

TECHNICAL ASSISTANCE COMPLETION REPORT

Division : EAAE

Division: E/AF/E

TA No., Country and Name			Amount Approved: \$500,000	
TA 4447-PRC : Evaluation of Environmental Policy and Investment for Water Pollution Control in the Huai River Basin and the Taihu Lake Basin			Revised Amount: not applicable	
Executing Agency State Environmental Protection Administration (SEPA)		Source of Funding: TASF	Amount Undisbursed: \$12,287	Amount Utilized: \$487,713
TA Approval Date: 25 November 2004 TA Signing Date: 31 January 2005 Fielding of First Consultants: 4 November 2005			TA Completion Date Original: 31 March 2006 Actual: 31 October 2007 Account Closing Date Original: 31 March 2006 Actual: 30 September 2008	
Description The Huai River basin (HRB) and the Taihu Lake basin (TLB) are two of the major water basins in the People's Republic of China (PRC), with a combined area of about 310,000 km ² and a population of about 200 million. Facing a serious threat to their sustainability from rapid economic growth, the Government has implemented major time-bound environmental plans and investment programs to curb water pollution in both basins. For example, in its 10 th Five-Year Plan 2000–2005 (FYP), 488 projects with total investment of CNY25.59 billion (\$3.7 billion equivalent) were planned in HRB and 255 projects with total cost of CNY20 billion (\$2.9 billion equivalent) were planned in TLB. In 1994, the State Council issued the Regulation on HRB Water Pollution Prevention and Control, the first region-specific law in the country. However, more than 200 serious water pollution accidents had been recorded by 2005, with major events in 1989, 1992, 1994, 2001, 2002, and 2004 that caused drinking water supply difficulties for hundreds of thousands of people, loss of aquatic life, and economic losses.				
Expected Impact, Outcome, and Outputs Given the grave state of water pollution in the PRC in general and in HRB and TLB in particular, the TA was highly relevant and timely. The TA was to help improve water pollution control in HRB and TLB through review and analysis of the policy and investment programs implemented during the 9 th and 10 th FYPs. The expected outcome was more effective government regulatory and institutional systems for river basin pollution control. The TA produced three major outputs: (i) a comprehensive evaluation report assessing the performance during the 9 th and 10 th FYP periods and identifying the necessary priority reforms and the phasing required for long-term control of water pollution; (ii) recommendations on legal, policy, and institutional reforms, as well as financing and investment directions for river basin-based water pollution control; and (iii) an integrated and basin-based evaluation methodology suitable for use in other river and lake basins, with related training materials and guidelines. The quality of the outputs is satisfactory and the government finds them relevant to bring about institutional and policy reforms. The TA was instrumental in effecting such changes in the 11 th FYP. In part, based on the recommendation articulated by this TA, the Government upgraded the executing agency (EA)—the State Environmental Protection Administration (SEPA) into the Ministry of Environmental Protection (MEP) in March 2008.				
Delivery of Inputs and Conduct of Activities The TA was implemented on a pilot basis, ¹ whereby consultant recruitment and supervision was delegated to the EA (SEPA). Consultant recruitment was delayed by about 8 months (i) as it was SEPA's, as well as ADB's first-time experience with the pilot whereby the consultant recruitment and supervision was delegated to the EA; (ii) during the recruitment process, SEPA required ADB's concurrence at multiple steps that needed back-and-forth communication and exchange of documents; and (iii) SEPA staff received only a half-day training to learn about ADB procedures which was inadequate. Nevertheless, SEPA provided active support from the start of TA activities. SEPA and ADB were generally satisfied with this experiment of direct engagement of the Consultant. The Consultant's input delivery was efficient and activities well-managed. The Inception Report was submitted in March 2006, the Interim Report in September 2006, and the Draft Final Report in September 2007. The performance of the EA and the Consultant is rated satisfactory. Although ADB should have provided elaborate training to the EA on procurement procedures, the overall performance of ADB is rated satisfactory as it provided regular feedback to the EA and the Consultant throughout its implementation. The EA and ADB are satisfied with the Consultant's performance.				
Evaluation of Outputs and Achievement of Outcome The TA delivered all three required outputs, namely (i) an evaluation report, (ii) a set of comprehensive recommendations for priority and phased reforms, and (iii) a practical river basin evaluation methodology. The evaluation report (a) summarized the information and findings of pollution control in the two basins; (b) presented the performance assessment results of the water pollution control during 9 th and 10 th FYPs for HRB and TLB; (c) reviewed the government pollution control financing and investment programs; (d)				

¹ ADB. 2003. *A Pilot Study for Delegation of Consultant Recruitment and Supervision under Technical Assistance to Executing Agencies*. Manila (Board Paper R157-03, dated 29 August 2003).

analyzed the policies, legal/judicial system and government institutional framework regarding water pollution control; and (e) screened, analyzed, and suggested numerous international best practices. Based on the evaluation results, the TA developed the methodology and guidelines for evaluating basin water pollution control plans; and provided priority recommendations on policy, investments, and institutional reforms. The outputs covered many important, sensitive, and critical areas of pollution control in the two basins and provided a comprehensive evaluation and relevant recommendations.

The quality of the TA outputs was satisfactory and timely. Some of the recommendations have been incorporated in the 11th FYP that was being formulated concurrently. The TA was also able to derive consensus among other line agencies and local bureaus through its seminars and workshops that presented and discussed draft outputs. Prolonged internal reviews of the TA outputs is one of the main reasons of delayed TA implementation. Based on the TA outputs, a policy paper was prepared and presented in the final workshop and short policy notes were presented to high-level officials. Another policy note, *Knowledge Showcase*, is under preparation and it will be translated in Chinese in coordination with PRCM and shared with the high-level officials.

Overall Assessment and Rating

Despite the delayed start and prolonged implementation, the TA has achieved its objectives and the scope of work has been completed. The TA, therefore, is considered successful.

Major Lessons Learned

Both the EA and ADB have learned that multiple layers of management and coordination could cause project delays. However, through this pilot, the EA has improved its capacity for TA implementation and for managing other international projects. The direct recruitment and management of the Consultant allowed the EA to effectively direct the TA activities where they were most needed and applicable to the country situation. The TA scope was ambitious and included two of the largest and most complex river basins in the PRC. This created a large requirement for data collection. The data gathering capacity of the EA and its institutional setup were not geared to meet the evaluation needs, and it could not effectively coordinate with other government agencies. The TA might have been more effective by focusing on one water basin instead of two. The TA team composition was also not fully effective. The TA employed several high-ranking university staff as national experts. These staff were often over-committed on their time and were difficult to engage in the TA activities on a regular basis which was one of the main reasons for its prolonged implementation. For similar TAs in the future, it might be better to engage full-time professional experts, who have both the time and expertise to effectively complete their assignments.

Recommendations and Follow-Up Actions

The TA developed an institutional reform framework and its major recommendations concentrated on the pollutants discharge permitting system and the institutional reform of SEPA. The main recommendations included (i) empowering SEPA as a unified authority to administer all pollution control affairs in the PRC and providing it with sufficient financial resources; (ii) establishing water pollution control monitoring, supervision, and management systems with detailed regulation and enforcement measures; (iii) setting up a unified and sound pollutants discharge permit system with detailed management and implementation guidelines; (iv) establishing a market-based water pollution control financing mechanism supervised by the Government; (v) revising the Environmental Protection Act, the Water Act, and the Water Pollution Prevention Act to ensure mutually supporting and coordinated environmental laws, and a more effective environmental protection supervision system where the government agencies coordinate and collaborate in pollution control; (vi) establishing a comprehensive watershed-based planning system, which includes water pollution control, water ecology, water resources utilization, flood prevention, and regional economic development; (vii) establishing a coordinated and unified water environment management institution for each watershed; (viii) conducting a comprehensive agricultural non-point source pollution survey and developing a pollution control plan together with the current rural development plan in the PRC; (ix) modifying or updating the General Principles of Civil Law, the Criminal Law, and the Civil Procedural Law to establish and improve the environmental pollution dispute handling mechanisms; and (x) establishing a mechanism for public participation in environmental monitoring, decision-making, and law enforcement and plan implementation by establishing specific regulations and implementation guidelines. The TA findings and recommendations were shared with the line agencies through workshops and will be disseminated to the public after obtaining concurrence from the Government. Although SEPA was upgraded to become MEP in March 2008, it still does not have the legal power to enforce environmental laws at the local level. The possible areas of future assistance should include (i) further institutional reforms to empower MEP; and (ii) conducting agricultural non-point source pollution surveys on pilot basis and developing a pollution control plan as part of the overall rural development plan. This pilot can go beyond the livestock waste pollution studied under the TA3891-PRC² and analyze the impact of agro-chemicals on soil degradation and their entry into food-chain through root-zone contamination. Agricultural non-point source pollution, the largest source of pollution in the water bodies of the PRC, has a detrimental impact on human health and biodiversity.

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² ADB. 2002. *Technical Assistance to the People's Republic of China for the Control and Management of Rural Nonpoint Source Pollution*. Manila. The TA was completed in November 2004.