due to the failure of the end user to invest in wastewater treatment facilities. Most of the projects with positive

impacts are in the sectors concerned with environmental protection (agriculture and water conservation, energy and transportation, environmental protection and waste treatment and water treatment/supply), while projects in other sectors (factory equipment, farm produce processing and equipment, medical equipment and supplies), have been mostly neutral in their environmental impacts.

Several factors explain why the ORET/MILIEV projects have resulted in minimal negative environmental impacts: 1) the environmental protection policies promulgated by the Chinese government have been strictly enforced in the past two decades; 2) all ORET/MILIEV projects have to go through the environmental assessment process involving both the Chinese local Environmental Protection Bureau (EPB) and the Dutch NEI. For example, environmental factors such as noise and emissions of the ORET projects are carefully considered, and the Netherlands design focuses on minimizing possible negative impacts.

Box 6.5 Negative impact of project ORET 1997/34

The project ORET 1997/34, Hebei Weichang Potato Starch Processing Line, is the only project that has had a negative impact on the environment, as recorded by the field mission. In the concept report from the NEI, the project was not anticipated to have a negative effect on the environment since the end user confirmed that he had sufficient funds for the construction of an anaerobic water treatment facility with a minimum capacity of 40 m³. The contract also required the end user to deal with the wastewater produced in the processing of potato starch. However, the end user did not construct the treatment facility because of the lack of Chinese matching funds, and the wastewater from the plant was discharged directly into a nearby reservoir. Consequently, the end user had to pay a penalty for emitting the wastewater (5.5 tonnes per day) amounting to RMB 100,000 per year. By the time of the field visit in July 2004, the end user was still operating under the same conditions. However, the evaluation team was told that the local government is now planning to establish a wastewater treatment plant that will offset the negative impact.

Source: Dsk study and field mission

6.4.2 Poverty alleviation

One of the requirements of the ORET/MILIEV Programme is that the projects should not harm the poor and should preferably have positive impacts on the poor. End users and local authorities report that there no projects have had negative impacts on poverty alleviation, and this information was checked and confirmed by the evaluation team during the field visits. Moreover, the end users and

local authorities reported that nine out of 28 projects are likely to have positive impacts on poverty alleviation.

Box 6.6 Positive impact of the project ORET 1997/34

A project that has contributed to poverty alleviation is ORET 1997/34, Hebei Weichang Potato Starch Processing Line project. The project is located in agriculture-dominated Hebei province, and potato production is appropriately the main industry of Weichang, a relatively poor and remote region. The project has become a driving force behind the increase in potato planting in the area. The traditional workshop model of potato processing has now been replaced by the introduction of the Dutch technology, and the potato-processing capacity has increased from 100 to 40,000 tonnes per year. As a result of the project, the end user won the reputation of 'top-company in agriculture-industrialization drive' in Hebei province and has become a top taxpayer in the local area. The favourable impact on poverty alleviation is the result of the end user's effort to establish approximately 1730 hectares of potato fields close to 26 poor villages. The partial funding support given by the end user also played an important role in raising the enthusiasm of local farmers for potato planting.

Source: Field mission



6.4.3 Gender equality

Since the 1980s, the Netherlands development cooperation policy has demanded a proactive approach to gender issues. Every project proposal, including those for ORET/MILIEV projects, is checked for its conformity with the Netherlands policy in this regard. This evaluation has accordingly included gender equality issue in its assessment of impact. During the field mission to 28 projects with a signed FCC, no single project has shown negative impact on gender equality.

Most of the project benefits, such as creation of jobs, are shared roughly equally by men and women, which means that the programme is doing little to improve the position of women *vis-à-vis* men. On the other hand, it also does not harm the position of women. Rather, the programme leaves the relative position of women in China mostly unchanged.

6.5 Conclusions

According to Netherlands development cooperation policy, ORET/MILIEV projects should have positive effects or ‘not harm’ the environment, poverty alleviation, women and employment creation. Based on the opinions of stakeholders and the findings of the field visits, it appears that the impacts of the projects have been positive or neutral in the majority of cases, although it was not possible to find any statistical evidence.

There has been no specific impact on gender equality. The impacts on poverty have been neutral in approximately two-thirds of cases, and positive in the remaining third. In the case of the environment, slightly less than half the projects have had positive impacts, while the remainder have had no harm. Only one project showed negative environmental impacts because of the failure of the Chinese end user to invest in wastewater treatment facilities.

The Chinese stakeholders hold the strong opinion that replication should be one important aspect of the impact of the programme. The evaluation found that eight projects have been replicated. Replication can be in the form of a direct copy of the project in other locations by the same supplier, or new orders for equipment from the same end user or from new buyers, or new business between the supplier and end user.

The Policy and Operations Evaluation Department

Objectives

The Policy and Operations Evaluation Department (IOB) meets the need for independent evaluation of policy and operations in all policy fields falling under the Homogenous Budget for International Cooperation (HGIS). Its evaluations enable the ministers to account to parliament for policy and the allocation of resources. In addition, the evaluations aim to derive lessons for the future. Efforts are accordingly made to incorporate the findings of evaluations into the Ministry of Foreign Affairs' knowledge cycle. Evaluation reports are used to provide targeted feedback, with a view to improving both policy and implementation. They enable policymakers to devise measures that are more effective and focused.

The IOB also advises on the planning and implementation of non-central evaluations of policy departments and embassies.

Approach and methodology

IOB has a staff of experienced evaluators and its own budget. When carrying out evaluations, it calls on the assistance of external experts with specialised knowledge of the topic under investigation. To monitor its own quality, it sets up a reference group for each evaluation, which includes not only external experts but also interested parties from within the Ministry.

Programme

IOB has a rolling multi-year programme which is updated every two years. This programme is devised using an internal selection process based on an assessment of the political, social, policy-related and financial implications of all possible themes, as well as on a number of broad consultations within the various parts of the Ministry. Once adopted, the programme is submitted to parliament by the Minister of Foreign Affairs and the Minister for Development Cooperation.

An organisation in development

Since IOB's establishment in 1977, major shifts have taken place in its approach, areas of focus and responsibilities. In its early years, its activities took the form of separate project evaluations for the Minister for Development Cooperation. Around 1985, evaluations became more comprehensive, taking in sectors, themes and countries. Moreover, IOB's reports were submitted to parliament, thus becoming public.

1996 saw a review of foreign policy and a reorganisation of the Ministry of Foreign Affairs. As a result, IOB's mandate was extended to the Dutch government's entire foreign policy, in which development cooperation occupies an important place. In recent years, it has also sought to extend its partnerships with similar departments in other countries, for instance through joint evaluations.

Finally, IOB also aims to expand its methodological repertoire. A recent example is the application of statistical methods of impact evaluation.

IOB's history shows considerable changes in the approach and methodology of its evaluations. However, its strict independence has remained constant. This, combined with its thorough approach and professional evaluations, ultimately forms the rationale for IOB's existence.

Chinese National Center for Science and Technology Evaluation

Founded in 1997 with the approval of Ministry of Science and Technology of China, the National Center for Science and Technology Evaluation (NCSTE) is one of the leading organizations in the field of evaluation in China. NCSTE aims to provide an objective and impartial basis for government departments, enterprises and investment organizations to make better decisions, to offer consulting service within a wide range of sectors, and to promote dialogue between government, industries and academies.

Staff

The human resources of NCSTE consist of three layers:

- Over 25 core members specializing in such fields as management consulting, public policy research, technology-economy analysis and system engineering;
- About 40 senior experts and advisors who are either senior specialists or retired senior officials in various fields; they have employment contracts with NCSTE and participate in project teams;
- Approximately 2000 experts in various fields registering in the expert database of NCSTE; they provide technological, economic, and organizational advice while NCSTE is conducting evaluation.

Clients

Core clients of NCSTE are state organs of China, mainly including Ministry of Science and Technology (MOST) and Ministry of Finance (MOF). Increasingly, NCSTE also provides service for international clients including international organizations, foreign governments and international consulting institutions.

Major professional activities

With years of consistent efforts, NCSTÉ has gained rich experience in designing and conducting comprehensive evaluation projects in which social, economic, technological and cultural factors and policies are involved.

Program Evaluation

Pioneering the evaluation of s&t programs, NCSTÉ has been involved in the largest and most intensive evaluation of s&t programs ever conducted in China.

Project Evaluation

NCSTÉ has been carrying out the evaluation of project selection, which covers four major aspects: technical, institutional, economic, and financial. So far more than 1000 projects have been evaluated. The evaluation performed by NCSTÉ involves such fields as advanced materials, IT, telecommunication, health, agriculture, environment, resources, as well as sustainable development. NCSTÉ has an intimate knowledge of domestic policies, management, technology development, institutions and experts in various fields.

Evaluation of Institutes

In order to promote the commercialization of technology achievements, since 1992 more than 100 National Engineering Technology Centers have been established in China. NCSTÉ carried out the evaluation of most of them so that the management departments could make decision to support or remove them.

China's s&t Evaluation Standards

Mandated by the MOST, NCSTÉ has drafted China's s&t Evaluation Standards and had it published under the name of NCSTÉ in 2001. MOST made the Standards the annex to government regulation on evaluation management.

Since its issuance, the *Standards* have been well observed in s&t evaluation in China, which provides a platform for evaluators from various regions and institutions to discuss and share evaluation experience. The *Standards* also plays an

important role in standardizing the behavior of evaluators. What is more, It has been defined as the basic material for science and technology evaluation training. More than 600 evaluators from 70 evaluation institutions across China participated in the training workshop.

Aid Evaluation

In the recent years, NCSTE has been taking Aid Evaluation as an important part of the work and placing great emphasis on the improvement of ability to carry it out. An aid evaluation project team in NCSTE has been set up, which has systematically studied the relevant OECD development aid policies and policies on the utilization of foreign government loans to China.

As a local partner, NCSTE has conducted joint evaluations with international institutions. For instance, NCSTE has evaluated Norwegian Mixed Credits jointly with a Norwegian consulting agency, the Institute of Applied Social Science of Norway (FAFO). It has also evaluated Danish Mixed Credit Programme jointly with the Nordic Consulting Group (NCG).

Evaluation Cooperation Network

NCSTE has cooperation and exchange relations with 18 institutions across the world, in countries such as the Netherlands, United States, France, Canada, Japan, New Zealand, Australia, United Kingdom, Thailand, Korea and India. Meanwhile, with the support of UNDP, APEC and other international organizations, NCSTE has successfully organized a series of seminars and workshops for technicians, managers or international representatives. It has also successfully arranged a number of workshops for selected stakeholders on technology application and transfer.

A cooperation network has been set up by NCSTE covering the major cities all over China, which guarantees the efficient cooperation with local evaluation institutions. Meanwhile, NCSTE is preparing for the establishment of Evaluation Association of China. The information system of NCSTE is composed of a project database, an enterprise/institution database and an expert database.

Annex 3

Term of Reference

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

NCSTE/IOB

16 March 2004

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I JUSTIFICATION

So far most evaluations of development aid have been led by donors, and have been 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 government, as well as 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.

The Policy and Operation Evaluation Department (IOB) organized a review of the ORET/MILIEV Programme in 1999 (IOB Evaluation No. 283). At that time only a limited number of activities had been completed so that it was not possible to evaluate their results and the results of the programme as a whole. In addition, as the recipient countries did not attach sufficient importance to the evaluation, their perspectives were not taken into account in either the design or the report of the evaluation. After a year of exchanges and discussion, the Chinese National Centre for Science and Technology Evaluation (NCSTE) and IOB together initiated this 'first generation' country-led evaluation (CLE) in September 2003.

2 BACKGROUND

2.1 The ORET/MILIEV Programme

The Development and Environment Related Export Transactions Programme (ORET/MILIEV) is a development cooperation grant with a commercial loan designed to help generate employment, boost trade and industry, and improve environmental quality in developing countries. 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, and assists Dutch companies to gain access to markets in developing countries.

The ORET programme was launched in 1983 as a combination of programmes administered jointly by the Netherlands Ministry of Economic Affairs and the Ministry of Foreign Affairs (Directorate-General for International Cooperation, DGIS). The purpose of the programme was to support development-related export transactions by Dutch companies. These transactions were initially financed through the award of soft loans to developing countries. When the programme assumed its present form in 1991, 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 that would have 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, in which the same financing criteria are applied.

For several years, ORET/MILIEV was a grant programme of the Ministry of Foreign Affairs (DGIS). On 14 February 2002, however, the Netherlands Investment Bank for Developing Countries (NIO), a wholly owned subsidiary of the Netherlands Development Finance Company (FMO), was authorized to administer the programme in consultation with the Ministry of Economic Affairs.

Dutch companies that wish to implement a project in a developing country may apply for an ORET/MILIEV grant. Once the application is approved, the NIO allocates the grant to the developing country. The grant agreement contains a clause whereby the developing country authorizes the NIO to make payments directly to the supplier from the grant. Thus, the grant is awarded to the developing country, but is in fact used to make these direct payments to the supplier.

The approval of a grant application – in the form 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 therefore 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 no. 249, 1998).

The ORET/MILIEV Programme is also subject to a number of international rules and agreements. Since grants must be used to purchase goods and services from the Netherlands, ORET/MILIEV financing is regarded as a form of tied aid. It is therefore governed by EU directives and by arrangements (known as the Consensus) of the Organization for Economic Co-operation and Development (OECD) intended to curb state aid.

At present, the annual grant budget of the ORET/MILIEV Programme is EUR 104,369,000. 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 the remaining 65% will come from other sources.

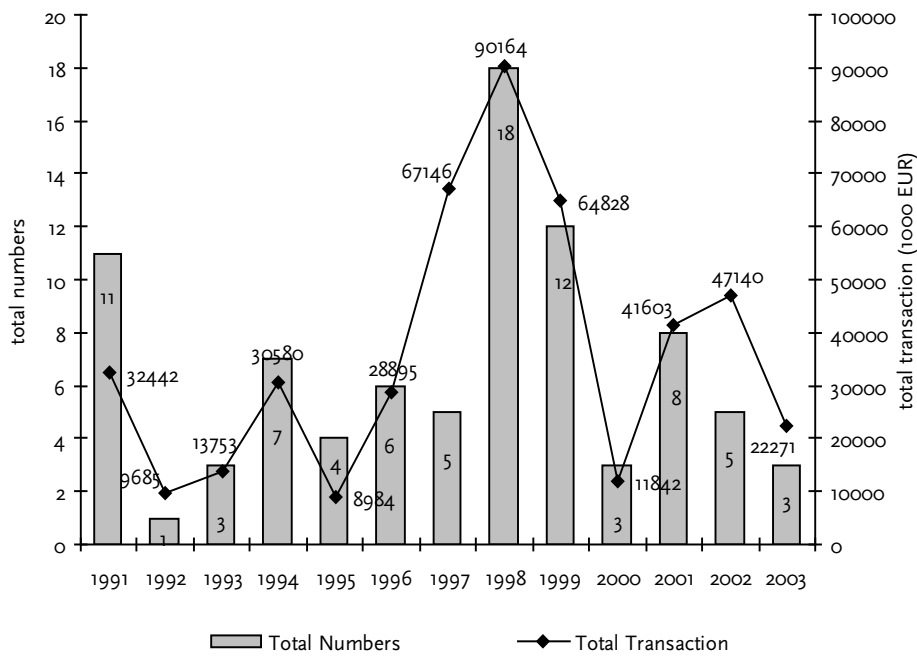
2.1.1 ORET/MILIEV projects in China

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

Of the 86 projects approved, 40 have been completed (47% of the total) and 46 (53%) are still ongoing. With regard to the total transaction amount, the share of completed projects is about 33% and that of ongoing projects 67%.

As shown in Figure 1, the numbers of approved projects varied considerably over the period 1991–2003, with a sharp peak in 1998.

FIGURE 1 Numbers of projects approved and total transactions per year, 1991–2003

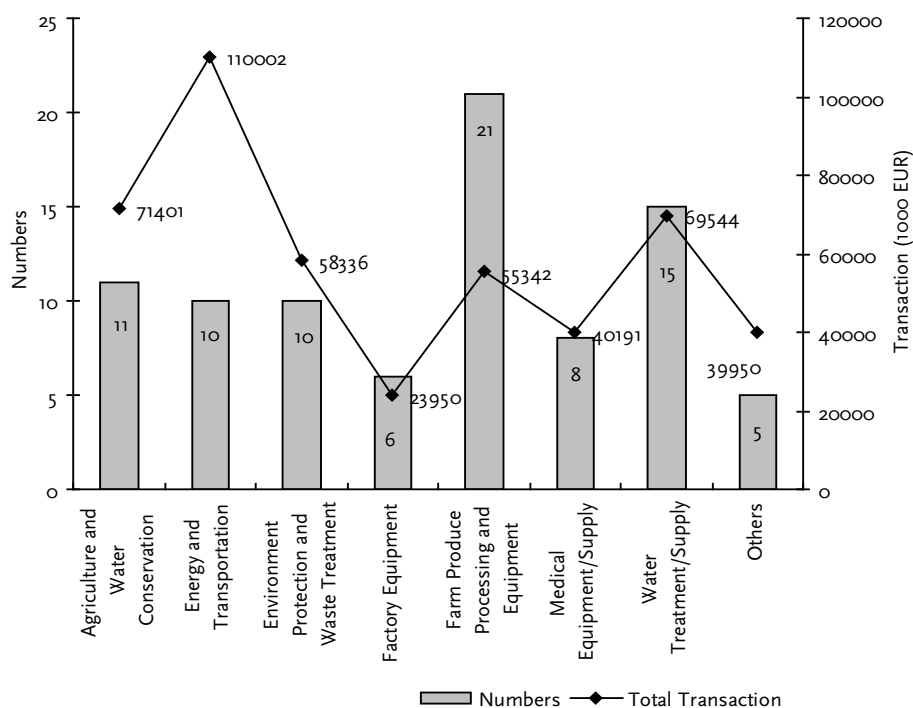


2.1.2 Sectoral distribution of ORET/MILIEV projects in China

In line with the criteria used in the ORET/MILIEV Programme, and the normal standard industry classification used by the Chinese authorities, the projects can be categorized according to eight sectors, which will also be referred to in the future evaluation.

Figure 2 shows that the largest number of approved projects (21, or 24% of the total) was in the farm produce processing & equipment sector. Projects in the energy/transportation sector accounted for the largest share of total transactions (EUR 110,002,000, or 23% of the total).

FIGURE 2 Numbers of projects and total transactions, by sector



2.1.3 Regional distribution of ORET/MILIEV projects in China

Mainland China has 31 administrative provinces, municipalities and autonomous regions. There are also three special regions (Hong Kong, Macao Special Administration Region and Taiwan District) that will not be included in the ORET/MILIEV evaluation.

Based on the levels of economic development and the Chinese government's preferential or priority policy for development, the 31 provinces can be divided into four regions:

- 1 *Southeast developed region* – nine provinces and municipalities whose levels of economic development are above the national average.

- 2 *Northeast region* – three provinces that used to be China’s key industrial heartland between the 1950s and the 1980s, but whose economies declined in the 1990s.
- 3 *Central region* – seven provinces whose economies are at about the national average.
- 4 *Western region* – 12 less developed provinces, municipalities and autonomous regions where poverty reduction has long been at the top of the development agenda.

ORET/MILIEV projects are being implemented in 22 provinces in the four regions. The regional distributions of these projects in 1991-1998 and 1999-2003 are compared in Figures 3.1 and 3.2.

FIGURE 3-1 Regional distribution of ORET/MILIEV projects, 1991-1998

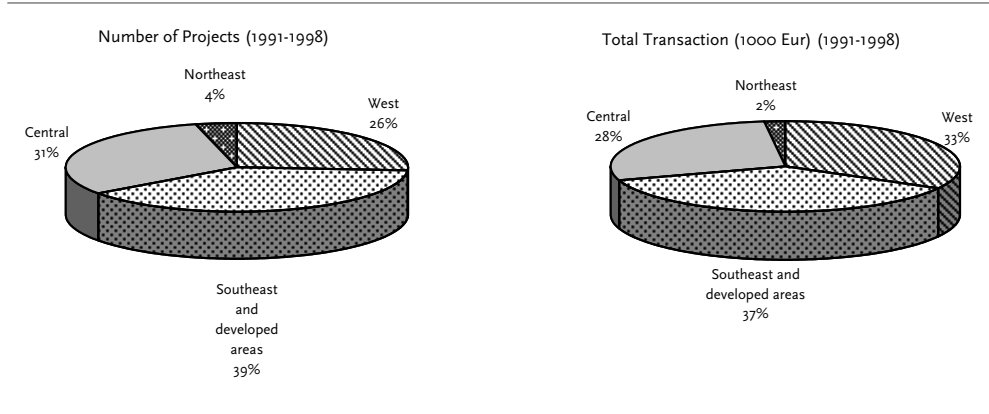
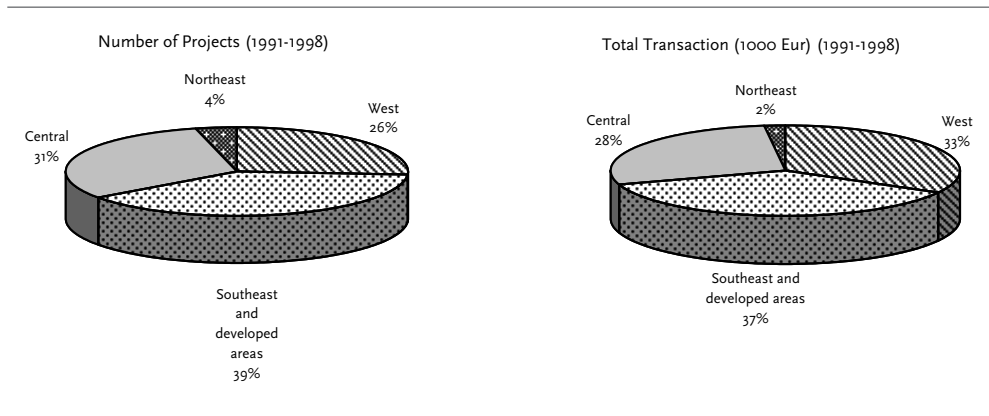


FIGURE 3-2 Regional distribution of ORET/MILIEV projects, 1999-2003



In 1999 the Chinese authorities changed the system of management for foreign development aid loans and introduced policies that gave priority to the development of less developed areas. A comparative analysis of the regional distribution of ORET/MILIEV projects approved in the periods 1991-1998 and 1999-2003 could therefore be useful for the future evaluation.

2.1.4 Dutch suppliers

In the past 13 years (1991-2003) 46 Dutch suppliers were involved in ORET/MILIEV Programme activities in China.

2.2 Policy and management

2.2.1 The Netherlands and China: trade and economic cooperation

Since establishing diplomatic relations in 1972, the Netherlands and China have signed a wide range of cooperation agreements, covering political and economic affairs, culture, science and technology, and investment.

In recent years, bilateral trade and economic cooperation between the Netherlands and China has increased significantly. In 2002, the value of trade reached US\$ 10.7 billion, an increase of 22.3% on 2001, of which Chinese exports were US\$ 9.1 billion and imports from the Netherlands US\$ 1.6 billion, increases of 25.1% and 7.9%, respectively, on the previous year.

Between 1979 and 2003, the Netherlands invested in a total of 1125 projects in China, with agreed or contracted investments amounting to US\$ 9.4 billion, while actual investments were US\$ 4.6 billion, including the ORET/MILIEV Programme. The Netherlands is now China's second largest European trade partner, after Germany.

2.2.2 Netherlands development cooperation and tied aid programme in China

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

Since mid-2003 China is no longer on the Dutch list of development aid partners, but remains entitled to financing under the ORET/MILIEV Programme and, to a limited extent, to aid for human rights and good governance activities.

According to the ORET/MILIEV regulations, the maximum amount that can be granted each year to a single country (with the exception of China) is 20% of the available annual budget.

On 13 October 2003, Chinese government published its first EU policy paper, which made it clear that China would welcome more EU development aid, especially in fields such as environmental protection, poverty alleviation, public health and hygiene, and education. The EU was also encouraged to play a stronger and more active role in human resources development, particularly in providing training for personnel in the central and western regions.

2.2.3 *China's priority policies for development*

Reform and opening up to the outside world

In 1979 China adopted the policy of reform and opening up to the outside world. Since then, a great number of changes have taken place in the political, economic and social spheres, as well as in science and technology, culture, and education. For many Chinese people incomes, standards of living and health care services have improved steadily in recent years.

China joined the World Trade Organization (WTO) in 2001, which will increase the pace of economic reform. As a WTO member, it has become increasingly important for China to establish and/or reformulate its laws and regulations to ensure compliance with WTO rules.

A milestone in the reform process was the Chinese government's policy, introduced in 2000, that endorsed a stronger role for the private sector in order to accelerate progress in the transformation from a centrally planned to a market-oriented economy. Government statistics show that in the last five years the number of non-state-owned firms has risen steadily, and now account for more than half of China's GDP.

Foreign direct investment (FDI)

China started to encourage foreign funds in 1979. Over the subsequent two decades (1979–2000) China attracted a total of US\$ 538 billion in foreign funds, which have successfully helped the country to develop its economy, improve social life and speed up the reform process. Between 1999 and 2003, China attracted an average of US\$ 50–60 billion per year in foreign direct investment.

In each of the last ten years China has enjoyed GDP growth rates of 7–8%. It is now the world's sixth largest economy, with a per capita GDP of US\$ 1000.

Nevertheless, China is an enormous country with an area of 9.6 million square kilometres and a population of 1.28 billion, of whom 160 million (12.5%) are still poor, according to a 2002 World Bank estimate. Moreover, there are growing ine-

qualities between regions, and between urban and rural areas. The government still emphasizes its policy of using foreign funds to reduce poverty and to solve the problems of inequality.

Foreign development aid grants and loans

It has long been Chinese government policy to attract foreign development aid grants or government preferential loans. From 1979 to 2000, China received us\$ 18.4 billion in foreign development aid loans, with a total of 1746 projects, 1654 of which have been completed.

Special development policies for specific regions

In 1998 the government introduced special development policies that gave priority to the relatively less developed regions. Since then, the central and western regions have received 68% of all foreign development aid loans, and the northeast and southeast developed regions the remaining 32%.

Western Development Strategy: In 1999, the government launched the 'Western China Development Programme' as one of its priority strategies. A year later, a special administration agency was established, the West China Development Office, under the State Council.

For decades the western region has suffered severe soil erosion, deforestation and desertification due to excessive logging and cultivation. The 12 provinces of the region are particularly poor, with problems such as poor infrastructure, water shortages, and inadequate health and education services. The per capita GDP of the region is about us\$ 500, about half the national average (us\$ 1000 per capita).

Despite these problems, the region has enormous potential for development – it covers 71% of the area of China, with 28% of the population, and has rich mineral, oil and natural gas resources.

In order to achieve the goals of the Western China Development Programme, the Chinese government has emphasized the importance of promoting infrastructure construction, improving the environment, and encouraging the utilization of foreign funds.

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 the early 1980s. However, many of the traditional industries established in the 1950s have been struggling since the country moved towards a market-oriented economy two decades ago. The value of the region's industrial output has fallen from 17% to just 9% of the

national total. Some state-owned industries have closed down, resulting in large numbers of unemployed workers.

In 2003, the central government of China initiated a new strategy in which the revitalization of the northeast region is at the top of the agenda.

2.3 The management system and implementers

2.3.1 ORET/MILIEV Programme management in the Netherlands

Until recently the ORET/MILIEV Programme was managed by the Private Sector Department of the Netherlands Ministry of Foreign Affairs. On 14 February 2002, however, the Netherlands Investment Bank for Developing Countries (NIO), owned by the FMO, was authorized to administer the programme in consultation with the Ministry of Economic Affairs.

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

Between 1999 and 2003, the Netherlands authorities modified the regulations concerning the management of ORET/MILIEV Programme. The last change was the ORET/MILIEV Regulations 2002, amended by the Netherlands government (no. DDE-0181.rd/02, March 2002). The impacts of these changes to the ORET/MILIEV regulations will be addressed in the future evaluation.

2.3.2 Dutch implementers

Only companies registered and operating in the Netherlands are eligible to apply for ORET/MILIEV Programme grants. These companies must have sufficient export experience, show adequate technical, organizational and financial capacity to carry out the transaction successfully, and must generally be able to contribute to sustainable economic relations with the developing country.

When applying for an ORET/MILIEV Programme grant, the company must first ascertain whether the project concerned is included on the list drawn up jointly by the Dutch and Chinese authorities.

2.3.3 *ORET/MILIEV Programme management in China*

Foreign government loans are managed by several Chinese authorities, the main ones being the 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). Among these, the MOF and SDRC are most important units dealing with the ORET/MILIEV Programme.

Since taking over responsibility for foreign development aid loans from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) in 1999, the Ministry of Finance (MOF) has introduced a number of new policies and regulations. One of the most important of these involved changes to the on-lending categories on the Chinese side. At the moment, the MOF accepts three kinds of grant or foreign government loan:

- 1 the central or local government is the borrower, and bears the obligation for reimbursement;
- 2 the end user is the borrower, and the local government is responsible for the warranty; or
- 3 the end user is the borrower, and the on-lending bank is responsible for reimbursement.

On 19 February 2000 the MOF issued a regulation related to the ORET/MILIEV Programme – ‘The Notification of the Utilization of Netherlands Government Loans’ – which deals with the main characteristics of the programme and the application procedures in China.

In 2002 the MOF introduced another important new regulation requiring that all transactions financed with tied aid from foreign donors be put out to public tender. This regulation may, to some extent, affect the Dutch suppliers. For all projects under the ORET/MILIEV Programme, the MOF now issues an invitation to tender, which is posted on the website www.chinabidding.com.

In March 2003 the National People's Congress approved the reorganization of the cabinet, and the creation of a new and powerful authority – the State Development and Reform Commission (SDRC) – to replace the former State Development and Planning Commission (SDPC). Like the SDPC, the new SDRC will play an important role in the management of foreign funds, including planning the utilization of development aid loans, approving project feasibility studies and deciding on the scale of projects.

One important SDRC regulation relates to the official approval of the utilization of foreign development aid loans. At the application stage, the central government's SDRC is authorized to assess and approve projects with budgets of more

than us\$ 5million, while projects of less than us\$ 5 million may be decided by local governments at the provincial level (Development and Reform Commission).

2.3.4 *Chinese implementers*

In China, the contracting party to and/or end user of the ORET/MILIEV Programme may be a central government organization, a local authority, a company, a hospital, a school, a research institute or a farm. It may also be a private company. Chinese window companies or ‘purchasing companies’ specializing in the purchase of foreign grant-related equipment, and on-lending banks, also play important roles in the implementation of the ORET/MILIEV Programme.

3 OBJECTIVES OF THE EVALUATION AND KEY ISSUES

3.1 Objectives of the evaluation

The main objective of the evaluation is to assess to what extent the ORET/MILIEV Programme (through its activities/projects) has fulfilled the policy objectives, needs and priorities of the Netherlands and China. The evaluation will also verify whether the funds have been appropriately and efficiently used. The evaluation is intended to provide information for both the Chinese and the Dutch that could be used to improve the programme, as well as for policy formulation.

3.2 Key issues and questions

The ORET/MILIEV Programme evaluation team will assess key issues at three levels:

- at the policy and programme level: the relevance of the programme to the policies, needs and priorities of the Netherlands and China; and
- at the transaction level: the efficiency of the system of processing requests for co-funding for export transactions, the efficiency of the transactions themselves, as well as the efficiency of the programme’s management and procedures; and
- at the project level: the effectiveness of projects in meeting their own objectives, as well as in meeting the objectives and conditions of the programme as a whole.

The key issues to be addressed will be further elaborated during the design of the methodological approach of the evaluation and the field studies. Some of these issues may not lend themselves to systematic analysis, because valid and comparable data may not be available. However, if problems in systematic data gathering should occur, relevant anecdotal or *ad hoc* information will be gathered to provide feedback for policy makers. For example, data may not be available on the utilization of foreign government loans since China's entry to the WTO, on the influence of WTO membership on the approval of projects and the purchase of equipment and on questions related to policy relevance.

Views on these key issues may vary from organization to organization and from target group to target group. Hence the evaluation team must objectively identify these different views and make impartial judgements and assessments based on the facts.

The following paragraphs list the questions to be addressed during the evaluation, both to ascertain the facts, and to elicit the opinions of the various stakeholders.

3.2.1 Policy relevance

Policy relevance refers to the extent to which the programme's objectives and the effects of project activities are consistent with the needs of national/local authorities, as formulated in their policies, overall priorities and donor policies.

Questions

- In 1999 the Chinese government launched the Western Development Strategy, a special plan giving priority to the development of the western region. Has the number (or %) of projects approved in this region changed since 1999?
- Are the projects listed as priority projects in the local development plans?
- Are the projects in line with sector development strategies?
- Are the projects in accordance with the Chinese policy with regard to the environment?
- Are the projects in line with the Netherlands development policy with regard to poverty alleviation, gender and the environment, and with the specific ORET/MILIEV policy regarding enhancing Netherlands trade with China?
- To what degree are government officials, on-lending banks, suppliers, window companies and end users well informed about the objectives of the programme? In their view, do the objectives of the programme need to be adjusted, and if so, how?

3.2.2 *Efficiency*

Efficiency indicates the degree to which the achieved outputs have been delivered as agreed, at both the transaction and the programme level, and whether they could have been delivered more cheaply or more quickly.

Questions

- Have the projects achieved their expected outputs on schedule and within budget?
- Have the projects experienced delays during implementation? If so, what were the main causes of these delays?
- Has the condition that 60% or more of the transaction should be sourced in the Netherlands resulted in higher prices?
- Are the procedures and time cycles for project application, appraisal and approval considered reasonable by the end users, the organizations that receive ORET/MILIEV funds?

3.2.3 *Effectiveness*

Effectiveness indicates the extent to which the agreed objectives of the programme have been achieved. Effectiveness can be expressed as the direct benefits to the target groups.

Questions

- Has the programme facilitated access for Dutch suppliers to China's local and/or national markets?
- Have the projects created skilled job opportunities in China?
- Is the equipment still operational and maintained after the completion of the projects?
- In the opinion of the end users, are the projects sustainable in terms of maintenance, after-sales services and the availability of spare parts?

3.2.4 *Impact*

Impact refers to the intended or unintended, positive and negative long-term effects of the development intervention.

Questions

- Are the projects being replicated elsewhere?
- Have the projects had a negative impact on the environment?

- Have the projects had a negative impact on the poverty situation?
- Have the projects had an impact on the situation of women?
- Has the programme resulted in an increase in trade between China and the Netherlands?
- In the opinion of the end users, what have been the impacts of the project activities?

3.3 Evaluation matrix

Although the evaluation will address the policy context and the decision-making process, these aspects are not included in the evaluation matrix. The opinions of stakeholders are also not included. The matrix is limited to factual information and concerns only completed projects.

Evaluation matrix

Targets	Indicators	Sources	Method
<i>Input</i>			
<ul style="list-style-type: none"> • Investments (loans, grants and Chinese matching funds) • Skills training 	<ul style="list-style-type: none"> • Loan amount • Grant amount • Chinese matching funds • Courses organized and trainers sent to China 	<ul style="list-style-type: none"> • Appraisal report • Grant agreement • Contract 	<ul style="list-style-type: none"> • Interviews • Desk study
<i>Comparison of inputs and outputs – Efficiency</i>			
<i>Output</i>			
<ul style="list-style-type: none"> • Realization of project-specific objectives • Employment creation in the projects • Improved skills in the projects 	<ul style="list-style-type: none"> • Sector-specific indicators (to be specified) • Successfully trained personnel • Number of jobs created in the projects • Creation of skilled labour 	<ul style="list-style-type: none"> • Appraisal report • Contract • Financial report • Progress report • Final/evaluation report 	<ul style="list-style-type: none"> • Interviews • Desk study • Field study
<i>Degree to which outputs contribute to outcome – Effectiveness</i>			
<i>Outcome</i>			
<ul style="list-style-type: none"> • Sustainability of completed projects • Sustainable employment • Facilitating Dutch suppliers' access to Chinese markets and promoting exports 	<ul style="list-style-type: none"> • Number of projects still functioning X years after completion • Number of jobs still existing X years after completion • Additional Dutch exports to China as a result of the programme • New supplier representative offices in China 	<ul style="list-style-type: none"> • Final report • Evaluation report • Workshop • Statistics book • Media 	<ul style="list-style-type: none"> • Interviews • Desk study • Field study

Targets	Indicators	Sources	Method
<i>Degree to which outcome leads to intended impact – Relevance</i>			
<i>Impact</i>			
<ul style="list-style-type: none"> • Contribution to China's social/economic development at regional level • Projects replicated elsewhere • Contribution to bilateral trade • No harm to environment 	<ul style="list-style-type: none"> • Changes in social-economic development at regional level (to be specified) • Number of replicated projects as mentioned by end users • Level of economic cooperation China-Netherlands • Number of projects that have harmed the environment 	<ul style="list-style-type: none"> • Evaluation report • Policy documents • Statistics book/ Statistical Departments • Reports of the UN and the World Bank • Media 	<ul style="list-style-type: none"> • Qualitative study of social-economic development at regional level • Interviews • Desk study • Field study

4 SCOPE AND METHODS

4.1 Scope

4.1.1 *The evaluation period*

As mentioned above, the period 1991 to 2003 will be taken as the evaluation period. The evaluation will cover the 86 projects executed during this period.

As the review of the ORET/MILIEV Programme carried out in 1999 was an overall assessment of the implementation of the programme over the period 1994-1999, this evaluation will restrict its study of issues of programme administration to the period 1998-2003.

The evaluation team will undertake investigations, analyses and research related to the ORET/MILIEV programme as a whole.

4.1.2 *Time demarcations*

In the course of the programme enormous changes have taken place in China. In order to study the relevance of these changes, the evaluation team will need to analyse changes in project data over time, and assess whether the programme's objectives and the effects of the project activities are consistent with the changing needs of national/local authorities. The time demarcations are (tentatively) as follows:

1999 can be considered a turning point, when China's Western Development Programme was launched and the administration of foreign aid loans was shifted from MOFTEC to MOF.

Data from 2003 could be used to describe the current status of the programme and to study the effects of the policy and administrative changes noted above. For instance, in data analyses, the regional distributions of projects approved in 1999 and 2003 will be compared to see whether the changes in Chinese policy were reflected in the appraisals of project applications.

4.1.3 Selection of cases

Due to the broad scope of the review carried out in 1999 (which included four other countries as well as China), only a limited number of cases in China were included in the field study. In addition, because few projects had been completed at the time of the review, it was not possible to measure their effectiveness and impacts.

This evaluation will focus on the implementation and the results of the ORET/MILIEV Programme in China alone. So far, 40 projects have been completed, of which about 20 have been completed for at least five years, and nine for three years.

The evaluation will select a sample of cases for field study. To ensure that the sample is representative, the selection of cases will take into consideration the following:

The evaluation team will choose the field study cases, free of restrictions imposed by the Chinese administrators.

- The cases will be selected using stratified sampling, based on location, sector and other criteria to be further discussed.
- The selected cases will include 50% of completed projects (20 projects) and 20% of ongoing projects (10 projects). Special attention will be paid to completed projects in order to be able to assess their effectiveness and impacts. The selected cases will account for 35% of all projects and about 40% of all transactions.
- The selected cases will be located in 15 of the 22 provinces in which ORET/MILIEV projects are being implemented. This will not affect the representativeness of the sample because there are only one or two projects in each of the seven other provinces, which are geographically and economically similar to neighbouring provinces where projects have already been selected.
- With regard to sectoral distribution, cases will be selected from each of the eight sectors in the programme. Between 30% and 50% of projects in each sector will be selected as cases, reflecting the sectoral distribution.

4.2 Research methods

4.2.1 Desk studies

During the desk study phase of the evaluation, the team will collect and compile project documents and relevant data, and will conduct interviews with key stakeholders. The outputs from the desk studies will be included as background materials in the evaluation report. The main approaches of the desk studies are outlined in the following paragraphs.

Archive research

The 86 ORET/MILIEV projects will be studied on the basis of the available information in the project files in both the Netherlands and China. Archive research will involve going through the files to obtain information about the different aspects related to the evaluation questions listed above. The information and findings from the archive research will be validated during the field study.

Data compilation

Data compilation will include the collection, sorting and analysis of data, as well as setting up a database. The information to be collected will include data on the distribution of projects among the eight sectors and across the four regions, and the changes in these distributions over time.

Policy analyses

Relevant Dutch and Chinese policies will be studied by the two parties in order to determine the areas where they converge and conflict.

As China is undergoing a period of great changes, many new policies have been promulgated and existing policies have been amended. Some of these relate directly to the use of foreign government loans. Others, such as foreign trade policy, foreign exchange administration, industry policy, regional policy, etc., may seem not to be relevant, but could have direct or indirect impacts on the programme by various means. The analyses will cover different types of policies, including macroeconomic policy, internal administrative regulations, agreements between the two parties, etc.

4.2.2 Field study

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

Before starting the field studies, the evaluation team will propose a detailed interview procedure that will be applied throughout the field study.

4.2.3 Stakeholder dialogue approach (SDA)

In order to gather a wide range of views and perspectives, to raise awareness and to help create mutual trust among individuals with different viewpoints, the evaluation team will adopt a 'stakeholder dialogue approach' (SDA). An important aspect of the SDA will be two round table workshops, to which selected stakeholders, local officials and 'end users' will be invited to participate 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 workshops are:

- to gather information from selected stakeholders;
- to test preliminary conclusions; and
- to inform stakeholders about the evaluation process, and to gather their views and comments on the results.

5 REPORTING AND PRODUCTS

The products of the evaluation will be the following:

- Main evaluation report
- Field study report and desk study report
- Results from the SDA workshops
- Annexes:
 - glossary of key terms
 - terms of reference
 - additional statistical tables and background materials
 - notes on the evaluation methodology
 - evaluation process (procedures, persons interviewed)
 - bibliographic references
 - database of the programme
 - the Policy and Operation Evaluation Department (IOB)
 - National Centre for Science and Technology Evaluation (NCSTE)

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

The *evaluation report* will be officially presented to:

- Dutch parliament

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

Copies of the report will also be disseminated to:

- 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
- local financial administrations in China
- FMO
- end users
- suppliers
- related banks
- industry associations
- research institutes
- other stakeholders

6 ORGANIZATION AND TIMETABLE

IOB and NCSTE will structure the evaluation as follows:

The Steering Committee (SC) will take decisions on the evaluation. Co-chairs: Ms Chen Zhaoying, Executive Director of NCSTE, and Mr Rob van den Berg, Director of IOB. The project coordinators, Mr Han Jun (NCSTE) and Mr Hans Slot (IOB), are appointed as members of the Steering Committee.

The Reference Group (RG) will provide 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) and Casper van der Tak.

Team Leaders (TL) will organize the fieldwork and other studies.

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

- design of the field/desk/case studies;
- preparation of draft field study reports; and
- preparation of the draft synthesis report.

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

ORET/MILIEV Transactions in China 1991-2003

Dutch number	Project name	ORET (O) MILIEV (M)	Transaction Amount €	Grant Amount €	Finished (F) Ongoing (O)	Desk study	Questionnaires to end user	Questionnaires to Dutch supplier	Field study
1991/10	Hainan Feed-mill Project	O	1,887,726	755,090	F	✓	✓	✓	
1991/25	Chongqing Yoghurt	O	1,678,967	671,595	F	✓		✓	
1991/27	Jingxian Integrated Chicken Project	O	4,514,205	1,805,682	F	✓	✓	✓	
1991/28	Integrated Slaughter Houses Lingbi and Gaotang	O	8,236,656	3,294,662	F	✓			
1991/45	Textile Refinement (Shijiazhuang Textile Mill)	O	1,940,838	776,335	F	✓			✓
1991/46	Textile Refinement (Xingtai Cotton Textile Factory)	O	2,881,504	1,152,602	F	✓	✓		✓
1991/52	Jinzhou Feed-mill	O	2,192,666	877,066	F	✓		✓	✓
1991/54	Guandong Shrimp Feed Plant	O	2,200,834	880,334	F	✓	✓	✓	✓
1991/58	Milk Powder Plant	O	3,426,041	1,370,416	F	✓	✓	✓	✓
1991/60	Textile Refinement 'Open Width Bleaching Installation' Xingtai	O	1,314,601	525,841	F	✓	✓		
1991/61	Textile Refinement Shijiazhuang	O	1,592,315	636,926	F	✓			
1992/43	Clean Rooms for the Production of Vaccines	O	9,685,031	3,873,922	F	✓			
1993/21	Drinking Water Supply Zhangjiakou	O	4,442,508	1,777,003	F	✓	✓		✓
1993/34	Sanya Feed-mill	O	1,883,188	753,275	F	✓	✓	✓	✓
1993/45	Nanchang Drinking Water Supply	O	7,426,470	2,970,588	F	✓	✓	✓	✓
1994/03	Taihu Lake Delivery of Dredging Ship	O	4,000,170	1,600,068	F	✓	✓	✓	
1994/04	Dong Ting Lake	O	4,628,104	1,851,242	F	✓	✓	✓	
1994/06	Chengdu Sanwayao Sewage Treatment Plant Second Stage Project	M	8596,573	3,438,629	O	✓	✓	✓	✓

Dutch number	Project name	ORET (O) MILLIEV (M)	Transaction Amount-€	Grant Amount-€	Finished (F) Ongoing (O)	Desk study	Questionnaires to end user	Questionnaires to Dutch supplier	Field study
1994/32	Dalian Fenghuangshan Drinking Water Project (2nd Stage Phoenix Mountain Water Works)	O	3,240,884	1,296,353	F	✓	✓	✓	✓
1994/59	Yunnan Environmental Master Planning Project	M	3,816,292	2,926,882	F	✓	✓	✓	✓
1994/62	Delivery of Cutter Dredger	O	4114,766	1,645,906	F	✓	✓	✓	✓
1994/68	Sanya Hainan Layer Project	O	2,184,407	873,763	O	✓	✓	✓	✓
1995/42	Demonstration Project Low NO _x Burners	M	1,089,073	1,089,073	F	✓	✓	✓	✓
1995/47	Monitor and Fighting System for Coal Fires	M	2,636,009	1,581,87	F	✓	✓	✓	✓
1995/53	Jiaozuo Chicken Slaughtering Project	O	1,492,937	597,175	F	✓	✓	✓	✓
1995/58	Hepatitis-A Project Kunming	O	3,584,864	1,433,946	O	✓	✓	✓	✓
1996/07	Wujin Municipal Waste Water Treatment Plant	M	3,312,596	1,342,463	O	✓	✓	✓	✓
1996/22	Dredging Ships Dong Ting Lake	O	15,783,111	6,313,245	F	✓	✓	✓	✓
1996/40	Sinotrans Dangerous Goods Transport Vehicles	O	2,253,699	901,480	F	✓	✓	✓	✓
1996/46	Wuzhong Starch Project	O	1,619,995	647,998	F	✓	✓	✓	✓
1996/65	Sanya Broiler Project	O	2,163,170	865,268	F	✓	✓	✓	✓
1996/80	Huaihe River Pollution Control	M	3,853,502	2,312,101	F	✓	✓	✓	✓
1997/16	Windmill Park Huitengxile	M	3,508,241	2,104,944	F	✓	✓	✓	✓
1997/20	Banknote Disintegration System People's Bank China	M	28,697,061	13,631,104	F	✓	✓	✓	✓
1997/34	Weichang Potato Starch Processing Line	O	2,268,901	1,021,005	F	✓	✓	✓	✓
1997/35	Chengdu Airport	O	32,558,731	14,200,387	O	✓	✓	✓	✓
1998/05	Yinbei Drainage Construction Project	O	4,526,458	2,036,906	F	✓	✓	✓	✓
1998/13	Hainan Longwan, Delivery of 2 Beaver Dredgers	O	15,156,259	6,820,317	F	✓	✓	✓	✓
1998/14	Harm, Sausage and Convenience Food Line	O	2,450,413	1,102,686	F	✓	✓	✓	✓
1998/16	Shanghai DaYing Duck	O	2,048,046	921,621	F	✓	✓	✓	✓
1998/17	Dali Wind Turbine Project	M	3,279,143	1,967,486	F	✓	✓	✓	✓
1998/20	Wind Turbine Project Dabancheng 2	M	18,354,202	11,012,521	O	✓	✓	✓	✓
1998/37	Highway Emergency Rescue Telecommunication Systems	O	4,641,364	2,088,757	F	✓	✓	✓	✓

Dutch number	Project name	ORET (O) MILIEV (M)	Transaction Amount-€	Grant Amount-€	Finished (F) Ongoing (O)	Desk study	Questionnaires to end user	Questionnaires to Dutch supplier	Field study
1998/48	Huangyan Biological Waste Water Treatment Plant	O	4,574,105	2,744,463	O	✓	✓	✓	✓
1998/53	Energy and Water Balance Monitoring System for Desertification and Food Security	M	3,371,360	2,022,816	O	✓	✓	✓	✓
1998/54	Tangshan Waste Water Treatment Plant	M	4,519,651	2,711,791	O	✓	✓	✓	✓
1998/55	Anhui Jieshou Waste Water Treatment	M	4,628,558	2,777,904	O	✓	✓	✓	✓
1998/56	Hepatitis B vaccines production	O	2,394,951	1,077,728	O	✓	✓	✓	✓
1998/63	Huainan City Waste Water Treatment Plant	M	4,492,424	2,695,455	O	✓	✓	✓	✓
1998/64	Ningxia Xiaijin Dairy Project	O	2,275,149	1,023,728	O	✓	✓	✓	✓
1998/67	Hainan Fruit Chips Processing Line	O	2,046,549	920,720	F	✓	✓	✓	✓
1998/69	Shunyi WWTP	M	4,621,573	1,617,550	O	✓	✓	✓	✓
1998/73	Snack Food Production Lines	O	1,674,248	753,411	F	✓	✓	✓	✓
1998/76	Wuhan Waste Treatment (status: running)	M	9,400,965	5,640,488	O	✓	✓	✓	✓
1999/01	Beijing Jingbai Garbage Project	O	9,434,091	4,245,341	O	✓	✓	✓	✓
1999/02	Integrated Mangrove and Coastal Protection	M	4,135,809	2,481,486	O	✓	✓	✓	✓
1999/03	Greenhouse Demonstration Project	O	2,495,791	1,123,106	O	✓	✓	✓	✓
1999/07	Silk Road Solar Home Systems	M	22,990,317	13,794,190	O	✓	✓	✓	✓
1999/09	Shanxi Cardiovascular Diseases Research Institute	O	20,11,381	905,121	O	✓	✓	✓	✓
1999/12	Urumqi Natural Gas	O	4,209,719	1,473,424	O	✓	✓	✓	✓
1999/14	Dabancheng Wind Power Project Phase 1	M	4,729,524	2,128,286	O	✓	✓	✓	✓
1999/16	Huaxin Cement Carrier	O	2,268,901	794,115	F	✓	✓	✓	✓
1999/20	Master Plan for Rehabilitation of Lake Taihu	M	2,895,571	1,737,343	O	✓	✓	✓	✓
1999/41	Dredging WRD	O	4,770,501	1,669,675	O	✓	✓	✓	✓
1999/43	Postal Trucks	O	2,519,129	881,695	O	✓	✓	✓	✓
1999/64	Tongling People's Hospital	O	2,406,751	1,083,038	O	✓	✓	✓	✓
2000/36	Huainan City Drinking Water Project	M	4,477,201	1,567,020	O	✓	✓	✓	✓

Dutch number	Project name	ORET (O) MILLIEV (M)	Transaction Amount-€	Grant Amount-€	Finished (F) Ongoing (O)	Desk study	Questionnaires to end user	Questionnaires to Dutch supplier	Field study
2000/54	Hefei Wangtang Biological Waste Water Treatment	M	3,935,335	1,377,367	O	✓	✓	✓	
2000/74	Capacity Building Groundwater Info Centre	O	3,429,198	1,200,219	O	✓	✓	✓	✓
2001/01	Zhangye Potato Starch Processing Project	O	2,591,993	907,197	O	✓		✓	
2001/06	Qili Terminal Wenzou	O	13,981,000	6,291,450	O	✓	✓	✓	
2001/07	Jingzhou Hongguang Wastewater Treatment Plant	M	5,853,765	2,048,818	O	✓	✓	✓	
2001/16	Guangdong Huan Slaughter Line and Cold Store	O	2,662,646	931,926	O	✓		✓	
2001/28	Changle County Duck Processing	O	2,620,275	917,096	O	✓	✓	✓	
2001/32	The introduction of Dutch Minimum Lethal Herbicide Dose (MLHD) Technology in China's Agriculture	O	8,141,316	2,849,461	O	✓	✓	✓	
2001/87	Pig Slaughter Line Qingyuan and Fuxin	O	2,820,000	987,000	O	✓	✓	✓	
2001/91	Jinhu High School	O	3,181,923	1,113,673	O	✓	✓	✓	✓
2002/03	Ma'anshan No.2 Wastewater Treatment Plant	M	5,626,965	1,969,438	O	✓	✓	✓	
2002/09	Water Monitoring and Flow Forecasting System	O	5,849,977	2,047,492	O	✓	✓	✓	
2002/13	Fly-ash Utilization Plant	O	18,364,090	6,427,431	O	✓	✓	✓	✓
2002/14	Changsha Central Hospital	O	14,381,784	5,033,624	O	✓	✓	✓	
2002/27	Huangshan Municipal Hospital	O	4,980,000	1,743,000	O	✓	✓	✓	
2003/07	3rd Phase Nanchang Qingyun Water Supply Plant	O	3,912,391	1,369,336	O	✓	✓	✓	
2003/09	Chengdu Natural Gas Project new Urban Areas	O	15,600,000	5,460,000	O	✓	✓	✓	

Desk Study

5.1 Contents of the project fact sheet

The project fact sheet is based on the documents from Dutch side, including:

- Management Documentary Activity System (MIDAS) concerning content survey
- Summary of the Netherlands Economic Institute (NEI) mission (appraisal) report (on which AM is mainly based; if present)
- Appraisal memorandum
- Appraisal remarks by Private Sector Department (PSD) or others (if present; if relevant)
- Grant Agreement
- Other (if relevant; for instance. ORET/MILIEV Review 1994-1999, draft and final description of the project; information on training and technical assistance (TA); FMO evaluation questionnaires, answers, etc., if present).

1 Preparation (application and appraisal)

<i>Contents</i>	<i>Description</i>
Activity name	The name of ORET/MILIEV project
Location	The site of project implementation in China, general focusing on city level
Dutch supplier	Who provided goods and/or services and was committed to the project.
ORET/MILIEV activity	The main activities to be carried out stated in the commercial contract between the Dutch supplier and the end user
Application date	The date when the Dutch supplier first submitted the ORET/MILIEV application.
Execution time of activity	The duration of implementation
Way of contracting	The approach through which the commercial contract was settled, including private tender, public tender, private purchase
Chinese organizations involved	Including the end user and the organizations with which the Dutch supplier made the contract (with contact persons if mentioned)
Contribution of Chinese end user	Activities relate to the project that was delivered by end user, such as local civil work, energy supply, etc.
Involvement of Chinese government	Government or government institutions that participated in the project

<i>Contents</i>	<i>Description</i>
Priority of Chinese government	Priority means whether the project was placed in the Chinese development priority, and if yes do the project relevant to Chinese sector policy, local development plan, or national development strategy.
Significance for trade relations with China	What is the effect of the project in terms of promoting trade relations between China and the Netherlands?
Agent/subsidiary company	The Dutch supplier's agent/subsidiary company in China, who is responsible for some activities related to the project, e.g. assembly, after sales service, etc.
Direct output of project	The immediate products of the project.
Date appraisal memorandum	The date the Appraisal Memorandum was approved.
CRS-sector	The sector classification used by Development Assistance Committee (DAC) which includes 26 sectors.
Dimension	Dimension refers to research; poverty; forests; children; rural development; culture; native people; urban development; human rights/democracy; governmental/institutional development; women & development; or basic education.
Long-term objectives	The goal to be achieved after the completion of project in the long run and more or less relate to its impact.
Short-term objectives	The goal to be achieved after the completion of project in the short run.
Expected impact	The development relevance with regard to economic feasibility, cash-flow generation, employment, environmental effects; technical suitability; continuation after finishing the project; guidance of implementation etc. Information from the application on these aspects is described here in case it gives more details than those already given in the appraisal memorandum.
Dutch/non-Dutch/local content (%)	Dutch content, non-Dutch content, and local content separately refer to the percentage of product and/or services sourcing from the Netherlands, the third country, and the local in transaction amount.
Results development test	In the appraisal four aspects of development – poverty, women & development, environment, feasibility and sustainability – were tested. The result of the test may be positive, neutral, negative, or not applicable.
Training	Training stated in commercial contract ensures the technical sustainability of the project.
Contract with supplier, signing date	Signing date of contract between the Netherlands Ministry of Foreign Affairs (MFA) and the Dutch supplier.
Grant agreement, signing date	Signing date of Grant Agreement (GA) between Chinese and Dutch governments.
Transaction amount/grant amount/granting percentage	The transaction amount is the total budget of the project, consisting the grant provided by Dutch government and commercial part (non-grant part) on-lent from a Dutch bank.
Expected period of duration	The period starts with delivery of an 'Order to Commence' and ends with delivery of 'Final Certificate of Completion', both by the supplier
Conditions	Conditions stipulated in contract with supplier and regard ORET/MILIEV objectives.

Appraisal Memorandum: analysis and appraisal

The Appraisal Memorandum (AM) contains the results of the appraisal mission carried out by Dutch consultants, to assess six aspects of the project:

- technical suitability and feasibility (fitting in of technology in Chinese existing technology and used methods; if discussed)
- economic feasibility/sustainability
- financial feasibility/sustainability
- poverty/social analysis
- women and development
- environment.

The desk study of AM was formulated as follows:

Feasibility and sustainability

- Technical suitability/feasibility
- Financial/economic feasibility
- Economic feasibility

Poverty, women and development, and the environment

- Poverty / social analysis
- Women and development
- Environment.

2 Results (progress and ending)

<i>Contents</i>	<i>Description</i>
Amount spent, grant %	Amount spent is the actual expense of the transaction.
Training	Trainees and training causes involved.
Employment gain in the Netherlands	Jobs created in the Netherlands, measured in person-years
Sequel activities with ORET/MILIEV support	Follow-up activities with ORET/MILIEV support.
Other sequel activities	Other follow-up activities without ORET/MILIEV support.
FCC signing date	Final Certificate of Completion (FCC) is an agreement on acceptance and transfer of activity signed by the end user and the Dutch supplier.
Dutch/non-Dutch/local content (%)	The actual percentage of transaction amount sourced in the Netherlands, the third country, and locally.
End result	The final consequence of project, concerning execution of transaction, development relevance, sustainability, and controlling actions. The result may be positive, neutral, negative, or unknown.

<i>Contents</i>	<i>Description</i>
Evaluation executed/ planned	The evaluation was carried out usually by the Netherlands embassy in cooperation with China.
Actual length or duration of activity	This is calculated as the period from the starting date of activity's implementation to the date at which activities according to the contract are finished, usually the date on which the FCC was signed.
Administrative length or duration	This is calculated as the period from the date of application to the date on which all administrative activities are finished.

Progress report

Under the terms of the ORET/MILIEV Regulations, the supplier is obliged to provide narrative and financial reports on the progress of the transaction every six months, on 1 March and 1 September. It may be brief, but it must provide a clear and comprehensive picture of the progress of the transaction, in both practical and financial terms. In the desk study, this section provides such progress reports that include information concerning the progress made, the obstacles encountered, any delay or acceleration in the speed of the implementation process, anticipated progress and a breakdown (as detailed as possible) of anticipated expenditures, especially of the grant element.

Notes

- In case in the application phase, the appraisal phase or the execution phase things may happen that stall the proceedings, the delay and the causes for it are mentioned.
- In case differences arise between the amounts mentioned in the Appraisal Memorandum, those in the Grant Agreement and /or the expenses, these differences (with causes) are mentioned.

5.2 Basic information about the ORET/MILIEV project

The basic information about the ORET/MILIEV project is on the basis of the end user survey through which end users provided basic information.

Basic information of ORET/MILIEV project

<i>Project number</i>
Project name
Location
Sector
Name of end user
Nature of end user
Industry supervising institution
Transaction amount (EURO)
Grant amount (EURO)
Grant percentage (%)
Chinese matching funds (RMB Yuan)
Address of end user
Linkman of the project
Telephone
Fax
E-mail
Dutch supplier
Agent/subsidiary company of Dutch supplier
Purchasing company
Chinese on-lending bank
On-lending category
Phase of project's implementation
Note

List of Projects Visited

Dutch number	Project name	ORET (O) MILLEV (M)	Transaction amount (€)	Grant amount (€)	Sector	Province	Region	Finished (F) FCC-singed Running ¹ (R)	1999 review
1991/45	Textile Refinement (Shijiazhuang Textile Mill)	O	1,940,838	776,335	Factory Equipment	Hebei	center and northeast	F	
1991/46	Textile Refinement (Xingtai Cotton Textile Factory)	O	2,881,504	1,152,602	Factory Equipment	Hebei	center and northeast	F	
1991/52	Jinzhou Feedmill	O	2,192,666	877,066	Farm Produce Processing and Equipment	Liaoning	center and northeast	F	
1991/54	Guandong Shrimp Feed Plant	O	2,200,834	880,334	Farm Produce Processing and Equipment	Guangdong	southeast and developed	F	
1991/58	Milk Powder Plant	O	3,426,041	1,370,416	Farm Produce Processing and Equipment	Ningxia	west	F	
1993/21	Drinking Water Supply Zhangjiakou	O	4,442,508	1,777,003	Water Treatment/Supply	Henan	center and northeast	F	√
1993/34	Sanya Feed-mill	O	1,883,188	753,275	Farm Produce Processing and Equipment	Hainan	southeast and developed	F	√
1993/45	Nanchang Drinking Water Supply	O	7,426,470	2,970,588	Water Treatment and Supply	Jiangxi	center and northeast	F	√
1994/06	Chengdu Sanwayao Sewage Treatment Plant Second Stage Project	M	8596,573	3,438,629	Water Treatment and Supply	Sichuan	west	FCC	√
1994/32	Dalian Fenhuangshan Drinking Water Project (2nd stage Phoenix Mountain Water Works)	O	3,240,884	1,296,353	Water Treatment and Supply	Liaoning	center and northeast	F	

Dutch number	Project name	ORET (O) MILIEV (M)	Transaction amount (€)	Grant amount (€)	Sector	Province	Region	Finished (F) FCC-singed (FCC) Running ¹ (R)	1999 review
1994/59	Yunnan Environmental Master Planning Project	M	3,816,292	2,926,882	Environment Protection and Waste Treatment	Yunnan	west	F	√
1994/68	Sanya Hainan Layer Project	O	2,184,407	873,763	Agriculture and Water Conservancy	Hainan	southeast and developed	R	√
1995/42	Demonstration Project Low NO _x Burners	M	1,089,073	1,089,073	Environment Protection and Waste Treatment	Beijing	southeast and developed	F	√
1995/58	Hepatitis-A Project Kunming	O	3,584,864	1,433,946	Medical Equipment and Supply	Yunnan	west	FCC	√
1996/22	Dredging Ships Dong Ting Lake	O	15,783,111	6,313,245	Agriculture and Water Conservancy	Hunan	center and northeast	F	
1996/40	Sinotrans Dangerous Goods Transport Vehicles	O	2,253,699	901,480	Energy and Transportation	Beijing	southeast and developed	F	√
1996/46	Wuzhong Starch Project	O	1,619,995	647,998	Farm Produce Processing and Equipment	Ningxia	west	F	
1997/20	Banknote Disintegration System People's Bank China	M	28,697,061	13,631,104	Others	Beijing	southeast and developed	F	√
1997/34	Weichang Potato Starch Processing Line	O	2,268,901	1,021,005	Farm Produce Processing and Equipment	Hebei	center and northeast	F	
1997/35	Chengdu Airport	O	32,558,731	14,200,387	Energy and Transportation	Sichuan	west	FCC	
1998/13	Hainan Longwan, Delivery of 2 Beaver Dredgers	O	15,156,259	6,820,317	Agriculture and Water Conservancy	Hainan	southeast and developed	F	√
1998/17	Dali Wind Turbine Project	M	3,279,143	1,967,486	Energy and Transportation	Inner Mongolia	west	F	
1998/55	Anhui Jieshou Waste Water Treatment	M	4,628,558	2,777,904	Water Treatment and Supply	Anhui	center and northeast	FCC	

Dutch number	Project name	ORET (O) MILIEV (M)	Transaction amount (€)	Grant amount (€)	Sector	Province	Region	Finished (F) FCC-signed (FCC) Running ¹ (R)	1999 review
1998/69	Shunyi WWTP	M	4,621,573	1,617,550	Water Treatment and Supply	Beijing	southeast and developed	FCC	
1998/73	Snack Food Production Lines	O	1,674,248	753,411	Farm Produce Processing and Equipment	Shanxi	center and northeast	F	
1998/76	Wuhan Waste Treatment	M	9,400,965	5,640,488	Environment Protection and Waste Treatment	Hubei	center and northeast	R	
1999/02	Integrated Mangrove and Coastal Protection	M	4,135,809	2,481,486	Environment Protection and Waste Treatment	Guangdong	southeast and developed	R	
1999/03	Greenhouse Demonstration Project	O	2,495,791	1,123,106	Agriculture and Water Conservancy	Henan	center and northeast	R	
1999/07	Silk Road Solar Home Systems	M	22,990,317	13,794,190	Energy and Transportation	Xinjiang	west	R	
1999/09	Shanxi Cardiovascular Diseases Research Institute	O	20,11,381	905,121	Medical Equipment and Supply	Shanxi	center and northeast	FCC	
1999/14	Dabancheng Wind Power Project Phase 1	M	4,729,524	2,128,286	Energy and Transportation	Xinjiang	west	FCC	
1999/64	Tongling People's Hospital	O	2,406,751	1,083,038	Medical Equipment and Supply	Anhui	center and northeast	FCC	
2000/74	Capacity Building Groundwater Info Centre	O	3,429,198	1,200,219	Others	Beijing	southeast and developed	R	
2001/91	Jinhu High school	O	3,181,923	1,113,673	Others	Jiangsu	southeast and developed	FCC	
2002/13	Fly-ash Utilization Plant	O	18,364,090	6,427,431	Environment Protection and Waste Treatment	Liaoning	center and northeast	R	

¹ According to the ORET/MILIEV regulations, ongoing projects include those for which an FCC has been signed but are not yet finished. But for the purposes of this evaluation, the ongoing projects were divided into FCC-signed projects and running projects that mean their FCC was not yet signed.

Checklists for Local Workshop and End Users

7.1 Checklist for local workshops

(Questions for workshops attended by local officials/institutions/end users)

- 1 Please introduce the background of introduction of Dutch Government Loan (including reasons, channels, and ways to use Dutch Government Loan).
请介绍引进荷兰政府贷款的背景(包括原因、渠道、方式等)。
- 2 How did you learn for the first time about ORET/MILIEV Programme? What do you know of the characteristics, application procedures and regulations of the programme (such as grant, on-lending, tied conditions of purchasing, commercial non-viability, price of equipment, appraisal and approval procedures of the Dutch authorities).
在什么时候你第一次知道荷兰政府贷款?对荷兰政府贷款的特点、申报程序和管理规定的了解程度如何?(如赠款、转贷、采购限制条件、商业不可行性、设备价格、荷方评估和批准程序等)。
- 3 What are the managerial roles of the local Development and Reform Commission and Finance Bureau in the initiation, application, appraisal and approval of foreign government loan project?
在外国政府贷款项目的立项/申报/评估/审批等过程中,地方发改委和财政厅(局)各行使哪些管理职能?
- 4 In what ways are the local authority (industry/sector management) or related organizations/institutes involved in the management/implementation of foreign government loan projects?
当地政府行业主管部门或与项目相关的机构/单位如何参与外国政府贷款项目的管理/实施?
- 5 Have you encountered any difficulties/problems in the process of the application? Do you think the application procedure is reasonable or not? Why? Which step of the application do you think was the most difficult or time-consuming, and why?
在项目的申请过程中,是否遇到过困难?你认为申报程序是否科学合理?为什么?贷款申请过程中哪一个时段耗时最长或比较困难?为什么?
- 6 Compared with other countries' government loan programmes (if you have had the experience), what do you think about the application/management procedure of ORET/MILIEV Programme? And do you have any suggestions?
与其它国外政府贷款相比(如果你有此方面的经历或经验),荷兰政府贷款的申请/管理程序的简繁程度如何?有何改进建议?

- 7 What would happen in absence of the funding from ORET/MILIEV? Would the project be stopped or postponed, or still continuing? If yes, how would it be implemented?
假设没有荷兰政府贷款资金的支持, 该贷款项目将会中止实施或延缓实施吗? 或有可能通过其他途径实施? 如属于此类情况, 请说明如何实施。
- 8 Was the ORET/MILIEV project listed in the development plan of the local/central government? Or was it related to other governmental development programmes/plans? Did the project have a demonstration function at local or national level? Is the project in line with domestic industrial development policy? Please indicate the comparison results between the project and a similar local/national project in terms of economic scale, or technology level.
荷兰政府贷款项目是否列入当地政府/中央政府的发展计划? 或与其它项目/计划相关? 该贷款项目在本地是否具有示范作用? 项目是否符合国内产业发展政策? 并具体说明该项目的规模、技术水平与国内或当地同类产业项目相比较的水平。
- 9 During the implementation of the project, are there any impacts on the project due to the changes of Chinese/Dutch management authorities or loan policies? If yes, please illustrate. How do you view the new policies introduced by the China's Ministry of Finance since 1999 (for example, three categories of on-lending of foreign government loans, project bidding, etc.)?
在项目执行过程中, 中方/荷方管理机构的变动以及贷款政策的变化对项目的实施产生了哪些影响? 请举例说明。你如何看待财政部1999年以后采取的一些新政策(如对外国政府贷款进行转贷类型分类、招标等)?
- 10 Is the project implemented according to the planned schedule? Has the project achieved its targeted tasks and objectives? Has the loan been repaid or will it be repaid on time?
项目是否按计划进度执行? 是否完成了合同任务和目标? 贷款是否能够按期偿还?
- 11 How was the cooperation between Chinese and Dutch counterparts/partners (including end user, purchasing company, supplier, on-lending bank)? Were any difficulties/ problems encountered? If yes, how were these difficulties/problems resolved?
中荷双方(包括项目单位、采购公司、供应商、转贷银行等主要实施机构)的合作情况如何? 遇到过什么问题? 如何解决?
- 12 Do you think the ORET/MILIEV Programme could provide better technological support? How do you view the outcome of technology training courses? Are you satisfied with the field services provided by Dutch technicians? Do you think the products/spare parts provided by Dutch partner were adequate and timely?
通过荷兰政府贷款方式, 是否能获得更好的技术支持? 技术培训效果如何? 外方技术人员的现场服务是否到位? 你是否满意? 外方是否能够及时和足额提供备品/备件?
- 13 Has the ORET/MILIEV Programme had a positive influence on the local partner or end user's management mechanism, operation idea, or competitiveness? Is it possible to promote the introduced equipment, technology, management expertise locally or nationwide? Please illustrate with examples.
利用荷兰政府贷款是否能对当地或项目单位的管理机制、经营理念、竞争能力产生积极影响? 项目引进所涉及的设备、技术、管理经验是否已经或有可能在国内推广应用? 请举例说明。

- 14 Who are the main beneficiaries of the project, and through what approaches are they obtaining these benefits? Has the project facilitated improvements in local social, economic and living standards? Please illustrate with examples.
该项目的主要受益方包括哪些, 受益方式是什么? 项目是否促进了当地社会、经济、生活质量等方面的改善? 请举例说明。
- 15 During the implementation of project, have the local authorities and/or end users received any complaints regarding negative impacts of the project on the environment, poverty, or gender equality? If so, please give examples.
在项目的实施过程中, 当地政府/项目单位是否接到过关于环境负面影响/不利于扶贫/妇女歧视问题的投诉? 如有, 请阐述。
- 16 Has the project created direct job opportunities, and if yes, how many? Has the project created indirect job opportunities, and if yes, how many? In what sectors/fields have the indirect employment opportunities been created? If possible, please estimate the number of indirect jobs created.
该项目是否能够或确实增加了直接就业? 人数多少? 是否能够促进间接就业? 间接就业涉及那些产业或领域? 如有可能, 请估计所涉及的间接就业人数。
- 17 Will the technical staff be able to operate the equipment independently when the project is completed? Can the project be managed and operated in accordance with the design requirements/technical standards? Is the project generating sufficient revenues to cover salaries and operating costs? If not, is the government willing and able to make up for the shortfall?
项目完成后, 技术人员是否能够独立地操作设备? 项目是否能按照设计要求进行正常的管理和运行? 目前的经济效益能否维持正常的工资开支和运行费用? 如不能, 当地政府是否愿意或有能力提供资金支持, 负担该项目的亏损吗?
- 18 Could the project increase the competitiveness of Dutch companies in Chinese markets? Has the project led any extra exports for Dutch companies? Has the Dutch company established a new joint-venture/sales network/representative office in China due to the implementation of this project?
项目是否有利于荷方公司提高其在中国市场的竞争力? 是否促成了荷兰公司在该项目之外的额外出口? 由于该项目的实施, 荷方公司是否在中国创办了合资公司/建立了销售网络/设立了代表处?
- 19 Are you considering further cooperation with this Dutch supplier or other Dutch suppliers? If yes, would it be in the same or a different field? Would you consider applying for a Dutch government loan again?
中方项目单位是否有与荷兰供货商或其他荷兰公司进一步合作的意向? 如有合作意向, 下一步的合作是相同领域或是其他领域? 是否有进一步利用荷兰政府贷款的意向?
- 20 Do you have any recommendations or suggestions for either the Chinese and Dutch sides about how the management of the ORET/MILIEV Programme could be improved? If so, please explain.
你对中国和荷兰政府如何改进荷兰政府贷款有何建议? 如有, 请具体阐述。

7.2 Checklist for end users

(Questions for the end user on site)

- 1 What are the most attractive characteristics of Dutch government loan (ORET/MILIEV)? Why did you apply for it?
项目单位为什么/通过什么渠道/以何种方式选择使用荷兰政府贷款? 其最大吸引力/特点是什么?
- 2 What would happen in absence of the funding from ORET/MILIEV? Would the project be stopped or postponed, or still continuing? If yes, how would it be implemented?
如果没有荷兰政府贷款的支持, 该项目是否将终止或延迟实施? 或者继续实施? 如继续, 将通过什么方式实施?
- 3 Do you find acceptable the condition that 60% of the transaction amount should be sourced from the Netherlands? At the time the contract was signed, do you think that the price, including the grant, of the equipment and/or service supplied for the project was higher or lower than the international market price (for the same model, quality and service)?
荷兰政府贷款的限制条件(60%采购来自荷兰)是否可以接受? 与国际市场价格相比(必须考虑:在同一时期/相同型号/相同质量的产品), 荷兰供货商提供的设备/服务的价格是否合理。
- 4 Did you encounter any difficulty/problem during the application? Is the application procedure reasonable or practical? What was the longest step during the application? Compared with other foreign government loans (if you had the experience), do you think that the procedures for obtaining a Dutch aid loan are simple or complicated?
在项目的申请过程中, 是否遇到过困难? 申报程序是否科学合理? 贷款申请过程中哪一个时段耗时最长? 与其它国外政府贷款相比, 荷兰政府贷款的申请/管理程序的简繁程度如何?
- 5 During the application, were there any differences in the appraisal criteria used by the Chinese and Dutch authorities? If yes, what are the main differences? Furthermore, does the criterion of commercial non-viability of Dutch ORET/MILIEV projects conflict with the appraisal criteria used by Chinese on-lending banks?
在申请立项过程中, 中方/荷方管理机构的评估标准和要求是否一致? 主要区别在哪些方面? 荷兰政府贷款规定的'商业不可行性'与中方转贷银行的评估标准是否存在差异?
- 6 Was the ORET/MILIEV project listed in the development plan of the local/central government? Or was it related to other government development programmes/plans? Is the project in line with domestic industrial development policy? Please indicate the comparison results between the project and a similar local/national project in terms of economic scale, and level of technology.
该项目是否列入当地政府/中央政府的发展计划? 或与其它项目/计划相关? 项目是否符合国内产业发展政策? 并举例说明该项目的规模、技术水平与国内或当地同类产业项目相比较的水平。
- 7 What do you think of the new policies introduced by the Ministry of Finance of China since 1999, which divide the on-lending of foreign government loans into three categories? Is it reasonable? And do you think the regulation can enhance efficient management?
1999年以后, 财政部采取的对外国政府贷款进行转贷分类的方法(3种类型)是否合理? 是否能促进贷款的有效管理?

- 8 Do you have Chinese matching funds for this project (self-funded and/or other sources of financial support)? If yes, please indicate how these funds are being used. Moreover, will the commercial part of the transaction amount be repaid on time? Who is the warrantor? If you are not able to repay the loan, what would be the problems and causes?
- 项目是否有中方配套资金/其它外国政府贷款资金? 如有, 使用在哪些方面? 此外, 贷款是否能够按期偿还? 谁是担保人? 如不能正常偿还, 问题和原因是什么?
- 9 Did you encounter difficulties in the process of finding a warrantor/on-lending bank? How did you cooperate with the on-lending banks?
- 项目单位在办理担保/转贷手续过程中, 是否遇到过困难? 与转贷银行的合作情况如何?
- 10 When the Ministry of Finance of China adopted bidding policies, did you think that has had an impact on the Chinese purchasing company and the Dutch supplier?
- 你认为财政部采用的项目招标程序对中方的采购公司/荷方的供货商会产生何种影响?
- 11 How do you cooperate with purchasing company?
- 项目单位与采购公司的合作情况如何?
- 12 During the implementation of the project, how did you cooperate with supplier? Have you ever had contract conflict with Dutch side? If yes, please explain.
- 在项目实施过程中, 中荷双方的合作情况如何? 双方是否发生过合同纠纷? 如有, 请说明。
- 13 What kind of technical training has been provided by the Dutch supplier? Has the training improved the capabilities/levels of managerial, technical and working staff? How many persons have been trained either in China or abroad?
- 该项目在实施中采取过何种形式的技术培训? 培训是否提高了管理人员/技术人员/工人的水平? 项目单位在中国和国外接受培训的人数有多少?
- 14 Did the Dutch supplier send technicians to provide support on site, as specified in the commercial contract? What were the content and form of services? Was the end user satisfied with the service? Did the Dutch supplier provide spare parts promptly, as specified in the contract?
- 荷方是否能按照合同派出技术人员到现场服务? 服务内容和形式? 项目单位对外方的服务是否满意? 荷方是否能够按照合同及时提供备品/备件?
- 15 Were there any difficulties/problems when the imported equipment was brought through customs (related to the Chinese policy of tariff exemption)? If yes, please explain.
- 在设备进口报关以及荷方技术人员到现场工作过程中(涉及中国的免税政策), 是否遇到过问题或困难? 如有, 请阐述。
- 16 When utilizing a foreign government loan, do you think it will influence the managerial mechanism, operations, and competitiveness? If yes, please give examples.
- 利用外国政府贷款是否能对项目单位的管理机制、运行方式和竞争能力产生影响? 请举例说明。

- 17 Has the equipment, technology, managerial style, and other experiences of the project been disseminated to other organizations? Have other Chinese organizations shown an interest in the project? Have you ever heard that the project has been replicated elsewhere in China? If so, where? Do you have contact information?

该项目所引进的设备、技术、管理方式和其它经验是否已经或会有可能在国内外扩散和转移? 请说明。如能扩散, 你是否知道在何处推广? 能否提供扩散单位的联系方式?

- 18 Who are the main beneficiaries of the project, and through what approaches are they obtaining the benefits? Has the project facilitated improvements in local social, economic and living standards? Please illustrate with examples.

该项目的受益方/用户包括哪些, 主要受益方式是什么? 项目是否促进了当地社会、经济、生活质量等方面的改善? 请举例说明。

- 19 During the implementation of the project, have the local authorities and/or end user received any complaints regarding negative impacts of the project on the environment, poverty or gender equality? If so, please give examples.

在项目的实施过程中, 当地政府/项目单位是否接到过关于环境负面影响/不利于扶贫/妇女歧视问题的投诉? 如有, 请阐述。

- 20 During the implementation of the project, have there been any impacts on the project due to the changes of Chinese/Dutch management authorities or loan policies had an impact on the project? If yes, please illustrate.

项目执行过程中, 中方/荷方管理机构的变动以及贷款政策的变化对项目的实施产生了哪些影响? 请举例说明。

- 21 Has the project created direct or indirect job opportunities, and if yes, how many? Among these, how many for male and female workers? Has the project created any indirect job opportunities, and if so, how many? In what industrial sectors/fields have these indirect employment opportunities been created? If possible, please estimate the number of indirect jobs created.

该项目是否能够或确实增加了直接就业? 人数多少? 其中男性职工和女性职工的人数分别有多少? 是否能够促进间接就业? 间接就业涉及哪些产业或领域? 如有可能, 请估计所涉及间接就业人数。

- 22 What are the design and actual production capacities of the project? Who are the main clients/users of the project's products and/or services? Did the quality of the Dutch equipment and/or services meet the design requirements?

该项目完成后, 有多大的生产能力/规模? 与原设计生产能力/规模相比, 实际情况有变化吗? 该项目的产品用户/服务对象是什么? 荷兰的设备或服务是否达到了设计要求?

- 23 Is the project being implemented according to the planned schedule? Has the project achieved its targeted tasks and objectives?

项目是否按计划进度执行? 是否实现了合同任务和目标?

- 24 Will technical staff be able to operate the equipment independently when the project is completed? Can project be managed and operated in accordance with the design requirements/technical standards?

项目完成后, 技术人员是否能够独立地操作设备? 项目是否能按照设计要求进行正常的管理和运行?

- 25 Is the project generating sufficient revenues to cover salaries and operating costs? If not, is the government willing and able to make up for the shortfall?

目前的经济效益能否维持正常的工资开支和运行费用? 如不能, 当地政府是否愿意或有能力提供资金支持, 负担该项目的亏损吗?

- 26 Are you considering further cooperation with the Dutch supplier or other Dutch suppliers? If yes, would it be in the same or in a different field? Would you consider applying for Dutch government loan again?

中方项目单位是否有与荷兰供货商或其他荷兰公司进一步合作的意向? 如有合作意向, 下一步的合作是相同领域或是其他领域? 是否有进一步利用荷兰政府贷款的意向?

- 27 Has the project increased the competitiveness of Dutch companies in Chinese market? Has the project generated any extra exports for Dutch companies? Has the Dutch company established a new joint venture/sales network/representative office in China due to the implementation of this project?

该项目是否有利于荷方公司提高其在中国市场的开拓能力/竞争力? 是否促成了荷兰公司在该项目之外的额外出口? 由于该项目的实施, 荷方公司是否在中国创办了合资公司/建立了销售网络/设立了代表处? 如你了解上述情况, 请说明。

- 28 Do you have any recommendations or suggestions for both the Chinese and the Dutch sides about how the management of the ORET/MILIEV Programme could be improved? If so, please explain.

你对中国和荷兰政府如何改进荷兰政府贷款的管理工作有何建议? 如有, 请具体阐述。

5 What were the most important reasons why you selected a Dutch rather than a Chinese supplier?
(Multiple choice)

贵单位为什么选择了荷兰供货商而不是国内供货商? (多选)

- | | |
|--|--|
| <input type="checkbox"/> Dutch technology/equipment has a leading position in the world
荷方的技术/设备国际领先/先进 | <input type="checkbox"/> Quality/price ratio of equipment of Chinese supplier is relatively lower
中方供货商设备的性能价格比偏低 |
| <input type="checkbox"/> In need of Dutch government grants/loans
需要荷兰政府赠/贷款 | <input type="checkbox"/> Cooperated with Dutch supplier before
中荷双方以前有合作基础 |
| <input type="checkbox"/> Other, Please specify:
其它, 请说明: _____ | |

6 Would the project have been launched without the support of the Dutch government facility?
(If no, please go to question 8)

如果没有荷兰政府赠/贷款的支持, 项目会执行吗? (如果回答“不会”, 请跳转到问题8。)

- | | |
|--|--|
| <input type="checkbox"/> Yes, with the same Dutch supplier
会通过同一个荷兰供货商实施 | <input type="checkbox"/> Yes, with a Chinese supplier
会通过国内供货商实施 |
| <input type="checkbox"/> Yes, with a different Dutch supplier
会通过其它的荷兰供货商实施 | <input type="checkbox"/> Yes, with other foreign supplier
会通过其它的外国供货商实施 |
| <input type="checkbox"/> No
不会 | <input type="checkbox"/> Other, Please specify:
其它, 请说明: _____ |

7 If yes, in which way would the project have been implemented? (Multiple choice)

如果上一个问题回答为“会实施”, 项目会通过以下哪种方式执行? (多选)

- | | |
|---|---|
| <input type="checkbox"/> With local MOF funds
会通过当地财政资金支持实施 | <input type="checkbox"/> With local bank loans
会通过银行贷款实施 |
| <input type="checkbox"/> With other foreign government loans
会利用其他外国政府贷款实施 | <input type="checkbox"/> Would be implemented a few years later
会延缓几年, 但仍会实施 |
| <input type="checkbox"/> No
不会实施 | <input type="checkbox"/> Other, Please specify: _____
其它, 请说明: _____ |

8 Did you consider using a combination of the supplier and government loan from another country?

(If no, please go to question 10)

贵单位考虑过利用其他外国政府贷款及其所在国的供货商实施项目吗?

(如果回答“否”, 请跳转到问题10。)

- | | |
|-----------------------------------|----------------------------------|
| <input type="checkbox"/> Yes
是 | <input type="checkbox"/> No
否 |
|-----------------------------------|----------------------------------|

9 *If yes, why did you choose the Dutch government grant/loan finally? (Multiple choice)*
如果上一个问题回答为“是”，为什么您最终选择了荷兰政府赠/贷款及荷兰供货商？（多选）

- | | |
|--|--|
| <input type="checkbox"/> Dutch technology is better
荷兰的技术较好 | <input type="checkbox"/> Dutch equipment is of better quality
荷兰的设备质量较高 |
| <input type="checkbox"/> Dutch grant/loan conditions are more favorable
荷兰政府赠/贷款条件相比较更加优惠 | <input type="checkbox"/> Dutch equipment is less expensive
荷兰的设备价格较低 |
| <input type="checkbox"/> At the suggestions of the Chinese government
听从了国内政府的建议 | <input type="checkbox"/> Other, Please specify:
其它，请说明：_____ |

10 *Please rate the degree of difficulty of some key processes during project application.*
请您对申请赠/贷款过程中的几个关键环节的实施难易程度给予评价。

Key process 关键环节	Very Difficult 非常困难	Difficult 困难	Easy 容易	Very easy 非常容易
	1	2	3	4
a Domestic government approval 项目获得国内政府立项与批准	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b Bank on-lending process 办理银行转贷手续	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Dutch government approval 荷兰政府的评估过程	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d Negotiating and signing the contract with supplier 与供货商签订正式商业合同	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11 *Please rate the degree of time needed of some key processes during project application.*
请您对申请赠/贷款过程中的几个关键环节耗费时间的程度给予评价。

Key process 关键环节	Very time consuming 非常耗时	Time consuming 耗时	Fast 迅速	Very Fast 非常迅速
	1	2	3	4
a Domestic government approval 项目获得国内政府立项与批准	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b Bank on-lending process 办理银行转贷手续	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Dutch government approval 荷兰政府的评估过程	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d Negotiating and signing the contract with supplier 与供货商签订正式商业合同	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12 Has the project been implemented according to the contract schedule set by you and the supplier?

(If yes, please go to question 14)

项目是按照贵单位与供货商合同的进度实施的吗? (如果回答“是”, 请跳转到问题14。)

Yes
是

No
否

13 If No, please select the three main factors that have negatively influenced the implementation of the project.

(Check three answers)

如果上一个问题回答“否”, 请选出影响项目实施的三个最主要负面因素? (限选3个)

The contract has deficiency
合同签订的不够完善

Delay of equipment delivery
供货商设备交付不及时

Insufficient institutional capacity of the end user
项目承担单位能力不足

Equipment model/types chosen improperly
设备选型不合适

Insufficient Chinese matching funds
中方配套资金不到位

Installation & debugging by supplier not completed according to the contract
供货商安装调试达不到合同要求

End user failed to finish the civil construction work on time
项目单位基础建设未及时完成

Communications between both sides insufficient and not in time
出现问题双方沟通不及时, 不充分

The project was not put into operation
项目没能实施

其它, 请说明: _____

14 What problems or difficulties did you face during the on-lending process? (Check one)

在国内银行进行转贷评估的过程中, 企业主要面临哪些问题和困难? (单选)

On-lending bank suspected the capacity of end user
转贷银行怀疑项目单位的还款能力

Commercially non-viable project is hard to pass on-lending appraisal of the bank
财务不可行项目很难通过银行转贷评估

End user is unable to acquire guarantee
项目单位难以获得担保

Other, please specify:
其它, 请说明: _____

15 At the time the contract was signed, do you think that the price, including the grant, of the equipment and/or service supplied for the project was higher or lower than the international market price (for the same model, quality and the same service)? (Check one)
如果将赠款金额考虑在内,你认为项目所购买设备或获得服务的价格在签订合同时与国际市场上同类、同型号、同等质量的设备/服务的价格相比是偏高还是偏低?

30~40% higher 高30~40%	20~30% higher 高20~30%	10~20% higher 高10~20%	Less than 10% higher 高10%以下	Equal 价格相同
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Less than 10% lower 低10%以下	10~20% lower 低10~20%	20~30% lower 低20~30%	30~40% lower 低30~40%	Other, please specify: 其它,请说明
6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16 How many training courses did the project hold in China and in the Netherlands, and how many trainees were involved in total? (One answer for a. and one answer for b.)
项目在中国和荷兰组织技术培训的次数和培训学员的数量有多少? (a、b各选一)

a Training course 技术培训次数	<input type="checkbox"/> Once 1次	<input type="checkbox"/> Twice 2次	<input type="checkbox"/> 3 times 3次	<input type="checkbox"/> 4 times 4次	<input type="checkbox"/> 5 times 5次	<input type="checkbox"/> Other, please specify 其它,请说明
b Total number of trainees 培训学员总数	<input type="checkbox"/> 10	<input type="checkbox"/> 20	<input type="checkbox"/> 30	<input type="checkbox"/> 40	<input type="checkbox"/> 50	<input type="checkbox"/> Other, please specify 其它,请说明

17 To what extent has the project affected employment in your organization? (Check one)
项目实施对贵单位的就业情况带来了什么影响? (单选)

- Employment decreased by _____ workers because of new technology adoption.
由于新技术的应用,员工总数较原来减少了_名
- Employment increased, including new male workers and new female workers.
员工总数增加,新增男性员工_名,女性员工_名
- Employment did not change
员工数量没有变化

18 Do you think that the skills of workers/staff will have been improved when the project is completed?
您认为项目结束时员工的技术/技能提高了吗?

- No Yes _ % of skilled workers have been increased when project is finished.
否 是 项目结束时增加了_%的技术员工。

19 Will your technicians be able to use the technology and equipment without outside help and assistance when the project is completed? (Check one)

如无外部协助，项目结束后，贵单位技术人员能够独立运用技术或操作设备吗？（单选）

- Very much 完全可以 Much 可以 Not much 基本可以 Not at all 完全不可以

20 Please indicate your satisfaction with the each of the following services provided by the supplier?

(One answer for each of a-c)

用户对供货商在维修、售后服务和零配件供应方面的工作满意吗？（a~c 各选一）

Service 服务类型	Very satisfied 非常满意	Satisfied 满意	Unsatisfied 不满意	Very unsatisfied 非常不满意	Not applicable 不适用
	1	2	3	4	N/A
a Maintenance 维修	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b After-sales service 售后服务	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Spare part provision 零配件供应	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21 How do the commercial part of transaction repay? (Check one)

项目偿还贷款进行的顺利吗？（单选）

- We have completely paid off the loans by ourselves
目前已经有本单位还清全部贷款
- We are repaying the loan according to the schedule
本单位正在还贷过程中，还款正常
- The guarantor has paid off the loan because of improper project implementation
由于项目不能正常执行，已由担保机构负责全部还清贷款
- The guarantor is repaying the loan because of improper project implementation
由于项目不能正常执行，目前正在由担保机构负责分期还贷
- Loan will not be repaid
不能还款

22 Has the project received any protests or complaints from local authorities or residents about any of the following issues? (One answer for each of a-c)

据您了解项目执行过程中，项目是否由于下列问题受到过当地机构/居民的抱怨或投诉？

a Environmental deterioration 导致环境恶化	<input type="checkbox"/> Yes 是	<input type="checkbox"/> No 否	<input type="checkbox"/> Don't know 不知道
b Increasing poverty 增加贫困人口	<input type="checkbox"/> Yes 是	<input type="checkbox"/> No 否	<input type="checkbox"/> Don't know 不知道
c Inequality for women 降低妇女地位	<input type="checkbox"/> Yes 是	<input type="checkbox"/> No 否	<input type="checkbox"/> Don't know 不知道

23 To what extent has the project achieved, or is likely to achieve its objectives? (Check one)
项目合同目标已经或可能实现吗？（单选）

- Fully achieved 已经全部实现 Partly achieved 已经部分实现 Not achieved 已经不能实现 Likely achieved 预计可以实现 Unlikely achieved 预计不能实现

24 Please rate the impacts of the project on each of the following areas.
(One answer for each of a-g. If the area was not an objective of the project, please check 'not applicable')
您认为项目对于下列因素带来了什么影响？（a~g各选一，如果认为不适合本项目，选无关）

Area 因素	Strong negative effect 非常消极的影响	Negative effect 消极影响	Positive effect 积极影响	Strong positive effect 非常积极的影响	Not applicable 无关
	1	2	3	4	N/A
a Poverty 贫困	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b Women 妇女地位	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Employment 就业	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d Environment 环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e Capacity of end user 贵单位发展	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f Sector technology development 行业技术发展	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g Sino-Dutch trade relations 中荷贸易关系	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25 Has the project generated any of the following replication effects?
(One answer for each of a-d, and if yes, please specify the number in the following blank)
项目的实施产生了下面哪些扩散效应？（a~d各选一。如果回答为“是”，请说明扩散数量。）

- a Introducing experiences to other agencies
给其他项目单位介绍了申请经验 No 否 Yes 是 _Institutions 涉及了_个单位
- b A similar project is being carried out in the local area/sector
本地区/行业也实施了类似项目 No 否 Yes 是 _New projects 实施了_个新项目
- c Continued cooperation with the supplier
项目与供货商进行了后续合作 No 否 Yes 是 _New cooperation 进行了_轮新合作
- d Supplier carried out new projects in China
供货商在中国实施了新项目 No 否 Yes 是 _New projects as you know 据您了解，实施了_个新项目。

26 Will the project be able to operate independently when the Dutch government loan is repaid? (Check one)
项目合同结束后, 贵单位(预计)可以独立运行吗? (单选)

- Very much 完全可以 Much 可以 Not much 基本可以 Not at all 完全不可以

27 What do you think are the three most important objectives of the ORET/MILIEV Programme? (Check three)
您认为下列荷兰政府赠/贷款计划目标中哪三个最重要? (限选3个)

- | | |
|--|--|
| <input type="checkbox"/> Boost the development of China economy
促进中国经济发展 | <input type="checkbox"/> Promote Dutch exports
推动荷兰企业出口 |
| <input type="checkbox"/> Increase trade relations between China and Netherlands
促进和推动中荷两国贸易发展 | <input type="checkbox"/> Improve the environment
改善环境 |
| <input type="checkbox"/> Enhance employment
提高就业 | <input type="checkbox"/> Poverty alleviation
缓解贫困 |
| <input type="checkbox"/> Improve the status of women
提高妇女地位 | |

28 Space for additional comments, opinions and suggestions:
您对荷兰政府赠/贷款计划实施还有什么其它的建议意见, 请说明。(如果需要, 可另附页说明)

8.2 Questionnaire to Dutch suppliers

Project name:

Project No:

1 In _____ an application was made for a Dutch government grant through the ORET/MILIEV Programme for the delivery of equipment/services by your organization to the end user. Is this correct?

- Yes No, please specify

Further questions refer to this ORET/MILIEV project.

2 Who got the first idea to initiate the project?

- Purchasing company End user Supplier Government Other, please specify
- _____

3 Who was your major competitor for the delivery of equipment for this project?

- Chinese supplier A foreign supplier with a government loan from _____
- A foreign supplier without support from a government loan Others, please specify _____

4 Compared with your major competitor, what were your main strengths and weaknesses?
(Please provide a maximum of two 'strengths' and two 'weaknesses')

	Product's reliability	Knowledge of the Chinese market	Price	Quality	Operating costs
	1	2	3	4	5
Strengths	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Weaknesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5 Do you think the ORET/MILIEV Programme condition that 60% of transaction (40% in the case of 'services') value must be purchased from the Netherlands is reasonable?

- Yes No

6 Please rate the degree of difficulty of some key processes during project application.

Key process	Very Difficult	Difficult	Easy	Very easy
	1	2	3	4
a Government approval China	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b Funding of the 'non-grant' part	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Dutch government approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d Negotiating and signing the contract with the end user	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7 Please rate the time needed to complete some key processes during project application.

Key process	Very slow	Slow	Fast	Very Fast
	1	2	3	4
a Governmental approval China	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b Funding of the 'non-grant' part	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c Dutch government approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d Negotiating and signing the contract with the end user	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8 Has the project been implemented in accordance with the contract between your organization and the end user? (If yes, please go to question 10)

Yes No

9 If no, please select a maximum of three factors that have negatively influenced the implementation of the project.

- | | |
|---|---|
| <input type="checkbox"/> Contract has deficiency | <input type="checkbox"/> Delayed equipment delivery |
| <input type="checkbox"/> Insufficient institutional capacity of end user | <input type="checkbox"/> Equipment model/types chosen improperly |
| <input type="checkbox"/> Insufficient Chinese matching funds | <input type="checkbox"/> Installation and debugging was not completed by the supplier according to the contract |
| <input type="checkbox"/> End user failed to finish the project infrastructure on time | <input type="checkbox"/> Communications on both sides insufficient and not in time |
| <input type="checkbox"/> The project was not put into operation | <input type="checkbox"/> Other, please specify: |

10 At the time the contract was signed, do you think that the price, including the grant, of the equipment and/or service supplied for the project was higher or lower than the international market price (for the same model, quality and the same service)?

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 30~40% higher | 20~30% higher | 10~20% higher | Less than 10% higher | Equal |
| 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Less than 10% lower | 10~20% lower | 20~30% lower | 30~40% lower | Other, please specify: |
| 6 | 7 | 8 | 9 | 10 |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

11 How many training courses did the project hold both in China and in the Netherlands, and how many trainees were involved in total? (Please provide one answer for both of a and b)

- a Training courses Once Twice 3times 4times 5times Other, please specify
- b Total number of trainees 10 20 30 40 50 Other, please specify

12 Has the project influenced employment in your organization?

- Employment has increased by _____ person-years.
- Employment did not change

13 Were you satisfied with the cooperation with the Chinese end user?

- Very satisfied Satisfied Unsatisfied Very unsatisfied

14 In which year did your organization first enter into the Chinese market?

In (Please fill in)

15 To what degree has the ORET/MILIEV Programme helped you to operate in the Chinese market?

- Very high High Small Very small

16 Did your ORET/MILIEV projects result in Chinese follow-up orders for your organization?

- No Yes, _____ new orders with a total value of _____ EURO.

17 Have you established a permanent presence in China? (If no, please go to question 19)

- No Yes, a representative office
 Yes, a fully-owned enterprise Yes, a joint-venture enterprise
 Other, please specify:

18 If yes, is this an outcome (either direct or indirect) of the ORET/MILIEV Programme?

- Yes No

19 Has any Chinese ORET/MILIEV application submitted by your organization been rejected by the Dutch government? (If no, please go to question 21)

- Yes No

20 If yes, please explain the main reasons why it was rejected (a maximum of three reasons)

- The project was commercially viable The final contract was not signed
 Insufficient technical and managerial capacity of the end user Chinese banks refused to provide the 'non-grant' part of the agreement
 The project did not comply with Dutch environmental policy Other, please specify

21 Have Chinese organizations approached you for more information about the ORET/MILIEV project?

- Yes No

22 If yes, please specify:

23 Do you know of any Dutch supplier who has obtained an order from China as a spin-off from the ORET/MILIEV project? (If no, please go to question 24)

- Yes No

24 If yes, please name the project(s) and/or supplier(s) below

1

2

25 Do you believe that foreign competitors derive more or fewer competitive advantages from their countries' government loan programmes than your organization derives from ORET/MILIEV?

- Many more advantages than us More advantages than us
 Fewer advantages than us Far fewer advantages than us

26 What do you think are the three most important objectives of the ORET/MILIEV Programme? (Three choices)

- Development of the Chinese economy Promotion of Dutch exports
 Promotion of trade between China and the Netherlands Improvement of the environment
 Increase of employment Poverty alleviation
 Improvement of the position of women

27 Space for additional comments, opinions and suggestions

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Ensuring that evaluation practice responds to changes in international cooperation is a continuing challenge. Most evaluations of development aid programmes are still led by donors and are carried out to satisfy their own requirements. The donor initiates an evaluation, decides on the terms of reference, sets the agenda and appoints the evaluators. In view of this, it is hardly surprising that recipients have thus far shown little interest in evaluations.

This joint evaluation of the ORET/MILIEV programme in China has been a truly joint exercise, based on a strong donor-recipient partnership. The two evaluation services, NCSTE and IOB, have established an appropriate governance structure and a number of mechanisms to ensure joint responsibility for the whole evaluation, in which the recipient country leads the process, supported by the donor. It is believed that this evaluation, and the publication of a joint report, is a rare example of effective collaboration between donor and recipient in the field of development evaluation.



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