

Third Party Evaluator's Opinion on Beijing No. 9 Water Works Expansion Project

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Criteria-1 IMPACT

All the positive and negative evaluations in the Ex-post Evaluation Report for the project are agreeable. In recent years, because of continuing drought in Beijing, the water quality of the resource water of No. 9 Water Works has witnessed obvious changes, which has brought challenges to the water treatment ability and has certain influence on the water supplying ability. At the same time, the No. 9 Water Works will face several important changes of water resources; it will treat water from four different dams in Hebei province in 2008, and in the future, it will treat water from the Yellow river and water from the Danjiangkou Dam. This will surely be a huge challenge for the water treatment technique, and water purification facilities will play an important role in meeting these challenges.

The evaluated project has not only improved the ability of No. 9 Water Works' purification ability, but during the implementation, the executing agencies were able to accumulate useful experiences. For example, in this May, a project to improve of Beijing No. 9 Water Works (reconstruction of the 2B sedimentation pool) was completed. During the implementation of the this project, Beijing Waterworks Group has been able to make use of the experiences acquired from implementing the evaluated project (note: please see news at website of Beijing Water Group, http://www.bjwatergroup.com.cn/264/2007_6_1/264_3460_1180681172843.html). During the improvement works, there had been no disturbance on the rest of the No. 9 Water Works and water supply was stabled. Therefore, the evaluated project has provided the executing agencies with technical experiences which help them to implement further purification projects.

The improvement project of Beijing No. 9 Water Works is part of the key project plan "Three Plants & One Pipe" of Beijing Waterworks Group. The plan aims at, with coming of 2008 Olympics, meeting further demands for water supply in Beijing. The plan includes the expansion project of Beijing No. 3 Water Works, the improvement project of Beijing No. 9 Water Works, the improvement and expansion project of Tiancunshan Water Purification Plant, and the distribution pipes from Tuanjiehu Lake to Beijing No. 9 Water Works. So far, only the improvement project of Beijing No. 9 Water Works has been finished, the other three projects will be finished before the 2008 Olympic Games. The completion of this project has been marked as a good start for the "Three Plants & One Pipe" plan. This plan is affiliated with the NanshuiBeidiao Projects (projects bringing water from the South to the North). So, we can see the value of the evaluated project --- it has paved a good way for the projects to come which will play important roles in solving the water shortage in Beijing.

Criteria-2 SUSTAINABILITY

As agreed with facts described in the Ex-post Evaluation Report, the financial status of Beijing Waterworks Group has not been altogether sound. The group has planned to invest 1.8 billion yuan into the above mentioned “Three Plants & One Pipe” project in order to guarantee the water supply in Beijing during the 2008 Olympics. Considering the current financial status and investment plan of the group, it seems difficult for the waterworks group to turn the deficit into profit in the coming years.

One thing needs to be pointed out regarding the water rates. Since 2002, the water resource rate has been charged by the government and has been added to water rates (it was 0.6 yuan/m³, including the annual raise) . Although the water rates had again been raised in 2004, a portion will returned to the government as the water resource charge and will be used for water resources protection and to cover the project cost for the Nanshuibeidiao Projects. According to sources in the waterworks group, at the next raise, the company is expecting some compensation from the government in order to balance the financial status. (Please see the report published on July 17, 2004, by the 21st Century Economic report Newspaper, <http://business.sohu.com/20040717/n221052324.shtml>)

There were also complaints in 2004 that the waterworks group company bared payment for bills which should have been borne by the government (Please see the report by China Financial & Economic News, <http://finance.sina.com.cn/roll/20040706/1100853148.shtml>). It is hard to say what kind of effective measures the Beijing municipal government can take to help the waterworks group, yet it does not mean that it will jeopardize the sustainability of the evaluated project (Please see report about the international seminar on the sustainable use of water resources held on this November in Beijing, http://www.china.com.cn/news/txt/2007-11/08/content_9193764.htm). The biggest challenge is regarding the water shortage in Beijing, since it will become a bottle-neck for the Beijing’s development. The Beijing municipal government has been determined to reach balance in the demands and supply of water resources (by properly using the five different water resources including surface water, ground water, recycling water, rain and flood, water from outside of Beijing, and ground water) after the year of 2010 when water from the Nanshuibeidiao projects reach Beijing. It is certain that the government will use all its administrative abilities to ensure the implementation of the projects relating to this ultimate goal.