



Completion Report

Project Number: 48022-001
Technical Assistance Number: 8699
October 2016

People's Republic of China: Strategy and Transport Policy Study on Promoting Logistics Development in Rural Areas

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

TA Number, Country, and Name:			Amount Approved: \$400,000	
TA 8699-PRC: Strategy and Transport Policy Study on Promoting Logistics Development in Rural Areas			Revised Amount: N/A	
Executing Agency: Ministry of Transport		Source of Funding: TASF-other sources	Amount Undisbursed: \$53,654.70	Amount Utilized: \$346,345.30
TA Approval Date: 13 August 2014	TA Signing Date: 4 September 2014	Fielding of First Consultant: 7 October 2014	TA Completion Date Original: 31 March 2016	Actual: 31 March 2016
			Account Closing Date Original: 30 June 2016	Actual: 18 May 2016
Description				
<p>Logistics plays an important role in agricultural production and supply chain management and is necessary to ensure food safety and quality. In the People's Republic of China (PRC), loss rate for vegetables, fruits, and other agricultural products reaches 25%–30% in harvesting, transport, storage, and other parts in the logistics chains. The lack of organization and facilities throughout the agricultural value chains in the PRC is an impediment to serving the growing urban markets. Improvements in rural logistics will help farmers to harvest and markets crops more efficiently and increase the income they receive from selling their production and contribute to further economic integration between urban and rural areas.</p> <p>The State Council issued the Logistics Industry Restructuring and Revitalization Plan in 2009, which pinpoints the need to improve value chains for agricultural produce and circulation of consumer goods through better logistics in rural areas. Following the request from the Ministry of Transport (MOT), and consistent with Asian Development Bank's Country Partnership Strategy for the PRC, ADB, through this policy and advisory technical assistance (TA), provided support in formulating strategies and policies to improve rural logistics for inclusion in the 13th Five-Year Plan and identify potential projects for future implementation.</p>				
Expected Impact, Outcome, and Outputs				
<p>The expected impact was greater efficiency and cost effectiveness of logistics in rural areas of the PRC. A policy framework for rural logistics development in the 13th Five-Year Plan, along with other measures, guidelines, and action plans that can be adopted by MOT and provincial governments in the PRC were the proposed outcomes of the TA. The outputs included (i) preparation of brief initial policy proposals on rural logistics for the 13th Five-Year Plan; (ii) development of detailed policy proposals on rural logistics for the 13th Five-Year Plan; and (iii) preparation of project proposals in selected provinces.</p>				
Delivery of Inputs and Conduct of Activities				
<p>Due to time constraints, ADB recruited a staff consultant to lead an early inception for Output 1, and submitted a draft concept paper to MOT in early September 2014. Under the TA, two international and four national consultants were engaged in October 2014, a month after the TA signing date. The consultants were experts in agricultural value chains, transport logistics, and information and communication technology. The actual consulting services inputs were as envisaged, comprising 21.5 person-months consulting services (9.5 person-months international and 12 person-months national). The TA was completed on time and within the budget allocation.</p> <p>During October 2014–March 2016, the consultants conducted an agricultural value chain survey, organized two workshops and fielded a study tour, as envisaged. The agricultural value chain survey focused on the tomato value chain from Shandong province to Beijing to develop detailed rural logistics policy and project proposals. The survey was complex, requiring hiring field researchers who conducted interviews in lieu of the usual enumerators for surveys. The two workshops disseminated the findings of the study to major stakeholders in the field of rural logistics. Four MOT officials participated in the study tour for training and visit to agricultural farms, packing facilities and logistics providers in the US and Canada, from 14–21 February 2016. Under the TA, several pilot project proposals were recommended to MOT. One pilot project proposal in Jiahe county was developed and submitted, but could not be included in the consultants' final report, as the pilot project proposal was approved at the end of the project duration.</p> <p>The consultants submitted the required reports, produced intended outputs, and performed satisfactorily. They prepared the policy paper on rural logistics for inclusion in the 13th Five-Year Plan. The consultants' final report comprises (i) a description of key trends and socio-economic transformation, (ii) an assessment of PRC's rural logistics system, (iii) an overview of current policies on rural logistics development, (iv) a description of US, German and Japanese experience in rural logistics, and (v) recommendations for the PRC government. The report will be the</p>				

basis for a publication on rural logistics. The consultants paid special attention to the increasing role of e-Commerce and the use of mobile communication technology in the delivery of rural products and services to urban areas.

MOT's performance as the executing agency was satisfactory. Ministry of Transport facilitated the conduct of surveys in Shandong province and other areas, provided guidance in the conduct of the TA, and provided data which were useful in the analysis and development of TA recommendations.

ADB performance was satisfactory. It closely monitored the work progress of the consultants through one inception mission, and one review mission, and provided strong guidance and direction of the TA. Through ADB's initiative, the policy briefs for the 13th Five-Year Plan were submitted on time by engaging a staff consultant during contract negotiations.

Evaluation of Outputs and Achievement of Outcome

The TA delivered intended outputs and outcome. The TA provided inputs to MOT for the 13th Five-Year Plan to improve value chains for agricultural produce and circulation of consumer goods through better logistics in rural areas. Three project proposals were also recommended to MOT for implementation. One such pilot project proposal was developed for Jiahe county to demonstrate how rural bus services can be applied for express parcel delivery through the use of mobile phone applications. The proposal was approved by the county government soon after TA closure. The government went ahead with the recruitment of a firm to do the implementation, which will start in October 2016.

Through the surveys and workshops conducted, key drivers and bottlenecks to the rural-rural and rural-urban agricultural links have been identified. A comprehensive understanding of the current situation of rural logistics in the PRC has been presented in the reports. Problems and possible solutions have been presented in the recommendations. Mobile applications have been identified as one solution that can be developed to serve counties and villages.

By comparing the PRC to the US and Canada, the delegation participating in the study tour learned in particular that (i) the US and Canada have a high degree of logistics' sector deregulation and competition, and the government is strictly taking the role of serving the enterprises and has no interference in the marketplace; (ii) the market of intermodal transport is prosperous and the connectivity between railroad and highway and railroad and waterway are very well developed in both the US and Canada; (iii) the preconditions for seamless intermodal transport are the standardization of logistics equipment and a high level of information technology; and (iv) enterprises in the US and Canada have a great awareness of their contribution to the community.

Based on the TA reports, a publication is being prepared to disseminate the results. This publication will be of use to the PRC and other developing member countries as good practices from other countries with more advanced rural logistics development are discussed, and case studies developed under this TA are presented.

Overall Assessment and Rating

The TA is rated successful. It delivered the intended outputs and outcomes and made a useful contribution to the government's efforts to comprehensively address the bottlenecks in rural logistics in the PRC.

Major Lessons

The TA has recommended several solutions to problems in the agricultural value chain and rural-rural and rural-urban linkages. One important recommendation is the use of mobile communication technology in the delivery of rural products and services to urban areas. This will reduce the rural-urban divide and fragmentation identified in the report. The TA also provided a good communication channel between ADB, and provincial and county governments in developing pilot projects to improve rural logistics. Some practical implementation issues, such as the need for specialist surveyors, whose remuneration exceeded the standard amount ADB applies for survey staff, should have been dealt with more efficiently.

Recommendations and Follow-Up Actions

Considering the findings, more in-depth study may be required to address issues such as (i) the pros and cons of government's involvement in different tiers of the supply chain, (ii) the budgetary implications of government's involvement in rural logistics, (iii) the need for merging rural suppliers to gain economies of scale, and (iv) the need to centralize cold storage of seasonal supply.