

Simplified Ex-Post Evaluation for Grant Aid Project

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Project Name	The Project for Construction of the China-Japan Friendship Dalian Center for Human Resources Development	January 2010 – December 2010

I Project Outline

Country Name	People's Republic of China	
Project Period	August 2004-February 2006	
Implementing Agency	Ministry of Commerce, Dalian Municipal Bureau of Science and Technology (大連市科学技術局)	
Project Cost	Grant Limit : 968 million yen	Actual Grant Amount : 967 million yen
Main Contractors	The consortium of Taisei Corporation and Itochu Corporation	
Main Consultants	Pacific Consultants International	
Basic Design	August 2004	
Related Projects (if any)	JICA, “The Project for Business Human Resource Development” (2006-2010) (Technical Cooperation Project)	
Project Background	Designated as the only “Base of Human Capacity Development for IT Software” in China (our translation), Dalian city is expected to become the center for the IT industry. Further, facing challenges and opportunities brought on by China’s entry in the WTO, emphasis is being given to human resource development (HRD) in various areas of expertise and skills; Japanese language, IT, engineering and business management, so as to facilitate expansion of Japanese investment in high-tech industries. While Japanese companies need to secure a stable source of skilled workers for their business operations in China, it has been, in practice, challenging and costly to do it alone. Under such circumstances, and considering the outlook for strengthening economic ties with Japan, the government of China and Dalian municipality initiated plans for the “China-Japan Friendship Dalian Center” and requested assistance in the form of Japanese Grant Aid for to establish such a facility and provide equipment for human resource development of above mentioned strategic areas.	
Project Objective	To construct facilities and install equipment to provide training in the Japanese language, IT, engineering, and business management, in order to contribute to growth and development of the economy of Dalian city and Liaoning province and support and facilitate business of Japanese branch offices.	
Output[s] (Japanese Side)	<p>1. Construction of facilities: the China-Japan Friendship Dalian Center (5 story-rooftop, ground floor area: 2,320 m², footprint: 4,856 m²) Administration Office (5 rooms), Education Information Center, Internet Center, Computer Server room, Meeting Room, Office for Japanese experts (10 rooms) , Hall, Seminar Room (10 rooms), Interview Room (4 rooms), Computer Room (3 rooms), Demonstration Room (3 rooms), Student Room, Library, Lecturer’s Lounge. Student Lounge</p> <p>2. Provision of equipment Language laboratory equipment, LDC projector, DVD player, Screen, Server, PC, PC desk & chair, AV Equipment, Meeting room table, Vehicle, etc.</p>	

II Result of the Evaluation

Summary of the evaluation
<p>This project was intended to provide facilities and equipment to Dalian city, which has had strong ties with Japan, in order to contribute to advancement of Chinese who are working at Japanese companies or Chinese companies having business alliances with Japanese counterparts, or strongly interested in working at such companies. The relevance of this HRD plan is highly evaluated in terms of the policy and needs of Chinese government and Japan’s ODA policy. Regarding the efficiency, it has been carried out consistent with the initial plan, based on bilateral collaboration. Also, effectiveness of the project is noteworthy as the degree of attainment of targets set in the initial plan is fairly high. However, as there is some concern regarding operation and maintenance in terms of current personnel arrangement and financial aspects, there is room for improvement in terms of sustainability.</p> <p>In light of the above, this project is evaluated to be highly satisfactory.</p> <p><Recommendations></p> <p>As a recommendation to JICA, it would be beneficial to ensure effective implementation of the plan for management of the project itself by including instruction in business management for personnel of the counterpart entity active in this project but having little business experience. This project is a case in point, as some Japanese experts of the relevant technical cooperation project have given advice and support to managers of the Center who have little experience of business management.</p> <p>As a recommendation to the implementing agency, mention must be made of issues related to financial aspects to ensure sustainability of operation and maintenance. From the viewpoint of strengthening the financial basis of the project, it is deemed to be indispensable to secure an independent source of funding. At least in the short term, it is essential to implement various measures for future progress proposed by the JICA technical cooperation project, such as expansion of the teaching staff and of training programs.</p>

<Constraints of this evaluation study>

At the time of project planning, the target year was 2010. Since, this ex-post evaluation was carried out during 2010, the actual numbers which we can obtain are those of 2009. Therefore it is impossible to compare the actual numbers to the target numbers and judge an exact degree of attainment.

1 Relevance

(1) Relevance to the Development Plan of China

At the time of project planning, in light of “reform and door-opening policies”, the government of China was actively engaged in inviting foreign capital investment as a means to realize economic growth by. In 2003, the general assembly of the Communist Party Central Committee endorsed “Regional Development of Northeastern Region” as having a high priority, particularly in regard to a redevelopment plan to replace obsolete heavy industry in northeastern region of China. As such, it was thought that state enterprise reform should be promoted with the aid of foreign capital, particularly from Japanese companies. Dalian city in Liaoning province where the implementation site of this project is located was designated as the “international model city of software industry” by China’s Ministry of Science and Technology; one of software industry bases (of a total of 12 bases around China), and the “national base of IT software human capacity development” by the National Development and Reform Commission. The city was strongly expected to be the center of IT industry. Specifically, targeting human capacity development for skilled workers with Japanese language ability and expertise was considered vital to facilitate expansion of investment and trade with Japan in Dalian city and Northeastern region.

Throughout the implementation to the completion of the project, various policy acts related to invitation of foreign investment and human capacity development on software as well as service outsourcing have been issued. These policy comprise “关于促进东北老工业基地进一步扩大对外开放的实施意见”（国务院办公厅：2005年）、“大连市进一步促进软件和服务外包产业发展的若干规定”（大连市人民政府办公厅：2008年）、“大连市信息技术人才职业教育培训机构认定办法”（大连市情报产业局：2008年）、et cetera. Thus, this project is consistent with policy of China.

(2) Relevance to the Development Needs of China

At the time of project planning, economic ties between Dalian city and Japan were very strong. In 2003, the number of Japanese companies operating in Dalian city reached about 2500. The volume of trade with Japan, both imports and exports, accounted for about 40% of the total volume of trade of the city. And since 2000, Japan has been the top country in terms of execution of direct investment, in terms of money invested. Dalian city aimed at further expanding investment from Japan, in order to achieve economic growth of the city and Liaoning province. There was, however, a serious shortage of skilled workers with those qualities necessary to be fully engaged in Japanese companies, notably Japanese language ability, IT, engineering, and business management. It was evident in mismatch in local labor market that while there were about 50,000 job openings annually, only 34,000 people applied.

At the time of ex-post evaluation, the economic ties between Dalian city and Japan were still strong. Figures show that the total volume of trade is steadily increasing at least until 2008. As is evident from the above-mentioned policy acts, Dalian city has strengthened human capacity development in the areas of information technology. Therefore, the project matched the development needs of China.

(3) Relevance to Japan’s ODA Policy

In regard to Japan’s development assistance program for China, a policy document released in October 2001 emphasized activity to “assist reform and door-opening”, “deepen mutual understanding” and “support private sector activities.” Thus, this project was consistent with Japanese policy. In the meantime, within the subject of future direction of Japan’s economic cooperation to China, behind the backdrop of the recent booming economy in China, it is seen as an urgent matter to make the transition in terms of financial arrangement, particularly for the areas where government of China and/or Chinese private sector should take measures to facilitate their own funding. Considering current Chinese economic situation, it is desirable to review the Japan’s ODA assistance for the area in point.

This project has been highly relevant with China’s development plan, development needs, as well as Japan’s ODA policy, and therefore its relevance is high.

2 Efficiency

(1) Project Outputs

The output on the Japanese side was executed according to the plan as specified at the signing of E/N. There was, however, one numeral difference between the final equipment list and the list of basic design study report. At the time of planning, what described as “speaker: 4 systems” was actually “8 items” in the list.

(2) Project Period (Project Inputs)

The plan period of the project was 19 months, and the project was accomplished as planned (100%). According to the consultant engaged for the project, there was a concern that in China, the complicated process of building permit applications and the examination process would take a long time. For this reason, it was the work of the contractor to make the project arrangements, with support of the consultant. From the early stage of the project, they tried to get much assistance from JICA Beijing office and China’s Ministry of Commerce. As a result, they could smoothly handle and complete the required procedures.

(3) Project Cost (Project Inputs)

The initial project cost was planned at 968 million yen but actual cost was 967 million yen. So the project was completed as planned (99.9%). According to the consultant engaged for the project, the difference was caused by appreciation of the yen (In March 2004 1RMB=13.06 yen, in August 2004, 1RMB=13.21yen), a unit price drop of rebar prices, and discounts of airfares.

Both project period and project cost were essentially as planned or within the plan, and therefore the efficiency of the project is high.

3 Effectiveness / Impact

(1) Quantitative Effects

At the time of project planning, the anticipated target number was taken as corresponding to three respective annual totals of (1) seminars (48 classes), (2) attendees who had completed courses (3,900 persons) and (3) persons who had attended seminars (14,000 persons), as of the target year of 2010. Data from the implementing agency indicates the actual numbers in 2009 as (1) 114 courses, (2) 3,882 persons (99.5% achievement rate), and (3) 3,430 persons (24.5% achievement rate). Regarding (1) the number of seminars, there is a discrepancy in the unit of the “classes” and “courses”, so caution is necessary in comparison. But judging from (2) the number of students, we can conclude that the target was almost achieved. On the other hand, regarding (3) the number of persons who had attended seminars, the target has not been reached. However, since 2006, the number has been increasing (year-on-year increase of 36% in 2008, 27% in 2009). Thus, it is expected to rise over time.

Regarding the facilities of the China-Japan Friendship Dalian Center, it has been used as planned except for “office of the China-Japan Cultural Exchange Association”, formerly planned as a “business management demonstration room”, and the name “Japanese corporate information room” has been changed to “office of public relations”. Regarding major equipment provided by the project, according to the implementing agency, except for minor repair of one air conditioner, all equipment is being fully utilized without a problem.

(2) Impacts (Impacts on the Natural Environment, Land Acquisition and Resettlement, Unintended Positive/Negative Impact)

The response obtained from the implementing agency indicates that the project facilities are contributing not only to Japanese companies, but also to Chinese state enterprises as shown in increase in the number of educational activities carried out by such enterprises such as the national railway company. Further, the facilities are considered to be playing a positive role in support of employee training and formation of educational environment for Chinese state enterprises. The center serves as a venue for China-Japan cultural exchange and deepening relations between local and Japanese companies, by being used for various purposes such as IT club conferences, social gatherings of companies, tea ceremonies, flower arrangements, and musical concerts. Thus, it was confirmed that the facilities are serving their intended purpose of deepening mutual understanding of the two countries as mentioned in Japan’s ODA policy statement.

In addition, the site was originally used for a playground, so that it was free of issues such as relocation of inhabitants and land acquisition. Also from the viewpoint of promoting barrier-free society, it was made to have barrier-free facilities such as restrooms and elevators. It has been informed to us that there have been no issues might cause negative impacts.

This project has largely achieved its objectives, and therefore its effectiveness is high.

4 Sustainability

(1) Structural Aspects of Operation Maintenance

Structural arrangements for this project have undergone no change since the plan was made; the Center is an independent corporation as a non-profit public educational institute whose oversight authority is the Dalian municipal bureau of science and technology. On the other hand, the governing structure was supposed to be a council organized so as to have members who were representative of relevant institutions, and a director of the Center was supposed to be appointed by the same Dalian municipal bureau. But this has been changed after the basic design study was done. Currently, management of the Center is the responsibility of Dalian Jiaotong University and the President of Dalian Jiaotong University serves as a director of the Center. We have not confirmed the institutional framework of the decision making process regarding operation policies of the Center. According to the report of a relevant technical cooperation project, Dalian Jiaotong University’s stance on how the center should be utilized may well be described as a double-edged sword.

In addition, according to the implementing agency, it was reported that 13 staff members and 10 lecturers are engaged at the Center in 2010. Up until 2009, the number of staffs had increased. However, it is not known exactly why but there is some concern that from 2010, the number of personnel is on the decline (this according to implementing agency information).

(2) Technical Aspects of Operation Maintenance

Response to the questionnaire shows that there has not been any occurrence of a major problem at the technical level in connection with operation and maintenance of the Center. However, regarding operation of training courses, mention was made that they face challenges in terms of the design of courses and securing Japanese expertise (management consultations for business executives) to meet the needs of the business sector in the ever-changing economic environment. It is particularly hard to define the needs themselves when the types of business coming to Dalian city are changing.

In addition, according to the final report of the technical cooperation project, some Japanese experts have given advice to business management of the Center and have supported activities such as designing training courses, public relations, and project planning and management. There is some concern about capability of management of operations of the Center.

(3) Financial Aspects of Operation Maintenance

There is a considerable discrepancy between the financial plan at the time of project planning and the actual balance. For example, the planned price of tuition had been 1,500RMB, but the actual price was 396RMB. And planned income from accommodation charges had been 3,114,000 RMB but this has generated no income at all. According to the projection in the basic design, the project was supposed to turn profitable in 2008. It was, however, running at a loss since inception. In 2009, the deficit amounted to 30,000RMB. Of total income of 2.53 million RMB, tuition was 1.42 million RMB, payment by Dalian city 1 million RMB, and miscellaneous income 110,000 RMB. Dalian municipality provided 40% of the total income in 2009. According to the response from the Center, while it is trying hard to enlarge the scope of training programs in order to secure income, the Center still needs financial assistance from many funding sources. Thus, the financial sustainability may well depend on financial assistance from Dalian municipality.

(4) Current Status of Operation Maintenance

The response from the implementing agency indicated that although there are several items of equipment out of repair and not used for the intended purpose (they are planning to repair one air conditioner), it can be said that major items of equipment obtained through this project were being fully utilized. Regarding operation and management of training programs, they are trying to promote activities of the Center through a specially designed website in order to revitalize relationships with local businesses.

In addition, the technical cooperation project at the Center ended in February 2010. According to the final report, there are some recommendations for the Center and JICA's future assistance; it is desirable for the Center to face challenges by making the most of the results achieved up to now. In the report, the Center is described as being in the process of achieving independence, but it is thought that some time will be needed to evaluate the capacity of the counterpart acquired through the technical cooperation project.

Some problems have been observed in terms of structural and financial aspects, and therefore sustainability of the project effects is fair.