



Technical Assistance Report

Project Number: 48006-001
Policy and Advisory Technical Assistance (PATA)
September 2014

People's Republic of China: Improving Efficiency in Public Service Procurement, Delivery, and Financing

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 18 August 2014)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1625
\$1.00	=	CNY6.1544

ABBREVIATIONS

ADB	–	Asian Development Bank
PRC	–	People's Republic of China
TA	–	technical assistance

NOTE

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

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POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48006-001	
Project Name	Improving Efficiency in Public Service Procurement, Delivery, and Financing	Department /Division	EARD/EAPF
Country Borrower	China, People's Republic of MOF, PRC	Executing Agency	Ministry of Finance
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Public expenditure and fiscal management		0.80
		Total	0.80
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Public financial governance	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.80	
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund		0.80	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.80	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. The Government of the People's Republic of China (PRC) requested the Asian Development Bank (ADB) to provide technical assistance (TA) to improve efficiency in public service procurement, provision, and financing.¹ A TA fact-finding mission on 25–26 March 2014 reached agreement with the government on the impact, outcome, outputs, implementation arrangements, costs, financial arrangements, and terms of reference for consulting services of the TA. The design and monitoring framework is in Appendix 1.²

II. ISSUES

2. Accelerating urbanization and an aging population have increased the need for public services in the PRC. Although the quality and quantity of public services have improved along with the country's continued economic growth, their provision has not met expanding or changing needs. The government highlighted the importance of improving public service procurement, provision, and financing at the Third Plenary Session of the 18th Central Committee of the Chinese Communist Party in November 2013. This policy direction was further supported by the decision made by the Politburo on 30 June 2014.³ Also, the latest amendment of the Budget Law will strengthen budget management both at the central and local levels to meet their expenditure responsibilities.⁴

3. The Third Plenary Session stressed the importance of strengthening the role of the market and facilitating private sector engagement in the public sector to efficiently expand public services.⁵ The government also placed importance on reforming the tax system to strengthen fiscal capacity to support the increase in public service provision, with particular attention paid to the issue of property tax, which would be a stable fiscal resource for local governments. To meet social needs, the government also stressed the importance of reforming the minimum living guarantee system by standardizing its system design and adjusting benefit levels. To fulfill those needs on public services, key challenges are (i) efficiency in public service procurement, (ii) development of a stable fiscal source to finance public services, and (iii) efficiency in the delivery and financing of the minimum living guarantee.

A. Improve Efficiency in Public Service Procurement

4. In the PRC, local governments are largely responsible for social service provision, such as health care and old-age care, while the central government is responsible for policy making, legislation, regulation, and supervision. Given the increased demand for public services, it is inefficient and unrealistic to expect the governments to be entirely responsible for providing public services, including planning, regulating, financing, delivering, and monitoring the services. A key for efficient public service provision will be to engage the private sector in public service provision through procurement.⁶

¹ The TA is included in ADB. 2014. *County Operations Business Plan: People's Republic of China, 2014–2016*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 23 June 2014.

³ The Politburo stressed the importance of reforming the three policy agenda: (i) budget management, (ii) tax reforms, and (iii) intergovernmental fiscal transfers.

⁴ The amended Budget Law was approved on 31 August 2014, and will come into effective on 1 January 2015.

⁵ The Third Plenary Session approved a decision that promotes public service procurement by contracting with the private sector.

⁶ The private sector includes nonprofit organizations.

5. While the PRC has been an active user of private sector engagement in the public sector since the early 1990s, this engagement has been used mostly for infrastructure projects. Although public service provision is a good potential area to engage the private sector, the experience has been limited in the PRC. Private sector engagement in public service provision would increase efficiency in the use of available resources and induce policy reforms that would reallocate roles, incentives, and accountability.

B. Develop a Stable Fiscal Source: Property Tax

6. Property tax is commonly used throughout the world due to its various advantages: (i) stability and predictability as a source of revenue, facilitating long-term budget planning; (ii) fiscal revenue resiliency during downturns due to its limited cyclical nature; and (iii) transparency and high compliance rates due to difficulties in evasion. A well-functioning property tax system would provide a stable basis for strengthening local fiscal capacity. International experience indicates that this tax would be a promising source for local governments to meet their spending responsibilities. However, the PRC experience in property taxation has been very limited. Experimental schemes have been initiated since 2011 in Shanghai and Chongqing, but those schemes have had a limited impact.⁷ A critical limiting factor was the limited tax base, as most residential properties were exempted. A broader tax base is necessary to take advantage of property taxation and support strengthening local fiscal capacity.

7. In addition to a tax base, key elements to design a property tax are (i) tax rate, (ii) tax deduction and exemption options, (iii) tax administration, and (iv) valuation and data requirements. It is also important to streamline the roles of relevant governments and agencies in tax base and rate determinations and tax administration. An important and practical issue is the institutional arrangement for assessment of property value. The failure to establish a credible valuation system will erode taxpayers' confidence, compliance, and revenue performance.

C. Improve Efficiency in Delivery and Financing of the Minimum Living Guarantee System

8. The *dibao* (low-income protection) system in the PRC provides a minimum living guarantee for households whose average income is lower than the local standard for minimum subsistence.⁸ Establishing the *dibao* system for both urban and rural residents was a significant achievement in the PRC to protect people from falling into poverty. Particularly, expanding the *dibao* system to include rural residents has helped reduce the gaps in economic protections between urban and rural residents.⁹ However, the design of the system does not adequately target those in need, and benefit levels are not necessarily in line with actual living costs. Also, no exit policies exist in the current design of the *dibao* system.¹⁰

9. Important factors for an efficient and effective *dibao* system are (i) a means test, (ii) eligibility criteria, (iii) a minimum guarantee level, and (iv) fiscal sustainability. These factors need to be clearly and consistently designed to appropriately identify the target population and

⁷ Those schemes were limited in drawing up lessons for implementation of a countrywide property tax, since most residential properties are exempted and tax revenue collection has been insubstantial. A property tax has been seen just as an economic stabilization tool rather than as a predictable and stable source for local governments.

⁸ The *dibao* system provides income supports for eligible urban and rural residents.

⁹ The *dibao* system was established for urban residents in 1997 and rural residents in 2007.

¹⁰ An exit policy would motivate and support *dibao* beneficiaries to exit from the low-income population targeted under the *dibao* system.

set benefit levels. In addition, an efficient *dibao* system should employ an exit policy and coordinate with other social security services such as unemployment insurance. The *dibao* system needs to be designed not to discourage people from remaining in or returning to the labor market. Another challenge in the PRC is coordination between urban and rural *dibao* systems. Urban and rural benefit levels need to be assessed to improve their effectiveness.

10. ADB's country partnership strategy, 2011–2015 for the PRC identified inclusive growth as one of the three pillars.¹¹ Rapid urbanization and an aging population pose substantial challenges to the government in the provision of needed public services for inclusive growth. Efficiency in public service procurement, delivery, and financing is a key to meet the PRC's expanding needs for public services.

11. The TA will continue and complement support provided by ADB. ADB's previous support included an analysis of mechanisms to improve public service delivery, a practical guide to private sector engagement in the infrastructure sector as well as general guidance on property tax,¹² and previous ADB TA projects supported improving regulatory frameworks, institutional arrangements, and administration of social assistance in the PRC.¹³ In addition, ongoing ADB TA projects support building capacities of nonprofit organizations and facilitating governments' contracting with nonprofit organizations for social service provision and better targeting of beneficiaries.¹⁴ This TA will further examine the potential of private sector engagement in public service provision and will provide a detailed design of property taxation. The TA will be built on lessons from previous support, and will analyze the efficiency of the *dibao* system with particular attention paid to a means test, eligibility, a minimum guarantee level, fiscal sustainability, and an exit policy.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The impact will be improved efficiency in public service procurement, financing, and delivery. The outcome will be improved policy and institutional frameworks for efficient public service procurement, delivery, and financing.

B. Methodology and Key Activities

13. The proposed TA will deliver six major outputs in the following components: (i) efficiency in public service procurement, (ii) development of a property tax, and (iii) improvement in delivery and financing of the *dibao* system.

14. The following outputs will be delivered for efficiency in public service procurement:

¹¹ ADB. 2012. *Country Partnership Strategy: People's Republic of China, 2011–2015*. Manila.

¹² ADB. 2010. *Technical Assistance to the People's Republic of China for Strengthening Fiscal Policy and Public Finance Reform over the Medium-Term*. Manila; ADB. 2013. *Outlook 2013 Update*. (Part 2 Governance and public service delivery). Manila; ADB. 2013. *Public-Private Partnership Handbook*. Manila; and ADB. 2014. Property Taxation in the People's Republic of China. *Observations and Suggestions*. No. 2014-1. Manila.

¹³ ADB. 2009. *Technical Assistance to the People's Republic of China for Strengthening the Antipoverty Effects of Social Assistance*. Manila; ADB. 2011. *Technical Assistance to the People's Republic of China for Building Equitable Opportunities into Social Assistance*. Manila; and ADB. 2012. *Technical Assistance to the People's Republic of China for Streamlining Legal and Regulatory Framework for Social Assistance*. Manila.

¹⁴ ADB. 2011. *Technical Assistance to the People's Republic of China for Management System and Legislative Mechanism for Nonprofit Organization*. Manila; and ADB. 2012. *Technical Assistance to the People's Republic of China for the Performance Evaluation Model for the Urban and Rural Subsistence Security System*. Manila.

- (i) A general operation guideline on engaging the private sector in public service provision in the PRC (a knowledge product).
- (ii) Capacity development for relevant government officials and other stakeholders to enhance their understanding of private sector engagement in public service provision and introduce international good practice.

15. The guideline will be produced based on an analysis of international practices and requirements, including technical issues and regulatory framework. It will also include a list of potential public services for which the private sector can be engaged and a framework to ensure the quality, quantity and affordability of the public services, and will need to be adequately adopted in the PRC. The TA will also analyze the PRC's current preconditions for private sector engagement in public service provision, particularly at the local level, focusing on old-age care and health care services, which are in great demand. A knowledge product will be disseminated to officials and other relevant agencies at workshops and/or seminars.

16. The following outputs will be delivered for development of a property tax:

- (i) Road map to develop a property tax in the PRC, including an analysis of how the road map can be adequately adopted in the PRC.
- (ii) Capacity development for relevant officials to enhance their understanding of the issues related to property taxation. A knowledge product (i.e., a road map to develop a property tax in the PRC) will be disseminated to relevant officials and agencies of central and local governments at workshops and/or seminars.

17. The road map will include an analysis of international practice on property tax that focuses on (a) tax base; (b) tax rate; (c) tax relief and mitigation options; (d) tax administration; and (e) alignment of governments' roles. The analysis will also cover the issues of taxation related to property acquisition, transfer, and rental, and its possible impact on the market. The alignment of governments' roles will cover horizontal and vertical alignments of all tiers of governments and relevant agencies, including issues of legislative and executive roles in decision-making and implementing processes. The TA will also analyze an appropriate path to expand the tax base, as well as a valuation system, an institutional arrangement for assessing property value, and a set of requirements for assessors in the PRC, and will produce policy recommendations.

18. The following outputs will be delivered for improvement in delivery and financing of the *dibao* system:

- (i) Policy recommendation (a knowledge product) on improving efficiency and effectiveness of the *dibao* system.
- (ii) Capacity development for relevant officials to enhance their awareness and understanding of the reformed design of the *dibao* system. The knowledge product will be disseminated to relevant officials at workshops and/or seminars.

19. The policy recommendation will be produced based on analyses of international practice and the current design and efficiency of the *dibao* system that focuses on (a) a means test, (b) eligibility criteria, (c) a minimum guarantee level, (d) fiscal sustainability, and (e) an exit policy. The analyses will identify major challenges in the *dibao* system to improve its efficiency and effectiveness, and examine how international practice can be adequately adopted in the PRC. In addition, the TA will analyze coordination between the *dibao* system and social security services, such as unemployment insurance, by focusing on an incentive mechanism that motivates beneficiaries to remain in or return to the labor market. The TA will also examine

coordination between urban and rural *dibao* systems that highlights administrative and operational efficiency, and consistency in urban and rural benefit levels.

C. Cost and Financing

20. The TA is estimated to cost \$950,000, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide \$100,000 equivalent for component 1. The government will also provide counterpart support in the form of office space, counterpart staff, and other services in-kind to the consultants, and will assist in arranging meetings with relevant agencies for all components.

D. Implementation Arrangements

21. The TA will be implemented over 24 months, from September 2014 to September 2016. The International Department of the Ministry of Finance is the executing agency. The implementing agencies are the Policy and Fiscal Affairs Department for component 1, the Tax Policy Department for component 2, and the Social Security Department for component 3.

22. The TA will cover remuneration, travel, and per diem for consultants, as well as the costs of workshops, seminars, study tours, and miscellaneous expenses. Disbursements under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The implementing agencies will administer workshops, seminars, and a study tour of respective components, and prepare an advance payment facility to implement those activities.

23. The TA will require 17.75 person-months of consulting services with substantial experience in public service procurement for component 1, 9 person-months of consulting services with substantial experience in property tax for component 2, and 17 person-months of consulting services with substantial minimum living guarantee system experience for component 3. The consultants will be engaged as individual consultants by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference for consultants with deliverables linked to the design and monitoring framework are in Appendix 3. The consultants will maintain close working relationship with the executing agency, the implementing agencies, and ADB, and will regularly discuss project progress.

24. The implementing agencies will supervise the consultants' day-to-day work and facilitate communication with relevant ministries to ensure the inclusion of wider views in the project outputs. ADB will assist the implementing agencies in overall TA operation and monitoring, and dissemination of knowledge products. Project-specific indicators and targets in the design and monitoring framework will be monitored by the implementing agencies with ADB support. Policy dialogue will be maintained with relevant government agencies, and project-specific issues will be taken up with government counterparts during review missions. Technical milestones will be monitored by reports prepared by the consultants, which will be reviewed by the implementing agencies and ADB. TA implementation milestones will be monitored by the team leader.

IV. THE PRESIDENT'S DECISION

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of the People's Republic of China for Improving Efficiency in Public Service Procurement, Delivery, and Financing, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved efficiency in public service procurement, financing, and delivery</p>	<p>By 2022:</p> <p>(i) 10% increase in service provision of health care and old-age care per fiscal input (2012 baseline: [a] 950,297 health care institutions under fiscal expenditures of CNY724.5 (billion) for medical and health care; [b] 39,251 institutions with accommodation and 2,583 institutions without accommodation for aged people. Fiscal expenditures for old-age care will be identified under the project)</p> <p>(ii) Property tax accounts for 7% of total tax revenues (2012 baseline: 1.3%)</p> <p>(iii) 10% reduction in the number of poor people not covered by the <i>dibao</i> (low-income protection) system, given the same fiscal inputs (baseline will be identified under the project)</p>	<p>Relevant official documents</p> <p>Relevant data</p> <p>China Statistical Yearbook</p>	<p>Assumptions</p> <p>Local governments have the capacity to (i) appropriately engage the private sector in public service provision, (ii) implement pilots on property tax, and (iii) implement the reformed <i>dibao</i> system.</p> <p>The private sector will have business interest in public service provision.</p>
<p>Outcome Improved policy and institutional frameworks for efficient public service procurement, delivery, and financing</p>	<p>By 2018, (i) an operation guideline on engaging the private sector in public service provision, (ii) a road map to introduce property tax, and (iii) policy recommendations to reform the <i>dibao</i> system, adopted by the government</p>	<p>Relevant official documents</p> <p>TA completion report</p>	<p>Assumption</p> <p>The government will continue to support (i) engaging the private sector in public service provision, (ii) introducing a property tax, and (iii) improving the <i>dibao</i> system.</p>
<p>Outputs</p> <p>1. A general operation guideline (knowledge product) on engaging private sector in public service provision produced</p> <p>2. Capacity of relevant officials to public service provision in engaging private sector improved</p>	<p>International practices and PRC pre-conditions assessed, and a general operation guideline (knowledge product) completed by February 2016</p> <p>At least 50 participants in workshops with increased knowledge by May 2016</p>	<p>TA progress reports</p> <p>Technical reports</p> <p>Final reports</p>	<p>Assumption</p> <p>Necessary data and information will be made available by May 2015.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks								
<p>3. Road map to develop property tax(knowledge product) produced</p> <p>4. Capacity of relevant officials to property tax in design and administration of property tax increased</p> <p>5. Policy recommendation (knowledge product) for improving efficiency and effectiveness of <i>dibao</i> system produced</p> <p>6. Capacity of relevant officials to <i>dibao</i> system in reforming the design of <i>dibao</i> system improved</p>	<p>International practices, tax base expansion and valuation system assessed, and road map completed by December 2015</p> <p>Senior officials (about 5) participated in a study tour and improved their knowledge in property tax by April 2016</p> <p>At least 50 participants in workshops with increased knowledge on property tax by May 2016</p> <p>International practices, current <i>dibao</i> system and urban-rural <i>diabo</i> coordination assessed, and policy recommendations for <i>dibao</i> system completed by February 2016</p> <p>Senior official (about 5) participated in a study tour and improved knowledge on efficient and effective minimum living guarantee system by April 2016</p> <p>At least 50 participants in workshops with increased knowledge on <i>dibao</i> system reform by May 2016</p>										
<p>Activities with Milestones</p> <p>1.1 Complete analysis of international practices and requirements by August 2015</p> <p>1.2 Complete analysis of the PRC preconditions by October 2015</p> <p>1.3 Complete a technical report on the precondition by December 2015</p> <p>1.4 Complete a general guideline by February 2016</p> <p>2.1 Conduct a study tour by April 2016</p> <p>2.2 Conduct workshops by May 2016</p> <p>3.1 Complete analysis of international practice on property tax by September 2015</p> <p>3.2 Complete detailed analysis of tax base and a valuation system by September 2015</p> <p>3.3 Complete a technical report on tax base and valuation system by November 2015</p> <p>3.4 Complete a road map and policy recommendations by December 2015</p>		<p>Inputs</p> <p>Asian Development Bank: Technical Assistance Special Fund (TASF-other sources) \$800,000</p> <p>Government: \$100,000</p> <table border="1" data-bbox="930 1619 1442 1881"> <thead> <tr> <th data-bbox="930 1619 1252 1650">Items</th> <th data-bbox="1252 1619 1442 1650">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="930 1650 1252 1734">International consultants (17.75 person-months)</td> <td data-bbox="1252 1650 1442 1734">399.00</td> </tr> <tr> <td data-bbox="930 1734 1252 1818">National consultants (26 person-months)</td> <td data-bbox="1252 1734 1442 1818">134.00</td> </tr> <tr> <td data-bbox="930 1818 1252 1881">International and local travel</td> <td data-bbox="1252 1818 1442 1881">71.50</td> </tr> </tbody> </table>		Items	Amount (\$'000)	International consultants (17.75 person-months)	399.00	National consultants (26 person-months)	134.00	International and local travel	71.50
Items	Amount (\$'000)										
International consultants (17.75 person-months)	399.00										
National consultants (26 person-months)	134.00										
International and local travel	71.50										

Activities with Milestones	Inputs
4.1 Conduct a study tour by April 2016 4.2 Conduct workshops by May 2016	Reports and communications 13.00
5.1 Complete analysis of current design of <i>dibao</i> system by September 2015	Surveys 10.00
5.2 Complete analysis of coordination between urban and rural <i>dibao</i> system by September 2015	Workshops, training seminars, 53.50
5.3 Complete analysis of international practice on efficiency and effectiveness on minimum living guarantee system by September 2015	Study tours 37.50
5.4 Complete a technical report on current <i>dibao</i> system design by December 2015	Miscellaneous 26.50
5.5 Complete a technical report on urban and rural <i>dibao</i> coordination by December 2015	administration and support costs
5.6 Complete policy recommendations on <i>dibao</i> system reform by December 2015	Contingencies 55.00
6.1 Conduct a study tour by April 2016 6.2 Conduct workshops by May 2016	Government
	Workshops, seminars, 70.00
	and study tours
	Miscellaneous administration 10.00
	and support costs
	Contingencies 20.00
	Note: The government will also provide counterpart support in the form of counterpart staff, office space, and other in-kind contributions.

PRC = People's Republic of China, TA = technical assistance, TASF = Technical Assistance Special Fund.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Component 1 Amount	Component 2 Amount	Component 3 Amount	Total Amount
A. Asian Development Bank^a				
1. Consultants				
a. Remuneration and per diem				
i. International consultants	147.00	112.00	140.00	399.00
ii. National consultants	58.00	21.00	55.00	134.00
b. International and local travel	29.00	17.50	25.00	71.50
c. Reports and communications ^b	5.00	3.00	5.00	13.00
2. Surveys	10.00			10.00
3. Workshops, training, seminars ^c	21.00	12.50	20.00	53.50
4. Study tours ^d	0.00	12.50	25.00	37.50
5. Miscellaneous administration and support costs ^e	10.00	6.50	10.00	26.50
6. Contingencies	20.00	15.00	20.00	55.00
Subtotal (A)	300.00	200.00	300.00	800.00
B. Government Financing^f				
1. Workshops, training, seminars, and study tours ^g	70.00			70.00
2. Miscellaneous administration and support costs	10.00			10.00
3. Contingencies	20.00			20.00
Subtotal (B)	100.00			100.00
Total	400.00	200.00	300.00	900.00

Note: The technical assistance (TA) is estimated to cost \$950,000, of which contributions from the Asian Development Bank (ADB) and the government are presented in the table above. The government will also provide in-kind counterpart support in the form of local office accommodation, data, and documents for consultants, counterpart staff, and other in-kind contributions. The value of government in-kind contribution is estimated to account for 5.2% of the total TA cost. Government financing will be provided by the implementing agency of component 1.

^a Financed by the Technical Assistance Special Fund (TASF-other sources) of ADB.

^b Includes cost of written translation of documents.

^c Includes venue rental, participants' travel and accommodation, interpretation, translation, and other logistics for conferences, seminars, workshops, training, research networking, and other high-level meetings. Any workshops, training, seminars, or study tours must occur in ADB eligible members.

^d A study tour of component 2 will focus on a country that has a well-functioning property tax and related tax administration. The purpose is to discuss issues of property taxation with ministries and agencies of an advanced country. It is proposed that the study tour be conducted before the final workshop. The contents and findings of the study tour will be prepared by the Tax Administration Department of the Ministry of Finance and presented in a report of component 2. Participants may include approximately five senior officials. A study tour of component 3 will focus on a country that has an efficient minimum living guarantee system that includes a well-functioning means test scheme. The purpose of the study tour is to discuss issues and challenges related to a well-functioning minimum living guarantee system with officials of an advanced country, with particular attention paid to the issues of targeting and a means test. It is proposed that the study tour be conducted before the final workshop. The contents and findings of the study tour will be prepared by the Social Security Department of the Ministry of Finance and presented in a report of component 3. Participants may include approximately five senior officials.

^e Includes editing and translation of reports, and other logistics and administration costs.

^f Government financing will be provided by the Policy and Fiscal Affairs Department of the Ministry of Finance (the implementing agency of component 1).

^g Study tour of component 1 will be financed by the government, the implementing agency of component 1. Any workshops, seminars, training, and study tour must occur in ADB eligible members.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require a total of 43.75 person-months of consulting services (three international consultants for a total of 17.75 person-months and five national consultants for a total of 26 person-months). The international consultants should preferably have a postgraduate degree or equivalent with about 12 years of international experience in the area of expertise. The national consultants should preferably have a master's degree or equivalent and about 8 years of professional experience in the area of expertise. Consultants will be engaged as individual consultants in accordance with the Asian Development Bank (ADB) Guidelines on the Use of Consultants (2013, as amended from time to time). The consultants will be responsible for the timely submission of TA outputs and deliverables, and organizing and implementing all TA activities. All reports are to be of high quality and produced in English with copies in Chinese. Precise work timelines and deliverables with dates will be defined at inception, documented in the final inception report, and agreed upon with the executing agency, the implementing agencies, and ADB.

A. Component 1: Improve Efficiency in Public Service Procurement

2. **Public service procurement specialist and team leader** (international, 6.75 person-months). The specialist should have professional expertise and experience in public service procurement from the private sector, i.e., private sector engagement in public service provision, particularly social services such as old-age care and health care services. Knowledge of public service provision and private sector engagement in the People's Republic of China (PRC) would be preferable. The specialist will do the following:

- (i) Work closely with other consultants and the executing agency and implementing agency for component 1; be responsible for overall management of the TA implementation, including guiding, supervising, and coordinating the work of all team members; and submit all reports.
- (ii) Prepare a general operation guideline (i.e., a knowledge product) on engaging the private sector, including nonprofit organizations, in public service provision in the PRC. The guideline will examine international practice and requirements, including technical issues, regulatory frameworks, modalities used for different types of public services, and procurement methods, and how the international practice can be adequately adopted in the PRC. The public services will cover services provided both by central and local governments, such as social security, social assistance-type services, and higher managing services. The guideline will also include a list of potential public services for which the private sector can be engaged and a framework to ensure the quality, quantity, and affordability of provided public services. The specialist will complete the guideline and submit it to the executing agency, the implementing agency, and ADB.
- (iii) Advise national consultants on the outlines and contents of their technical reports.
- (iv) Analyze the PRC's current preconditions for private sector engagement in public service provision. This analysis will focus on old-age care and health care services, which are predominately provided by local governments. The specialist will prepare a technical report and submit it to the executing agency, the implementing agency, and ADB.
- (v) Draft and complete an inception report and a final report comprising a project summary, a summary of policy recommendations, a general operation guideline, and technical reports. The specialist will submit the completed inception and final reports to the executing agency, the implementing agency, and ADB.

- (vi) Lead discussions with consultants, the implementing agency, and the executing agency in identifying key issues to be covered during workshops and/or seminars; identify resource persons; and prepare background materials. The specialist will deliver sessions at workshops and/or seminars, including dissemination of the knowledge product produced under component 1.

3. **Public service procurement specialist** (national, 6 person-months). The specialist should have good professional knowledge and experience in public service procurement from the private sector, i.e., private sector engagement in public service provision. The expert must be knowledgeable about the PRC's current regulations, service procurement and provision systems of social security and social assistance-type services, and higher managing services, such as legislation and supervision. The specialist will do the following:

- (i) Work closely with the team leader, other consultants, the executing agency, and the implementing agency for component 1.
- (ii) Based on the advice from the team leader, review the PRC's current regulatory framework and public service procurement and provision systems, covering both social security and social assistance-type services and higher managing services. It will also analyze the legal and regulatory framework governing the service provision, and quantity and quality assurance. The specialist will draft a technical report, circulate it to the team leader, and submit the completed report to the executing agency, the implementing agency, the team leader, and ADB.
- (iii) Collect needed data and information about the PRC's public service procurement and provision system and circulate them to the team leader, other consultants, the executing agency, the implementing agency, and ADB.
- (iv) Assist in organizing workshops and/or seminars, identifying resource persons, and identifying key issues to be covered. The specialist will deliver sessions at workshops and/or seminars with appropriate presentation materials.
- (v) Assist the team leader in drafting, finalizing, and submitting all reports, including an inception report and a final report.

4. **Public service procurement specialist (old-age and health care services)** (national, 5 person-months). The specialist should have good professional knowledge on the provision and procurement of old-age and health care services. The expert must have good knowledge about the PRC's regulations and service procurement and provision systems related to old-age and health care services. Knowledge of government procurement processes in this area would be preferable. The specialist will do the following:

- (i) Work closely with the team leader, other consultants, the executing agency, and the implementing agency for component 1.
- (ii) Based on advice from the team leader, review current schemes of procurement and provision of old-age and health care services in the PRC with a view to engaging the private sector in the service provision. It will also analyze the legal and regulatory framework which governs the service provision, and quantity and quality assurance. The specialist will draft and complete a technical report, and submit it to the executing agency, the implementing agency, the team leader, and ADB.
- (iii) Collect needed data and information about old-age and health care services' provision and procurement, and submit them to the team leader, the executing agency, the implementing agency, and ADB.
- (iv) Assist in organizing workshops and/or seminars, identifying key issues to be covered, and identifying resource persons. The specialist will deliver sessions at workshops and/or seminars with appropriate presentation materials.

- (v) Assist the team leader in drafting, finalizing, and submitting all reports, including an inception report and a final report.

B. Component 2: Development of a Property Tax

5. **Property tax specialist and team leader** (international, 5 person-months). The specialist should have substantial expertise and sufficient experience in developing a property tax system. Knowledge of the PRC's tax system and intergovernmental fiscal relationships would be preferable. The specialist will do the following:

- (i) Work closely with a national consultant, the executing agency, and the implementing agency for component 2; be responsible for overall management of the TA implementation, including guiding, supervising, and coordinating the work of all team members; and submit all reports.
- (ii) Analyze international good practice on a property tax system by focusing on (a) tax base, (b) tax rate, (c) tax relief and mitigation options, (d) tax administration, and (e) alignment of governments' roles, and produce a road map with a summary of policy recommendations to develop a property tax in the PRC, including an analysis of how the road map can be adequately adopted in the PRC. The analysis will also cover the issues of taxation related to property acquisition, transfer, and rental, and its possible impact on the market. The alignment of governments' roles will cover horizontal and vertical alignment of all tiers of governments and relevant agencies, including issues of legislative and executive roles in decision-making and implementing processes. The specialist will draft and complete a knowledge product (i.e., a report with a road map); submit it to the executing agency, the implementing agency, and ADB; and disseminate it at workshops and/or seminars.
- (iii) Analyze an appropriate path to expand the tax base, as well as a valuation system, an institutional arrangement for assessing property value, and a set of requirements for assessors in the PRC. The analysis will examine challenges and produce policy recommendations that will be adequately adopted in the PRC. The specialist will draft and complete a technical report with policy recommendations, and submit it to the executing agency, the implementing agency, and ADB.
- (iv) Advise national consultant on the outline and contents of his or her technical report.
- (v) Draft and complete an inception report, and submit it to the executing agency, the implementing agency, and ADB.
- (vi) Draft a final report comprising a summary of the project, an executive summary, a knowledge product, and technical reports, and submit the completed report to the executing agency, the implementing agency, and ADB.
- (vii) Lead discussions with consultants, the implementing agency, and the executing agency in identifying key issues to be covered during workshops and/or seminars. The specialist will also identify resource persons and prepare background materials for the workshops and/or seminars, deliver sessions, and disseminate the knowledge product produced under component 2.

6. **Property tax specialist** (national, 4 person-months). The specialist should have good professional knowledge and experience in the tax system of the PRC and property tax systems in general. The specialist will do the following:

- (i) Work closely with the team leader, the executing agency, and the implementing agency for component 2.

- (ii) Based on advice from the team leader, review the current legal and regulatory framework of the PRC's tax system and tax administration, and ongoing experiment relating to development of a property tax, including property registration. The specialist will draft a technical report, circulate it to the team leader, and submit the completed report and submit to the executing agency, the implementing agency, the team leader, and ADB.
- (iii) Collect needed data and information about the development of a property tax in the PRC, and submit them to the team leader, the executing agency, the implementing agency, and ADB.
- (iv) Assist in organizing workshops and/or seminars, identifying key issues to be covered, and identifying resource persons. The specialist will deliver sessions at workshops and/or seminars with appropriate presentation materials.
- (v) Assist the team leader in drafting, finalizing, and submitting all reports, including an inception report and a final report.

C. Component 3: Improve Efficiency in Delivery and Financing of a Minimum Living Guarantee System

7. **Social assistance specialist and team leader** (international, 6 person-months). The specialist should have professional expertise and experience in a social assistance system, particularly a minimum living guarantee system. The expert should have sufficient knowledge on the design of a minimum living guarantee system. Knowledge of the PRC's social assistance and *dibao* (low-income protection) systems would be preferable. The specialist will do the following:

- (i) Work closely with other consultants, the executing agency, and the implementing agency for component 3; be responsible for overall management of the TA implementation, including guiding, supervising, and coordinating the work of all team members; and submit all reports.
- (ii) Analyze international good practice on the design of minimum living guarantee systems by focusing on (a) a means test, (b) eligibility criteria, (c) a minimum guarantee level (benefit level), (d) fiscal sustainability, and (e) an exit policy. The analysis will also examine coordination between the *dibao* system and social security services, such as unemployment insurance, by focusing on an incentive mechanism that motivates beneficiaries to remain in or return to the labor market. The analysis will also examine major challenges in the *dibao* system to improve its efficiency and effectiveness, examine how international good practice can be adequately adopted in the PRC, and produce policy recommendations. Based on the analyses, the specialist will draft and complete a knowledge product (i.e., a report with policy recommendations); submit it to the executing agency, the implementing agency, and ADB; and disseminate it at workshops.
- (iii) Advise national consultants on the outlines and contents of their technical reports.
- (iv) Draft and complete an inception report, and submit it to the executing agency, the implementing agency, and ADB.
- (v) Draft and complete a final report comprising a summary of the project, an executive summary including policy recommendations, and all reports, and submit it to the executing agency, the implementing agency, and ADB.
- (vi) Lead discussions with consultants, the implementing agency, and the executing agency in identifying key issues to be covered during workshops and/or seminars. The specialist will also identify resource persons and prepare background materials for the workshops and/or seminars, deliver sessions, and disseminate the knowledge product produced under component 3.

8. **Social assistance specialist** (national, 5 person-months). The specialist should have good professional knowledge and experience in the PRC's social assistance system, particularly the *dibao* system. The expert must have in-depth knowledge about the *dibao* system's design and its relation with other social security programs in the PRC. The specialist will do the following:

- (i) Work closely with the team leader, other consultants, the executing agency, and the implementing agency for component 3.
- (ii) Based on advice from the team leader, review the current design of the *dibao* system by focusing on (a) a means test, (b) eligibility, (c) a minimum guarantee level (benefit level), (d) fiscal sustainability, and (e) an exit policy. The specialist will examine coordination between the *dibao* system and other social security programs in the PRC, such as unemployment insurance. He or she will then draft a technical report, circulate it to the team leader, and submit the completed report to the executing agency, the implementing agency, the team leader, and ADB.
- (iii) Collect needed data and information about the *dibao* system, and submit them to the team leader, the executing agency, the implementing agency, and ADB.
- (iv) Assist in organizing workshops and/or seminars, identifying key issues to be covered, and identifying resource persons. The specialist will deliver sessions at workshops and/or seminars with appropriate presentation materials.
- (v) Assist the team leader in drafting, finalizing, and submitting all reports, including an inception report and a final report.

9. **Social assistance specialist (urban and rural coordination)** (national, 6 person-months). The specialist should have good professional knowledge and experience in the *dibao* system, covering both urban and rural *dibao* systems. The expert must have in-depth knowledge about the design and administration of urban and rural *dibao* systems. The specialist will do the following:

- (i) Work closely with the team leader, other consultants, the executing agency, and the implementing agency for component 3.
- (ii) Based on advice from the team leader, analyze: (i) the current administrative schemes of urban and rural *dibao* system; (ii) the possible coordination between urban and rural system's administration to improve operational efficiency; and (iii) the consistency in urban and rural benefit levels with actual living costs. Draft and complete a technical report and submit it to the executive agency, the implementing agency, the team leader, and ADB.
- (iii) Collect needed data and information about the urban and rural *dibao* system, and submit them to the team leader, the executing agency, the implementing agency, and ADB.
- (iv) Assist in organizing workshops and/or seminars, identifying key issues to be covered, and identifying resource persons. The specialist will deliver sessions at workshops and/or seminars with appropriate presentation materials.
- (v) Assist the team leader in drafting, finalizing, and submitting all reports, including an inception report and a final report.