

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. Project preparatory technical assistance (TA) is required to prepare a results-based lending (RBL) program for possible funding by the Asian Development Bank (ADB). The TA will (i) work with the Ningxia Hui Autonomous Region (NHAR) to develop the RBL program design and management framework, (ii) develop the methodology and data collection plan for the poverty focused rural road development plan and impact evaluation, (iii) address the due diligence requirements and program assessment needed for RBL, and (iv) build knowledge and capacity in the executing agency (EA) to implement a RBL program.

B. Major Outputs and Activities

2. The TA outputs will be conducted by individual consultants to undertake:

- (i) **RBL program design, management, and assessment.** The consultants (international, 4 person-months; national, 4 person-months) will be responsible for coordinating the TA outputs and the actions of the consultant team, the EA and ADB and prepare and edit the TA final report. They will develop the design and monitoring framework and establish appropriate results to link with disbursements, leading to the development of disbursement linked-indicator (DLI) matrix. The consultants will discuss and reach preliminary agreement with senior NHAR officials and the EA on the (a) program impact, outcome, outputs, components, and activities; (b) preliminary program expenditure analysis; and (c) problem tree and results chain, with proposed DLI matrix. They will also (a) conduct a stakeholder analysis; (b) assess the program implementation arrangements; (c) prepare a program monitoring and evaluation plan linked to verification of the DLIs and any program actions; (d) prepare an integrated risk assessment based on the findings of the various fiduciary, safeguards, and technical assessments; and (e) prepare a program action plan to support the capacity building and risk mitigation. The consultants will also oversee and coordinate the overall TA outputs to ensure that all the assessments are undertaken in accordance with ADB requirements for RBL. They will review the technical design of the RBL program to ensure that the initial program design is technically sound and meets all relevant standards for ADB financing under the RBL modality. The consultants will have preferably at least 15 years of experience in project management in the transport sector and a graduate degree in project management, engineering, finance or economics. Both consultants are expected to have managed transport projects financed by multilateral institutions. The international consultant must demonstrate experience of designing similar projects with a program approach.
- (ii) **Poverty focused rural road development methodology.** The consultants (international, 3 person-months; national, 3 person-months) will: develop and refine the rural road development planning methodology and prepare detailed terms of reference (TOR) for consulting services to implement the methodology and prepare the rural road development program, conduct due diligence on all project component designs, scope, and cost estimates, according to ADB

guidelines; prepare the economic analysis, methodology, and framework;¹ prepare the sector assessment. The consultant will be an economist with a minimum of 10 years international experience planning, implementing, and evaluating transport projects in rural areas. Demonstrated experience developing rural road development plans targeted at poverty alleviation is required. The national consultant will be an engineer with a minimum 8 years of experience planning and implementing rural roads projects in the People's Republic of China (PRC).

- (iii) **Poverty and impact evaluation.** The consultants (international, 2 person-months; national, 2 person-months) will perform a comprehensive analysis of the causes of poverty in the project area. The consultants will investigate the relationship between the anticipated rural road improvements and the range of poverty reduction benefits anticipated from the targeted intervention. The consultants will develop the methodology and approach to conducting the impact evaluation including the plan for collecting baseline data and comparator locations; prepare the evaluation methodology implementation schedule and TOR for impact evaluation consultants during implementation. The international and national poverty specialists will have a degree from the social sciences, be familiar with the PRC's established poverty reduction programs and available data, and poverty impact analysis of transportation project in rural areas, and have a minimum of 5 years relevant experience in the PRC. The assessments will also include poverty, and social and gender aspects, and impacts of the program and determine the feasibility of upgrading the program to the ADB effective gender mainstreaming (EGM) category, and highlight the positive impacts and required actions to strengthen equity issues relating to poor rural communities.
- (iv) **Program expenditure framework, financing plan, and fiduciary systems assessment.** The consultants (international, 2 person-months; national, 4 person-months) will undertake an assessment of the effectiveness, efficiency, and adequacy of the program expenditure framework and the adequacy and sustainability of the financing plan for the road sector. The consultants will review whether the expenditure framework is realistic in revenues and proposed spending coverage; clearly defined in the budget classification system; and has information on key expenditure composition by subsector and classifications of operating, capital, etc., types of activities. The consultants will also assess the NHARs annual planning and budgeting system and its medium-term fiscal projections to determine the adequacy (and predictability) of financing for the road sector. The consultants will conduct an assessment of the financial management, procurement, and anticorruption systems. The national consultant will have at least 10 years' experience in government budgeting and financial analysis, financial management and procurement, and be familiar with the PRC national, provincial, and local fiduciary systems and processes. The international consultant will have preferably at least 15 years' experience and an advanced degree in financial management, accounting, and public resources and be familiar with risk-based fiduciary assessments.

¹ Economic analysis due diligence will be in line with ADB's Guidelines on the Economic Analysis of Projects (1997) and the Cost-Benefit Analysis for Development: A Practical Guide (2013).

- (v) **Program safeguards systems assessment.**² A team of social safeguard, and environment consultants (two international, total 3 person-months; three national, total 5 person-months) will undertake a program safeguard systems assessment (PSSA), based on the initial program screening and categorization of environment, involuntary resettlement, and indigenous peoples.³ The program's initial screening has categorized the RBL program as B for environment, B for involuntary resettlement, and B for indigenous peoples. A PSSA will be conducted to confirm these categorizations, and schedule activities to assess the safeguard systems and capacities, and identify mitigating or monitoring actions to guide program implementation. The PSSA will specify and recommend program actions needed to fill the gaps in safeguards requirements. The Program Action Plan (PAP) will include an environmental assessment and review framework (EARF) with sample EMP and GRM (multiple EMPs and GRMs may be prepared if necessary); resettlement framework with sample resettlement plan, and ethnic minority development plan. A single GRM could be prepared for both environmental and social safeguards. The consultants will conduct community consultations and surveys, identify potential social risks associated with the project and help develop appropriate mitigation measures and include these in the safeguards documents.

3. The major outputs and activities are summarized in Table A3.1.

Table A3.1: Summary of Major Outputs and Activities

Major Activities	Major Outputs	Expected Completion Date
Transport sector assessment and technical review of agreed program components	Sector and design reviews	Q1 2015
	Design of road safety and sustainability component(s)	Q2 2015
Development of methods and tools for developing poverty target rural road development plan	Data requirements, analysis methodology, development of required analytical tools and implementation plan	Q2 2015
	Estimated project scope and costs Draft project administration manual	Q2 2015
Economic analysis of proposed program	Assessment of economic rationale Economic analysis report	Q3 2015
Program design and management and assessment	Sector assessment	Q2 2015
	DMF and DLI matrix	Q2 2015
	Stakeholder analysis	Q2 2015
	Program implementation arrangements	Q3 2015
	Monitoring and evaluation plan	Q3 2015
	Integrated risk assessment	Q3 2015
Program expenditure framework and financing plan and fiduciary systems assessment	Program action plan	Q3 2015
	Program Operational Manual ^a	Q3 2015
	Final report and ongoing support for	Q3 2015

² ADB. 2013. *Staff Guidance for Piloting Results-Based Lending for Programs*. Manila (Appendix 6: Program Safeguards System Assessment—Indicative Outline Executive Summary).

³ The project team submitted a memorandum and revised safeguard categorization to RSES on 16 October 2014 as the lending modality was changed from sector loan to RBL. The program will be developed in line with the February 2013 Policy Paper for Piloting Results-Based Lending on Programs and the November 2013 Staff Guidance on Piloting Results-Based Lending for Programs.

Major Activities	Major Outputs	Expected Completion Date
Program safeguard systems assessment	program design	
	Review of provincial sector expenditure framework, annual budgeting system, and fiscal projections	Q2 2015
	Assessment of financial management, procurement, and anticorruption systems	Q2 2015
	Report for safeguard risks and gaps	Q3 2015
	Program action plan for safeguards	Q3 2015
	Ethnic minority assessment	Q3 2015
	Environment assessment	Q3 2015
	Resettlement assessment	Q3 2015
Social and gender assessment	Frameworks and sample plans	Q3 2015
	Summary poverty reduction and social strategy	Q3 2015
	Social development action plan	Q3 2015
	Gender action plan (if appropriate)	Q3 2015

DLI = disbursement linked-indicator, DMF = design and monitoring framework, EA = executing agency, Q = quarter.

^a The Operational Manual (OM) is to describe step by step the essential processes, approvals and reporting requirements as they pertain to the project design, safeguards requirements, and disbursement procedures under the RBL modality. The OM will importantly include templates and guidelines and will serve as a live document to be used as an operational guide for NHAR and its agencies.

Source: ADB staff estimates.

C. Cost Estimate and Proposed Financing Arrangement

4. The TA is estimated to cost \$600,000 equivalent, which will be financed on a grant basis through ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide in-kind contributions in the form of counterpart staff time, office space and local transportation. The detailed cost estimate is presented in Table A3.2.

Table A3.2: Cost Estimate and Financing Plan
(\$'000)

Item	Total Cost
ADB Financing^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (14 person-months)	308.0
ii. National consultants (18 person-months)	108.0
b. International and local travel	28.5
c. Reports, translation, and communications	35.0
2. Workshops, training, seminars, and conferences ^b	20.0
3. Surveys, data and information collection	30.0
4. Miscellaneous administration and support costs ^c	2.0
5. Contingencies	68.5
Total	\$600.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF -other sources).

^b Workshops, training, seminars, and conferences

Purpose (indicative list, subject to change)	Venue
Capacity building for results based lending	TBD
Capacity building for impact evaluation	TBD
Workshop on rural road safety	TBD

^c For example, translation and publication expenses for knowledge products outside consultants contracts.