

**ASIAN DEVELOPMENT BANK**

**TPA: PRC 2001-20**

**TECHNICAL ASSISTANCE  
PERFORMANCE AUDIT REPORT  
ON  
URBAN DEVELOPMENT ADVISORY TECHNICAL ASSISTANCE  
TO THE  
PEOPLE'S REPUBLIC OF CHINA**

**December 2001**

## CURRENCY EQUIVALENTS

Currency Unit – Yuan (Y)

	At TA Approval	At TA Completion	At TA Evaluation
<b>TA 1784-PRC</b>			
Y1.00 =	0.179	0.118	0.121
\$1.00 =	5.574	8.452	8.279
<b>TA 2015-PRC</b>			
Y1.00 =	0.173	0.121	0.121
\$1.00 =	5.787	8.279	8.279
<b>TA 2504-PRC</b>			
Y1.00 =	0.120	0.121	0.121
\$1.00 =	8.317	8.279	8.279
<b>TA 2804-PRC</b>			
Y1.00 =	0.120	0.121	0.121
\$1.00 =	8.317	8.279	8.279
<b>TA 2893-PRC</b>			
Y1.00 =	0.120	0.121	0.121
\$1.00 =	8.317	8.279	8.279
<b>TA 3096-PRC</b>			
Y1.00 =	0.121	0.121	0.121
\$1.00 =	8.279	8.279	8.279

## ABBREVIATIONS

ADB	–	Asian Development Bank
BOT	–	build-operate-transfer
COS	–	country operational strategy
PRC	–	People's Republic of China
TA	–	technical assistance
TCR	–	technical assistance completion report
TOR	–	terms of reference
TPAR	–	technical assistance performance audit report

## NOTE

In this report, "\$" refers to US dollars.

## CONTENTS

	<b>Page</b>
BASIC DATA	ii
EXECUTIVE SUMMARY	v
MAP	vii
I. INTRODUCTION	1
A. Background	1
B. Rationale, Objectives, and Scope of the TAs	1
C. Completion and Self-Evaluation	3
D. Operations Evaluation	4
II. ASSESSMENT OF IMPLEMENTATION PERFORMANCE	5
A. Design of the TAs	5
B. Engagement of Consultants	7
C. Organization and Management	7
D. Implementation Schedule and Financing Arrangements	7
E. Supervision	8
III. EVALUATION OF OUTPUTS AND IMPACT	9
A. Adequacy and Quality of Reports and Services Provided	9
B. Training and Knowledge/Technology Transfer	11
C. Institution Building	11
D. Performance of Consultants	12
IV. CONCLUSIONS	12
A. Key Issues for the Future	12
B. Overall Assessment	12
C. Lessons Learned	14
D. Follow-Up Actions and Recommendations	14

**BASIC TECHNICAL ASSISTANCE DATA**  
**TA 1784-PRC: Tertiary Sector Economic Reform Policies and  
Redevelopment Planning for the Huai Hai Road Area<sup>1</sup>**

<b>Cost (\$'000)<sup>2</sup></b>	<b>Estimated</b>	<b>Actual</b>
Foreign Exchange	495	592 <sup>3</sup>
Local Currency	105	6
<b>Total</b>	<b>600</b>	<b>598</b>

**No. of Person-Months (Consultants)** 59 61.6

**Executing Agency:** People's Government of Lu Wan District

<b>Milestones</b>	<b>Date</b>
President's/Board Approval	17 Nov 1992
Signing of TA Agreement	17 Dec 1992
Fielding of Consultants	6 Sep 1993
TA Completion: Expected	Feb 1994
Actual	27 Mar 1995
TCR Circulation	24 Oct 1995

<b>Missions</b>	<b>Number</b>	<b>Date</b>
<b>Type</b>		
Fact-Finding	1	10-17 Sep 1991
Inception	1	1-2 Dec 1993
Review	2	2-3 Mar 1994
Operations Evaluation <sup>4</sup>	1	31 Oct-2 Nov 1994
		3-19 Jul 2000

**TA 2015-PRC: Urban Environmental Improvement Planning**

<b>Cost (\$'000)<sup>2</sup></b>	<b>Estimated</b>	<b>Actual</b>
Foreign Exchange	333	378 <sup>5</sup>
Local Currency	147	0
<b>Total</b>	<b>480</b>	<b>378</b>

**No. of Person-Months (Consultants)** 51 51.9

**Executing Agency:** State Environment Protection Agency

<b>Milestones</b>	<b>Date</b>
President's/Board Approval	14 Dec 1993
Signing of TA Agreement	16 May 1994
Fielding of Consultants	31 Aug 1994
TA Completion: Expected	Feb 1995
Actual	10 Mar 1995
TCR Circulation	23 Nov 1995

<b>Missions</b>	<b>Number</b>	<b>Date</b>
<b>Type</b>		
Reconnaissance	1	28 May-10 Jun 1993
Fact-Finding	1	31 Aug-2 Sep 1993
Review	2	19-24 Sep 1994
Operations Evaluation <sup>4</sup>	1	28 Nov-1 Dec 1994
		3-19 Jul 2000

PRC = People's Republic of China, TA = technical assistance, TCR = technical assistance completion report.

<sup>1</sup> Accompanying TA for Loan 1188-PRC: *Shanghai Yangpu Bridge Project*.

<sup>2</sup> Financed by the Asian Development Bank.

<sup>3</sup> Includes (i) remuneration and out-of-pocket expenses of domestic consultants; (ii) local supplies, equipment, and support staff; and (iii) training of PRC staff.

<sup>4</sup> The Operations Evaluation Mission comprised R. Desbiens (Evaluation Specialist); the technical assistance audit report was finalized by P. Choynowski (Senior Evaluation Specialist).

<sup>5</sup> Includes (i) remuneration and out-of-pocket expenses of domestic consultants; (ii) studies, surveys and reports; and (iii) miscellaneous and administrative support costs.



## TA 2893-PRC: Hohhot Urban Development

<b>Cost (\$'000)<sup>2</sup></b>	<b>Estimated</b>	<b>Actual</b>
Foreign Exchange	324	578 <sup>7</sup>
Local Currency	106	0
<b>Total</b>	<b>430</b>	<b>578</b>

**No. of Person-Months (Consultants)** 26 45.1

**Executing Agency:** Inner Mongolia Planning Commission

<b>Milestones</b>	<b>Date</b>
President's/Board Approval	14 Oct 1997/23 Dec 1998 <sup>8</sup>
Signing of TA Agreement	23 Oct 1997
Fielding of Consultants	7 May 1998/6 Feb 1999 <sup>8</sup>
TA Completion: Expected	May 1998/May 1999 <sup>8</sup>
Actual	31 Oct 1999
TCR Circulation	8 Nov 1999

**Missions**

<b>Type</b>	<b>Number</b>	<b>Date</b>
Fact-Finding	1	7-25 Jul 1997
Review	3	13-18 Jun 1998
		9-12 Nov 1998
		6-8 Jul 1999 <sup>8</sup>
Operations Evaluation <sup>4</sup>	1	3-19 Jul 2000

## TA 3096-PRC: Urban Policy Workshop

<b>Cost (\$'000)<sup>2</sup></b>	<b>Estimated</b>	<b>Actual</b>
Foreign Exchange	71	71
Local Currency	79	78
<b>Total</b>	<b>150</b>	<b>149</b>

**No. of Person-Months (Consultants)** 10 9.8

**Executing Agency:** Ministry of Construction

<b>Milestones</b>	<b>Date</b>
President's/Board Approval	11 Nov 1998
Signing of TA Agreement	N/R
Fielding of Consultants	1 Feb 1999
TA Completion: Expected	Jun 1999
Actual	Sep 1999
TCR Circulation	1 Dec 1999

**Missions**

<b>Type</b>	<b>Number</b>	<b>Date</b>
Fact-Finding	1	7-13 Jun 1998
Review (Tripartite on Workshop Activities/Inputs)	1	19-20 Apr 1999
(Workshop)	1	6-9 Sep 1999
Operations Evaluation <sup>4</sup>	1	3-19 Jul 2000

<sup>7</sup> Includes (i) remuneration and out-of-pocket expenses for domestic consultants, (ii) workshops, and (iii) miscellaneous administrative and support costs.

<sup>8</sup> Supplementary financing.

## EXECUTIVE SUMMARY

The People's Republic of China (PRC) has the world's largest urban population. The PRC has more than 800 cities, including 3 of Asia's 9 megacities with populations of 10 million or more. Although the PRC is still largely rural, urbanization over the past 20 years was rapid because of the inability of the agriculture sector to absorb new entrants into the labor force. The urban population grew at about 4.6 percent annually from 1980 to 1990. The urban population is currently estimated at 460 million, or about 36 percent of the total population. This rapid urban population growth has placed a severe strain on urban services and infrastructure and led to proliferation of slums and deterioration of the environment.

The Government recognized the need to address urban development problems. Thus, in the early 1990s, the Asian Development Bank (ADB) began its collaboration with the Government to support the latter's attempts to develop and modernize urban infrastructure. Since it began operations in the PRC in 1986, ADB has provided eight advisory technical assistance (TA) grants for urban development. Seven have been completed and the six that have not yet been evaluated are the focus of this technical assistance performance audit report.

The objectives and scope of the six TAs varied greatly. Two were for the urban development of the Baotou, Hohhot, and Shanghai areas; one for urban environmental planning; one for assistance in implementing a build-operate-transfer (BOT) water supply project; and two for workshops on urban policy and BOT projects. ADB's decision to finance TAs in the urban sector in the PRC was not quite consistent with the 1991 country operational strategy (COS) for the PRC. Nevertheless, urban development was a major issue in the PRC and the urban sector should have formed an integral part of the strategy. The 1997 COS partly addressed this issue by including the water supply and sanitation sector that provided a stronger rationale for some of the later TAs in the urban sector. However, the rationale for the TA to the Shanghai metropolitan area was weak as this urban area was, and still is, the most dynamic and prosperous region in the PRC. The focus should have been on the more needy parts of the country.

In most cases, the TAs were effective in meeting their objectives and had a significant impact on institution building. The TAs for the Seminar on BOT in the Water Supply Sector and the BOT Chengdu Water Supply contributed substantially to strengthening the institutions dealing with water supply. The Hohhot Urban Development TA recommended an urban development plan that was thoroughly analyzed and assessed. The executing agency found it useful and implemented or is implementing many of its recommendations. The Urban Policy Workshop TA was successful in assisting the Government in providing a forum for discussing issues in the urban sector and in promoting further dialogue between government agencies, city administrations, and ADB. The TA for Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area and the Urban Environmental Improvement Planning TA were not effective because the consultants' analyses and recommendations were either too general or narrow in scope and their final reports were of limited use to the executing agency. There was also no evidence that the experience with the Huai Hai Road Area TA was duplicated elsewhere in the PRC.

Of the six TAs reviewed, the first two, approved in 1992–1993, are rated unsuccessful, and the last four, approved in 1995–1998, successful. The trend has been toward successful outcomes in recent years as ADB has gained more experience in the PRC and has focused on areas in urban development in which it has a comparative advantage, mainly water supply and sanitation.

The main issue that arises from this evaluation is the basis for ADB's decision to finance TAs in the urban sector, a sector that was not included in the PRC country operational strategy in force for the earlier TAs. In the future, when faced with a request to assist in sectors not specified in the COS, the strategy should be reviewed and amended accordingly, provided there is a sound rationale for doing so. This procedure is suggested in the guidelines for preparing COSs and can now be readily accommodated through the recently introduced country strategy and program updates.

Three lessons have been learned from implementing the urban development TAs. First, ADB needs to be more thorough in preparing TAs in the urban development sector. For example, data availability needs to be adequately assessed. Second, ADB needs to ensure that sufficient resources are allocated for meeting the requirements of the terms of reference, for the supervision of TA implementation, and for translation services. Third, TAs that serve as demonstration or pilot projects should include in their design mechanisms to disseminate the results and findings to a wider audience in the country.



## I. INTRODUCTION

### A. Background

1. The People's Republic of China (PRC) has the world's largest urban population. The PRC has more than 800 cities, including 3 of Asia's 9 megacities with populations of 10 million or more. Although the PRC is still largely rural, urbanization over the past 20 years was rapid because of the inability of the agriculture sector to absorb new entrants into the labor force. The urban population grew from 191.4 million in 1980 to over 300 million in 1990, at about 4.6 percent annually. The urban population is currently estimated at 460 million, or about 36 percent of the total population, and is forecast to increase by 2010 to 750 million. This rapid urban population growth has placed a severe strain on urban services and infrastructure, such as water supply, drainage, sewerage, urban transport, and solid waste disposal, as well as education and health care. Moreover, the unplanned urban growth has led to proliferation of slums and deterioration of the environment.

### B. Rationale, Objectives, and Scope of the TAs

2. The Government recognized the need to address the problems with urban infrastructure and undertook a number of institutional and administrative reforms. But issues regarding physical infrastructure, land use, and financing were still unresolved and the Government recognized the need to address urban development problems in a holistic manner. Thus, in the early 1990s, the Asian Development Bank (ADB) began collaborating with the Government to support the latter's attempts to develop and modernize urban infrastructure.

3. Since it began operations in the PRC in 1986, ADB has provided eight advisory technical assistance (TA) in urban development. The first advisory TA to the urban sector<sup>1</sup> was completed and evaluated together with the Shanghai-Nanpu Bridge Project.<sup>2</sup> The objectives were to (i) assist in the evolution and deepening of economic reforms adopted for Pudong; (ii) assist in formulating medium-term programs and plans for developing urban infrastructure in Pudong; and (iii) transfer international experience and expertise to officials involved in planning, economic reform, and land development for Pudong. The TA was rated partly successful because its recommendations were too general, those that were implemented would have been adopted even without the TA, and there was too much emphasis on general strategies rather than practical proposals. The executing agency felt that the TA could claim little credit for the measures and investments that followed.

4. The subsequent six TAs have also been completed and are the focus of this technical assistance performance audit report (TPAR)<sup>3</sup>. They are as follows:

- (i) TA 1784-PRC: *Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area*, for \$600,000, approved on 17 November 1992;

---

<sup>1</sup> TA 1518-PRC: *Formulation of Economic Reform Policies and Infrastructure Planning for the Development of Shanghai Pudong*, for \$920,000, approved on 28 May 1991.

<sup>2</sup> Loan 1082-PRC: *Shanghai Nanpu Bridge*, for \$70 million, approved on 28 May 1991. The TA was evaluated in PPA: PRC 22246: *Project Performance Audit Report on the Shanghai-Nanpu Bridge Project (Loan 1082-PRC) in the People's Republic of China*, November 1999.

<sup>3</sup> TA 3521-PRC: *Assessment of Small and Medium Cities' Urban Infrastructure Development*, for \$150,000, approved on 25 October 2000, is still ongoing and cannot be evaluated at this time.

- (ii) TA 2015-PRC: *Urban Environmental Improvement Planning*, for \$480,000, approved on 14 December 1993;
- (iii) TA 2504-PRC: *Seminar on Build-Operate-Transfer in the Water Supply Sector*, for \$100,000, approved on 22 December 1995;
- (iv) TA 2804-PRC: *Build-Operate-Transfer Chengdu Water Supply*, for \$600,000, approved on 2 June 1997;
- (v) TA 2893-PRC: *Hohhot Urban Development*, for \$430,000, approved on 14 October 1997; *Hohhot Urban Development (Supplementary)*, for \$150,000, approved on 23 December 1998; and
- (vi) TA 3096-PRC: *Urban Policy Workshop*, for \$150,000, approved on 11 November 1998.

5. The objectives and scope of the six TAs under review were as follows:

- (i) **Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area.** The TA, approved with the Shanghai Yangpu Bridge Project,<sup>4</sup> was to continue ADB support for a program of reforms initiated through TA 1518-PRC (footnote 1) and to further policy dialogue with the Shanghai municipality and the Government. The objectives were to (i) review and formulate tertiary sector reform policies with a view to promoting the sector's growth in the central business district of Shanghai; and (ii) provide assistance to the Lu Wan District government in reviewing and revising the development plan for the Huai Hai Road area, and in applying tertiary sector reform policies to its redevelopment and promoting business opportunities on an international scale. The work included (i) a review of existing policies; (ii) an assessment of legal, physical, and other constraints affecting the service sector; (iii) an analysis of the requirements of selected tertiary subsectors; (iv) a review of and proposal for revisions to the redevelopment plan of the Huai Hai Road area; and (v) identification of human resource development and training needs and provision of on-the-job training.
- (ii) **Urban Environmental Improvement Planning.** The TA's objective was to assist the PRC in developing urban environmental improvement programs with direct linkage to ADB's lending operations. The TA was to (i) review all relevant studies, documents, and data related to urban environmental conditions and select up to five cities for an in-depth study; (ii) prepare environmental improvement programs and analyze the policy, legal, and institutional aspects of the selected cities; and (iii) prepare cost estimates for priority programs; technical, institutional, financial, and economic analyses; and proposals for action plans.
- (iii) **Seminar on Build-Operate-Transfer (BOT) in the Water Supply Sector.** The objectives of this small-scale TA were to (i) identify and discuss the institutional and financial constraints affecting the development of private sector participation

---

<sup>4</sup> Loan 1188-PRC: *Shanghai Yangpu Bridge*, for \$85 million, approved on 17 November 1992.

and BOT projects in the water supply sector, and (ii) provide a framework for the Government in formulating a strategy to attract private sector investment to the water supply sector. The TA was also to provide ADB with information and recommendations to help formulate future assistance strategies for the sector and areas for suitable policy dialogue. The objectives were to be achieved through a seminar to present papers and discussions on the objectives of private sector participation, the general concept of BOT, and the constraints on and opportunities for the future development of private sector participation, particularly BOT, in the water supply sector.

- (iv) **BOT Chengdu Water Supply.** This was a follow-on TA to the Seminar on BOT in the Water Supply Sector. Its objective was to support Government policy to encourage private investment in the water supply sector. The TA involved (i) identifying the facilities to be established and operated in Chengdu in Sichuan Province and the responsibilities of the project sponsor; (ii) reviewing and revising bidding documents and supervising the bidding process; and (iii) preparing legal documents. Assistance was also to be provided throughout the contract negotiation process. The TA was also to improve the standard BOT concession agreement.
- (v) **Hohhot Urban Development.** The objective of the TA was to assist the municipal government of Hohhot in Inner Mongolia in preparing an urban development plan that would specify measures to upgrade urban infrastructure and improve the delivery of municipal services. The TA included (i) preparing an urban structure plan up to 2005; (ii) reviewing and updating the existing infrastructure development plans and preparing an urban infrastructure improvement program; (iii) assessing the financing capabilities of the involved agencies, and developing strategies for cost recovery; (iv) determining the priority investment needs and conducting prefeasibility studies for the priority components; (v) identifying capacity building needs for the government agencies concerned; and (vi) recommending further steps to implement the priority investment components. Under the supplementary financing, the city of Baotou was included in the study and, in addition, an assessment of the newly proposed central heating system for both cities was to be undertaken.
- (vi) **Urban Policy Workshop.** The objectives of this small-scale TA were to assist the Government to (i) identify and discuss urban development trends, conditions, and issues; (ii) provide background information and material needed to formulate urban policies and attract private sector investment; and (iii) provide ADB with information and recommendations needed to formulate future assistance strategies for the sector and identify areas for policy dialogue. The objectives were to be achieved through a three-day workshop on (i) opportunities for policy reform in the urban development sector; (ii) management of urban development; (iii) transportation, land use, and housing; and (iv) environmental monitoring and management.

### C. Completion and Self-Evaluation

6. The completion of each TA was followed by a technical assistance completion report (TCR). The self-evaluation rated all of the TAs generally successful. The TCR for the Tertiary

Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area did not assess the quality of the consultants' report; however, it highlighted some of the TA's shortcomings. It noted that the terms of reference (TOR) for the international and domestic consultants were not clearly delineated; sufficient resources should be provided in the TA for translation services; and the TOR of the TA should be sufficiently focused so that multiple consulting firms were not necessary to complete the TOR. The TCR commended the TA's efforts to disseminate the results of the consultants' study to a wider audience in the PRC. The TCR for Urban Environmental Improvement Planning found the ranking and selection of cities according to environmental condition sound, and the findings and recommendations of the consultants' report satisfactory. However, the TCR noted limited Government ownership of the study and involvement during implementation. The TCR for the Seminar on BOT in the Water Supply Sector found that seminars were a good method of sharing knowledge and experiences on a particular topic with a wide audience, and of promoting debate and discussion. The TCR for the BOT Chengdu Water Supply found that the TA achieved its main objective of preparing standard documents for BOT concession agreements in the water supply sector. However, the study tour financed by the TA was not effective because of poor selection of participants. The TCR for Hohhot Urban Development found that the TA accomplished its main objective of preparing comprehensive urban structure plans and urban infrastructure improvement programs in Hohhot and Baotou. The TCR for Urban Policy Workshop found that the TA achieved its main objective of providing a forum for the discussion of urban sector issues and for promoting dialogue between government agencies, city administrations, and ADB. The workshop was well attended and discussions were substantive. Overall, the TCRs were well prepared, although the TCR for Urban Environmental Improvement Planning should have been more critical of the quality of the consultants' report.

#### **D. Operations Evaluation**

7. This TPAR focuses on the pertinent aspects of the six TAs to the urban sector and presents the findings of the Operations Evaluation Mission to the PRC during 3–19 July 2000.<sup>5</sup> The TAs reflect the change in direction that ADB took in addressing urban development issues: first, by addressing broad urban development issues and later focusing on water supply. The TPAR focuses on assessing the TAs' relevance, effectiveness, and impact on institution building. It also highlights the key issues and lessons for future consideration.

8. The TPAR is based on a review of the TA papers, TCRs, material in ADB files, reports by consultants engaged by the Operations Evaluation Mission, and discussions with the executing agencies. Nevertheless, the evaluation was constrained because of a lack of institutional memory in the executing agencies and ADB. Copies of the draft TPAR were provided to the Government and ADB staff concerned for review and comment. Comments received were taken into consideration in finalizing the TPAR.

---

<sup>5</sup> The TPAR includes only four of the TAs reviewed by the Operations Evaluation Mission. TA 1518-PRC (*Formulation of Economic Reform Policies and Infrastructure Planning for the Development of Shanghai Pudong*) was excluded from the TPAR because it had already been evaluated (para. 3). Two additional TAs were subsequently added to the TPAR, TA 2504-PRC (*Seminar on BOT in Water Supply Sector*) and TA 2804-PRC (*BOT Chengdu Water Supply*), to expand its scope. These two TAs were not reviewed by the Operations Evaluation Mission in the field.

## II. ASSESSMENT OF IMPLEMENTATION PERFORMANCE

### A. Design of the TAs

#### 1. Appropriateness of Concepts and Approaches

9. Although there was an obvious need for assistance in the PRC's urban sector, ADB's involvement in the sector was not in line with the 1991 COS. The strategy stated that "except for the education sector, the Bank is unlikely to be involved in other sectors in social infrastructure such as urban housing, public health, water supply and sanitation, in the near term." When the COS was revised in 1997, the scope of assistance was expanded to include water supply and sanitation, but urban development was still not a part of the strategy. ADB's participation in the urban sector in the PRC was ad hoc and apparently was motivated by a willingness to accommodate the Government's requests for assistance in the sector.

10. The second TA for the Shanghai metropolitan area (TA 1784-PRC) was geared toward proposing economic policy reforms and planning infrastructure. The Shanghai area was, and still is, the most dynamic and prosperous region in the PRC. The report and recommendation of the President for the Shanghai Yangpu Bridge Project loan states in para. 62 in support of approving TA 1784-PRC that TA 1518-PRC concluded that "Shanghai could regain its historic role as the commercial center..." The development of major commercial centers was not consistent with ADB's overall strategic directions, nor did it reflect the priorities of the COS. TA 1784-PRC was provided to assist the Government in developing the Shanghai area into an international center for finance, trade, high technology, and information. It was expected that the experience gained there would be the basis for developing and modernizing the industrial, commercial, and urban sectors in other parts of the country. This pilot case study approach to economic liberalization was commonly used in the PRC. However, the objectives and scope of the TA were overly complex. This led to the need for the principal international consultant to form an association with two other firms and led to fragmentation of tasks, difficulties in coordination, and higher travel costs.

11. The TA for Urban Environmental Improvement Planning (TA 2015-PRC) had a stronger rationale. It was consistent with the 1991 COS that recognized the interrelationship between poverty and the environment.

12. By the mid-1990s, the Government concluded that its resources alone were insufficient to meet all the urban infrastructure demands in the country. Although the 1991 COS was still in force, ADB also came to the conclusion that the urban sector was a development priority. Thus, it approved the TA for the Seminar on BOT in the Water Supply Sector (TA 2504-PRC) to investigate the potential of private sector participation in that sector, even though the 1991 COS had no provision for promoting the BOT concept in the PRC.

13. With the expansion of ADB's priorities in the 1997 COS to include water supply and sanitation and to focus on the less developed interior of the country, TAs for the BOT Chengdu Water Supply (TA 2804-PRC), Hohhot Urban Development (TA 2893-PRC), and Urban Policy Workshop (TA 3096-PRC) were, to a large extent, consistent with ADB's revised COS because water supply and sanitation played a major role in urban infrastructure. Moreover, the 1997 COS now encouraged the promotion of BOT projects in providing water supply, so TA 2804-PRC was particularly apt. The main objective of this TA was to demonstrate, on a pilot basis, the implementation of BOT projects in water supply. However, the TA design did not ensure that

the results and findings of the TA would be disseminated to other cities in the PRC. A workshop or seminar similar to that in TA 2504-PRC would have been useful in maintaining the momentum generated by these two TAs.

## **2. Degree of Recipient Agency Involvement in TA Design**

14. The urban development TAs provided by ADB were usually at the request of the Government and, therefore, the relevant recipient agency had substantial involvement in their design. For example, the State Development Planning Commission had extensive inputs into the design of the BOT Chengdu Water Supply TA. It provided background information, reviewed the TOR of the consultants, and commented on various aspects of the project. The State Environmental Protection Agency also provided extensive inputs into the objectives, design, and TOR of the TA for Urban Environmental Improvement Planning. However, there was little evidence that local or provincial agencies had much input into the design of the respective TAs.

## **3. Quality and Adequacy of Physical Inputs Provided**

15. The TAs were mainly service oriented, with consulting services as the principal input. Nevertheless, some of the TAs provided materials and equipment such as computers. The inputs provided were generally adequate for achieving the purpose of the TAs, except in the cases discussed below. The facilities provided by the Government for implementing the TAs were satisfactory.

16. TA 1784-PRC for the Huai Hai Road Area provided insufficient resources for translating the draft and final versions of the consultants' report into the local language. The cost of translation was substantial and the executing agency found it a financial burden that was difficult to bear. The problem was eventually resolved by a reallocation of funds within the TA.

17. During implementation, there was a change in the scope of the Urban Environmental Improvement Planning TA. Originally, five cities were to have been selected for developing environmental improvement programs; however, only three were eventually selected because of financing constraints. The resource requirement to develop such programs was underestimated.

18. The BOT Chengdu Water Supply TA included a study tour for five senior officials involved with the processing of the BOT project. The tour visited Hong Kong, China; the Philippines (Manila); and Australia (Sydney and Melbourne). The study tour appropriately focused on issues related to BOT water supply projects in these countries. The issues included financing, regulatory and policy matters, capacity building, and experience with the privatization of water supply projects. However, the participants in the study tour did not comprise the principal TA counterparts in the Chengdu government or the Chengdu Municipal Waterworks General Company. Rather, participants were selected on the basis of seniority and included people that were only marginally involved in the BOT project. Overall, the study tour was not effective.

## **4. Terms of Reference of the Consultants**

19. The TOR of the consultants were mostly clear, comprehensive, and appropriate for attaining the objectives of the TAs. Other than those for the three TAs for the BOT project, BOT seminar, and urban policy workshop, the TOR followed a logical sequence of steps beginning with a review of existing studies and data, followed by identification and assessment of issues,

and ended with recommendations on a course of action. However, the TOR for Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area TA did not distinguish between the tasks of the international and domestic consultants, which subsequently caused problems in the allocation of workload and responsibility.

20. TA 2504-PRC for the BOT seminar had no TOR, but provided an outline of the topics to be presented at the seminar. Only one of the TAs had any provision for institutional strengthening. The TA for the Huai Hai Road Area was to provide on-the-job training for key local government officials on issues related to reforms in the tertiary sector. The TA was also to develop a training program for other local government officials.

21. The TOR for the Urban Environmental Improvement Planning TA required that the consultant collect data on air, water, noise and land pollution for 52 cities. It was assumed that the Government regularly monitored these 52 cities; however, the consultant later found in the field that the Government regularly monitored only 37 of them and that limited data was available for the other cities. This had affected the ability to rank cities according to environmental condition.

22. The Hohhot Urban Development TA could have had better organized TOR. The six-month study period was too short; a two-phase approach would have allowed the Government and ADB to review more carefully the consultants' proposals and would have permitted more substantive involvement of the sector agencies in formulating the investment program. The TCR for the TA concurs with this point. Tight time frames for completing the studies are a common problem in the design of advisory TAs.

## **B. Engagement of Consultants**

23. Consultants for the TAs were engaged in accordance with ADB's *Guidelines on the Use of Consultants*. The number of person-months contracted from international and domestic consultants engaged was generally as expected (Basic Data). In most cases, there was no undue delay in engaging and fielding the consultants. The executing agencies expressed general satisfaction with regard to the selection and engagement of consultants.

## **C. Organization and Management**

24. The implementation of all but one TA was effectively organized. Although the executing agency for the TA for the Huai Hai Road Area was the People's Government of Lu Wan District, the TA was implemented under the oversight of a steering committee comprising several local government agencies. After the TA was completed and the steering committee disbanded, little memory of the TA remained among local government officials. Therefore, it is difficult to determine whether it had any impact. The executing agencies for the other TAs were central government institutions, except for the Hohhot Urban Development TA, for which a provincial government agency was the executing agency (Basic Data).

## **D. Implementation Schedule and Financing Arrangements**

25. Four of the TAs experienced substantial delays in implementation. The TA for the Huai Hai Road Area whose implementation began in January 1993 was completed in March 1995 instead of February 1994. The executing agency took considerable time to translate the draft final report for the last tripartite review meeting. The Seminar on BOT in the Water Supply

Sector TA was completed almost three years after the envisaged completion date because of translation and editing difficulties, which prevented the timely dissemination of the seminar's findings and limited the seminar's usefulness. However, the seminar was held as scheduled. The completion of the TA for BOT Chengdu Water Supply was delayed by two years because of the slower-than-expected bidding and negotiation process; the consultant's delayed submission of quarterly progress reports, the draft final report, and the final report; and lengthy arrangements for the study tour. Originally, the TA was to take 16 months. The Hohhot Urban Development TA also took two years to complete, compared with the 6 months envisaged. The consultants took longer than expected to engage an appropriately qualified domestic consultant and the executing agency had difficulty in assigning appropriately qualified counterpart staff to the study. The Urban Environmental Improvement Planning TA was implemented in six months, as envisaged. The Urban Policy Workshop TA was completed three months later than expected. The policy workshop was held in Beijing on 7–9 September 1999.

26. Foreign exchange costs and some of the local costs—mainly for the domestic consultants—of the TAs were financed by ADB. The Government financed the per diems of the domestic consultants, provided office accommodation and counterpart staff, and financed the cost of utilities.

#### **E. Supervision**

27. Information from file records on the TA for the Huai Hai Road Area is scanty. However, the feedback obtained from the back-to-office reports and the response from Shanghai municipal government officials is that ADB supervision was both timely and adequate.

28. While the supervision of the Urban Environmental Improvement Planning TA was satisfactory, more meaningful inputs from ADB staff of an interdisciplinary nature, particularly on institutional aspects, would have been useful. ADB provided comments on the consultants' report in consultation with other departments, and participated in two tripartite review meetings. Because of staff constraints, an ADB representative could not participate in the tripartite meeting with the consultants and the PRC officials to review the final report. The presence of an ADB representative would have been useful to discuss the effectiveness of the TA and follow-up needs.

29. The Seminar on BOT in the Water Supply Sector TA was adequately supervised by ADB through numerous meetings, one inception mission, one review mission, and participation in the workshops. ADB also adequately supervised the BOT Chengdu Water Supply TA.

30. Three review missions were undertaken to oversee the implementation of the Hohhot Urban Development TA. These included an inception mission and two missions for tripartite discussions on the draft final reports for Hohhot and Baotou. The review missions participated in workshops that discussed the recommendations of the TA with the executing agency and key government officials. ADB supervision was adequate.

31. Two review missions were carried out for the Urban Policy Workshop TA. The format and schedule of the workshop were reviewed in detail. ADB staff was instrumental in preparing for the workshop, including logistics and review of theme and topics to be presented. There was close supervision and collaboration between the executing agency and the consultants in preparing for the workshop.

### III. EVALUATION OF OUTPUTS AND IMPACT

#### A. Adequacy and Quality of Reports and Services Provided

32. **Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area.** The aim of the study, according to the consultants' report, was to assist Shanghai in becoming a "World City." The concept of "World City" was not defined and the aim of creating a plan for such a city may have been too ambitious with respect to the resources available under the TA. Moreover, this was not a requirement of the TOR. Nevertheless, the consultants' report provided an analysis of the policy environment that affected tertiary sector development in Shanghai; identified strengths, weaknesses, and opportunities for Shanghai's tertiary sector; and compared tertiary sectors in such places as Hong Kong, China; Singapore; the United Kingdom; and the United States. The recommendations made in the report were in most cases general and many had implications for policy countrywide, rather than for Shanghai specifically. For example, the report recommended that a stable macroeconomic framework be maintained, including prudent management of inflation, money supply, and credit. It also recommended the improvement of infrastructure, a recommendation that seems obvious and not very useful. The range of the recommendations was also too broad. It is unlikely that many of them will be implemented within the 15-year time frame. The report did not indicate who should implement the recommendations. It is clear that the Shanghai municipal government does not have the capability or the authority to implement many of the recommendations.

33. The consultants' report reviewed the existing condition of the Huai Hai Road Area and recommended proposals for redevelopment. The intention was for Huai Hai Road to be comparable in importance with Orchard Road in Singapore or Nathan Road in Hong Kong, China. The report discussed the main issues and problem areas and made suggestions on how to update the local area plan. Recommendations were put forward for conservation areas and the protection of buildings of historical interest. The report had sufficient details for the Huai Hai Road redevelopment and was useful for planning purposes. However, there seems to have been insufficient effort in developing environmental guidelines for Shanghai as required by the TOR. The cost estimate in the report was a single figure that provided little insight into the resource requirements for the redevelopment and there was little discussion of the resettlement issue.

34. Some recommendations in the consultants' report were implemented while others were not, primarily because of financing constraints. Some recommendations—developing regulations for stock markets, deregulating bank operations, and establishing joint ventures in the banking and insurance industries—had nationwide implications and were implemented at the central Government level, and did not stem from this TA. An important objective of the TA was to provide an example of urban development to other parts of the PRC. However, there is no evidence that other urban entities in the PRC used this study as a basis for their planning.

35. **Urban Environmental Improvement Planning.** The consultants' report adequately reviewed the organization of government institutions involved in the laws and regulations on the environment. The report ranked the 52 cities under investigation in terms of environmental degradation based on data, documents, and studies that were collected, and selected three cities (Changchun, Jilin, and Zhengzhou) for further study. According to the TA's TOR, the three were supposed to be the most environmentally degraded. However, the ranking and selection were not completely objective. The selection took into account the investment priorities of the Government, and priority was given to northern cities over southern cities, and inland cities over

coastal cities. As a result, the three selected cities were not the most environmentally degraded. Time and money could have been saved if the selection had been restricted to inland northern cities at the outset.

36. The consultants did not prepare environmental improvement programs as required by the TOR. The reports for the three cities were essentially a review of the environmental condition of the city, a description of the institutions involved with the environment, and an assessment of projects (not necessarily related to the environment) that were already in the plans of the municipal government. The assessment of the projects did not include a financial or economic analysis. The three municipal governments found the consultants' report of little use and the report was soon out of date because of the rapid growth of these cities.

37. **Seminar on BOT in the Water Supply Sector.** The seminar was attended by more than 150 delegates, substantially more than the 50–70 delegates originally anticipated. This highlights the importance given to the seminar. The participants included Government officials from the Ministry of Water Resources, People's Bank of China, the State Development Planning Commission (formerly the State Planning Commission), and the Ministry of Foreign Trade and Economic Cooperation; delegates from provincial governments and water supply companies; potential investors, financiers, consultants and representatives of bilateral and multilateral agencies; and representatives of research institutes and the media. Logistics and communications support was adequate. A total of 39 papers were presented: 14 by international and 25 by domestic experts. The Government's proposed framework for BOT projects in the water supply sector and the institutional and financial constraints facing private investment were key topics. A summary of the proceedings was prepared. The main objective of the seminar was satisfactorily achieved.

38. **BOT Chengdu Water Supply.** The final report prepared by the consultants had only 21 pages (excluding appendixes), but discussed the relevant issues and was satisfactory. The report provided a comprehensive assessment of the bidding process and contractual agreements, identified shortcomings, and made recommendations for improvement. Sample contract documents were provided in the appendixes. The consultants also provided useful services by assisting during prebidding, bid evaluation, and contract negotiation stages. Overall, the consultants' report was deemed useful by the agencies involved in the BOT project, which implemented most of the report's recommendations.<sup>6</sup>

39. **Hohhot Urban Development.** The main objective of the TA—to prepare an urban development plan specifying measures to upgrade urban infrastructure and improve the delivery of municipal services—was achieved. The areas covered in the study were water supply, sanitation, roads and traffic, heating, gas, electricity, communications, fire protection, flood control, and industrial pollution. The consultants' report provided a useful background and review of Hohhot's and Baotou's urban infrastructure and reviewed existing infrastructure development plans. This was followed by a detailed account of urban, environmental, and land use policies and development strategy. The report also included a population forecast and identified development potentials and constraints. A master plan with a 2005 time horizon was developed that was useful in determining priorities for urban development and expansion. Each project identified in the master plan was analyzed for technical, financial, and economic viability.

---

<sup>6</sup> The BOT Chengdu Water Supply TA led to the first BOT water supply project in the PRC awarded on a competitive basis. ADB made a loan to the winning bidder: Investment 1670-PRC: *Chengdu Generale des Eaux-Marubeni Waterworks Company Limited*, for \$21.5 million, approved on 11 February 1999.

Issues such as cost recovery in the proposed projects were also discussed. The consultants' report included a preliminary financing plan as well as a discussion of the capacity building needs of government agencies in planning and managing urban development and municipal service delivery. The report concluded with a social assessment and an environmental impact assessment. Overall, the consultants' report was of good quality and was thorough in its analysis and assessments.

40. **Urban Policy Workshop.** The workshop was well attended with 76 participants, including representatives from the Ministry of Finance and Ministry of Construction, and delegations from 17 cities, as well as representatives of the World Bank, the United Nations Industrial Development Organization, the Canadian and Danish embassies, and four ADB staff. Logistics and communications support was adequate. The workshop accomplished its major objective by assisting the Government in providing a forum for discussing issues in the urban sector, and in promoting further dialogue between government agencies, city administrations, and ADB. The theme papers were interesting, topical, and generated discussion. The workshop also provided a forum for an exchange of information and networking among city representatives from across the country and with ADB officials. The workshop was successful in bringing to the forefront the magnitude of the investment needed in urban infrastructure.

## **B. Training and Knowledge/Technology Transfer**

41. Except for the Huai Hai Road Area TA, the TAs had no requirements for training or technology transfer. The training under the Huai Hai Road Area TA was limited in its effectiveness because most municipal government staff did not have the appropriate background or experience. The Shanghai municipal government felt it would be more cost-effective to hire new staff with the appropriate skills rather than train existing staff. There is no evidence that counterpart staff benefited from exposure to international practices in urban development, although there may have been some transfer of knowledge from international to domestic consultants because of the collaborative nature of their work.

## **C. Institution Building**

42. The institution-building efforts of the TAs were usually in terms of an appropriate institutional setup to implement the recommendations. For example, the report of the Huai Hai Road Area TA made some institutional strengthening recommendations regarding skills enhancement and decentralization that were subsequently implemented by the Government. The Urban Environmental Improvement Planning TA reviewed in detail the institutional structures at both national and local levels and put forward suggestions for the reform of the institutions to carry out the proposed projects and strengthen environmental management in the selected cities. An important recommendation concerned the independence and autonomy of public utility organizations in pricing and investment decisions; however, this was not implemented. The TAs for Seminar on BOT in the Water Supply Sector and BOT Chengdu Water Supply transferred to government and water utility officials a substantial amount of knowledge about BOT financing of water supply projects. This undoubtedly strengthened the institutions in charge of this sector in Chengdu. The Hohhot Urban Development TA made recommendations regarding the reorganization of government departments for roads and traffic, but they were difficult to implement because of the constraints imposed by the overlapping jurisdictions of the central and local governments. Nevertheless, the TA helped strengthen the institutional capabilities of the Planning Commission of the Inner Mongolia Autonomous Region, and Hohhot and Baotou municipal governments through collaboration with the consultants in

developing the urban development plans and programs. Officials in the local environmental protection bureaus learned how to combine environmental impact assessments and engineering, economic, and financial analyses in preparing project proposals. In general, the TAs had a significant impact on institution building.

#### **D. Performance of Consultants**

43. Overall, the consultants that carried out the later four TAs performed satisfactorily. Their final reports complied with the requirements of the TOR and met the TAs' objectives. The consultants' qualifications were adequate to undertake the work required. The consultants had cordial relations with the executing agencies and were able to elicit good cooperation from them.

44. The domestic consultants engaged for the Huai Hai Road Area TA performed poorly as they acted more as reviewers of the international consultants' work rather than contributors to the report. They also had numerous disagreements with the executing agency about costs, salaries, and the allocation of tasks to be undertaken, which delayed the start of their work.

45. In the Urban Environmental Improvement Planning TA, the plans prepared by the consultants were not in accordance with the TOR and, therefore, were not of much use to the executing agency. The projects proposed by the consultants for urban environmental improvement were essentially those that the executing agency had already planned. The consultants did not make any new suggestions and did not justify projects in terms of financial and economic viability. The consultants should also have put more time in the collection of data. Travel to two of the three cities selected for a more in-depth study, Changchun and Jilin, took place on three different occasions; however, the consultant team stayed in these two cities for only one week each time. This was insufficient for carrying out a study of this size and complexity. As a result, there were significant gaps in data and weaknesses in the analysis of the executing agency's financial capabilities and cost recovery potential.

### **IV. CONCLUSIONS**

#### **A. Key Issues for the Future**

46. ADB's decision to finance the earlier TAs in the urban sector in the PRC was not based on the COS for the PRC. However, urban development was a major issue in the PRC and possibly the urban sector should not have been excluded from the strategy. Perhaps, ADB's failure to heed the COS was less of a shortcoming compared with the exclusion of the urban sector from the COS. In the future, when faced with a request to assist in sectors not specified in the COS, the strategy should be reviewed and amended accordingly, provided there is a sound rationale for doing so. This procedure is suggested by the guidelines for preparing COSs and can now be readily accommodated through the recently introduced country strategy and program updates.

#### **B. Overall Assessment**

47. The TAs were advisory and assessment can only be made in terms of relevance, effectiveness, and institution building. The six TAs are rated as follows.

48. In terms of relevance, only the Huai Hai Road Area TA can be considered as not relevant. It was not consistent with the COS and it is difficult to justify a TA for a region that is the most dynamic and prosperous in the country. There were other more needy areas in the PRC. The other TAs were relevant because the environment, and water supply and sanitation components were part of the COS that was revised in 1997 and focused on the poorer and more remote parts of the country. They also addressed an urgent developmental issue.

49. The Seminar on BOT in the Water Supply Sector, BOT Chengdu Water Supply, Hohhot Urban Development, and Urban Policy Workshop TAs may be considered as effective. The Seminar on BOT in the Water Supply Sector and BOT Chengdu Water Supply TAs contributed substantially to strengthening the institutions dealing with water supply. The Hohhot Urban Development TA recommended an urban development plan that was thoroughly analyzed and assessed. The executing agency found it useful and has implemented or is implementing many of its recommendations. The Urban Policy Workshop TA was successful in assisting the Government in providing a forum for discussing issues in the urban sector, and in promoting further dialogue between government agencies, city administrations, and ADB. The Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area TA and the Urban Environmental Improvement Planning TA were not effective because consultants' analyses and recommendations were either too general or narrow in scope and their final reports were of limited use to the executing agencies.

50. Only the TA for the Huai Hai Road Area and the TA for BOT Chengdu Water Supply were explicitly required to strengthen the institutional capacity of the executing agency or other related agency. However, the former was not successful in providing sufficient training to executing agency staff to strengthen capacity. The BOT Chengdu Water Supply TA was effective in capacity building. Most of the TAs had a significant impact on institution building.

51. The six TAs reviewed in this TPAR are rated as follows.

- (i) TA 1784-PRC: Tertiary Sector Economic Reform Policies and Redevelopment Planning for the Huai Hai Road Area: unsuccessful
- (ii) TA 2015-PRC: Urban Environmental Improvement Planning: unsuccessful
- (iii) TA 2504-PRC: Seminar on BOT in the Water Supply Sector: successful
- (iv) TA 2804-PRC: BOT Chengdu Water Supply: successful
- (v) TA 2893-PRC: Hohhot Urban Development: successful
- (vi) TA 3096-PRC: Urban Policy Workshop: successful

Although ADB's early TAs in urban development were not successful, the trend in recent years has been toward successful outcomes, as ADB has gained more experience in the PRC and has focused on areas in urban development in which it has a comparative advantage, such as water supply and sanitation.

**C. Lessons Learned**

52. ADB needs to be more thorough in preparing TAs in the urban development sector. For example, during the preparation of the Urban Environmental Improvement Planning TA, data availability was not adequately assessed and thus an appropriate selection of the most polluted cities could not be made.

53. ADB needs to ensure that sufficient resources are devoted to TAs. Insufficient resources for the Urban Environmental Improvement Planning TA resulted in urban environmental improvement programs being developed for only three cities instead of for the five originally envisaged. Because of inadequate supervision, the output of the TA was not of sufficiently high quality and did not adequately fulfill the TOR. The TA for the Huai Hai Road Area had similar deficiencies. ADB needs to ensure that enough resources are allocated for the translation of documents into the local language, as English is not widely used in the PRC.

54. TAs that serve as demonstration or pilot projects should include in their design mechanisms to disseminate the results and findings to a wider audience in the country. If the results of these TAs are positive, their findings should be promoted more vigorously.

**D. Follow-Up Actions and Recommendations**

55. No follow-up actions are required.