

Third Party Evaluators' Opinion on Xi'an Water Supply Project (1)(2)

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Relevance

Before Xi'an water supply project was finished, most of the water resources used in Xi'an city was from groundwater and the water resources had been in short supply, compared with the fast socio economic development in Xi'an city. Therefore, further developing Heihe water resources is reasonable to meet the demand of Xi'an's development for water resources. Xi'an water supply project is playing a key role for the sustainable development of Xi'an city.

Efficiency

As mentioned in the evaluation report, the actual water supply of the Heihe water intake system was 207 million m³/year in 2004, accounting for only 68% the supply capacity of 305 million m³/year. And the condition in 2005 is quite similar to that of 2004 according to my investigation^①. From the view point of economic efficiency, there is much room for improvement. The economic situation of Xi'an Heihe Water Supply Co. Ltd is not good as expected,^② which will give a pressure to municipal government. But from the point view of long term demand for water supply in Xi'an city, it is reasonable to conduct the project with such capacity.

Impact

Based on the master plan of Xi'an city for 2005-2020 drafted in 2004^③, the population within urban area (11 districts) will reach 6.95 million and 7.65 million by 2010 and 2020. The economic growth rate in terms of GDP will maintain at least 11% in next 15 years. The urban area will also expand to 600 km² by 2020. All these factors reveal a great demand for the water supply in the near future. As mentioned in the evaluation report, the population served in the area covered by this project has reached nearly 2.5million by 2003, exceeding the planned 2.2 million. The project can provide safe drinking water for more citizens, since ground water quality is poor for drinking.

Sustainability

Institutional and financial analysis is important for the understanding of sustainability of the project. Xi'an Water Supply General Company and Xi'an Heihe Water Supply Co. Ltd are both state-owned company, and Xi'an Heihe Water Supply Co. Ltd belongs to Xi'an municipal government, where as Xi'an Water Supply General Company belongs to Xi'an municipal public utility management commission. The financial budget in Xi'an Heihe Water Supply Co. Ltd is not good^④ because of lower water price and smaller amount of water they have sold. In order to balance the budget of Xi'an Heihe Water Supply Co. Ltd, the water price charged by Xi'an Water Supply General Company has been increased to 0.7 yuan/m³ from 0.5 yuan/m³ this year.

For the water volume, the replacement of groundwater resources in Xi'an city does not progress as expected in project report, the amount of water supply has just reached its 2/3 of full capacity of the project in 2005. Xi'an municipal government has taken measures to close the self-service wells of the organizations in central urban area to alleviate land subsidence. For example, the government published a name list of units and request these units to close their wells before October 1 2004. But for economic reasons, some big water users with their own wells are reluctant to change the water resources to the water from Xi'an Water Supply General Company, because the water users with their own wells only pay very small water resources fees to water resources bureau.

In order to maintain benefits of the project, Xi'an municipal government has taken some measures, including enacting regulations on water pollution prevention and control in Heihe water transfer area, pollution risk management rules, water transfer channel protection rules, and water saving programs etc. These activities will ensure the sustainability of the project.

In order to improve the financial status of Xi'an's water supply company and to encourage water users to save water, the municipal government increased the water price to 3.0 Yuan/m³ from 2.35 this year.

In the last, based on the evaluation report, my telephone interviews and relative materials, I believe Xi'an water supply project is a successful investment project and it has played a great role for the socio economic development of Xi'an.

^① Telephone interview with Zhang Xiqian, vice director of Xi'an Heihe Water Supply Co. Ltd.

^② The information is provided from Ms Zhang, the chief of financial branch of Xi'an Heihe Water Supply Co. Ltd.

^③ See the website of Xi'an City Planning Bureau, [Http://www.xaghj.gov.cn](http://www.xaghj.gov.cn)

The interviewee I have discussed with telephone includes Mr Chen from Xi'an Water Supply General Company; Mr Yang, former director of branch, Xi'an Development and Reform Commition; Liu Anli, vice director of Xi'an Heihe Water Supply Co. Ltd.

^④ See end note 2.