

Technical Assistance Report

Project Number: 48108-001 Policy and Advisory Technical Assistance (PATA) December 2014

People's Republic of China: Support for Deepening Policy Reform and Capacity Building

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 28 November 2014)

| Currency unit | _ | yuan (CNY) |
|---------------|---|------------|
| CNY1.00 | = | \$0.1630 |
| \$1.00 | = | CNY6.1345 |

ABBREVIATIONS

| ADB | _ | Asian Development Bank |
|-----|---|----------------------------|
| MOF | _ | Ministry of Finance |
| NGO | _ | nongovernment organization |
| PRC | _ | People's Republic of China |
| TA | _ | technical assistance |
| TOR | _ | terms of reference |

NOTE

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

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POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

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I. INTRODUCTION

1. During the 2013 country programming mission, the Government of the People's Republic of China (PRC) requested that the Asian Development Bank (ADB) provide a policy and advisory technical assistance (TA) project to respond to policy and capacity building needs in priority areas of the 12th Five-Year Plan, 2011–2015 and 13th Five-Year Plan, 2016–2020. In response to the request, ADB included a TA project in the 2014 nonlending program. A fact-finding mission was fielded in August 2014 and an agreement was reached with the executing agency, the Ministry of Finance (MOF), on TA impact, outcome, outputs, implementation arrangements, cost and financing plan, and outline terms of reference (TOR).¹ The design and monitoring framework is in Appendix 1.

II. ISSUES

2. After 30 years of rapid growth, the PRC has become the world's second-largest economy. However, as reforms continue, the country needs to find new engines for growth. With rising wages, a now declining labor force, and an aging population, growth will have to be increasingly driven by productivity gains. Moreover, rapid growth has created structural problems that need to be addressed, including economic imbalances, unbalanced rural and urban development, resource constraints, environmental degradation, and income inequality. These problems have been accompanied by incomplete reforms and limited capacity and institutional development.

3. To encourage sustainable development, the Third Plenum of the 18th National Congress of the PRC's Communist Party announced its "Decision on Major Issues Regarding Comprehensively Deepening Reform" in November 2013. The decisions provide a blueprint for the PRC's development in the next decade and beyond, encompassing the 12th and 13th fiveyear plans. By 2020, the government aims to have achieved reform results by (i) allowing the market to play a decisive role in resource allocation; (ii) enabling the government to function in a service-oriented and law-based manner; (iii) building a modern fiscal system that supports central and local governments' initiatives; (iv) accelerating reforms for social security, employment, income distribution, education, and public health; and (v) establishing a comprehensive system that protects the ecosystem and environment. The government recognizes the need to tackle structural problems that constrain balanced economic development, equality, resources conservation, and ecosystem protection, and has decided to address key development issues by deepening reforms and accelerating capacity building progress.

4. Since 2003, ADB has granted six "facility-type" TA projects to the PRC for the government to meet emerging policy advisory and capacity development requirements.² ADB developed the "facility-type" TA modality in partnership with the government as a flexible, quick-response mechanism where multiple subprojects aligned with the PRC's priorities and the ADB

¹ The TA first appeared in the business opportunities section of ADB's website on 10 November 2014.

² ADB. 2003. Technical Assistance to the People's Republic of China for the Fund for Strategic Policy Conference and Studies for Poverty Reduction. Manila (TA 4200); ADB. 2004. Technical Assistance to the People's Republic of China for the Facility for Policy Reform. Manila (TA 4365); ADB. 2006. Technical Assistance to the People's Republic of China for the Facility for Reform Support and Capacity Building. Manila (TA 4790); ADB. 2007. Technical Assistance to the People's Republic of China for the Facility for Policy Reform and Poverty Reduction. Manila (TA 4933); ADB. 2009. Technical Assistance to the People's Republic of China for Facility for Policy Reform and Capacity Building III. Manila (TA 7313, ongoing); and ADB. 2011. Technical Assistance to the People's Republic of China for the Strengthening Institutional Reform and Capacity Building. Manila (TA 7862, ongoing).

strategies are funded under a single TA. The government highly appreciated such TA projects, as they helped advance PRC's reforms and contributed significantly to the implementation of the government's five-year plans. This TA is the seventh "facility-type" TA project financed by ADB in the PRC.

5. According to the evaluation report by the ADB Independent Evaluation Department, "facility-type" TA projects have had substantial impact on the development of the government's five-year plans.³ The TA for the Fund for Strategic Policy Conferences and Studies for Poverty Reduction contributed to the PRC's poverty reduction discourse. The TA for the Facility for Reform Support and Capacity Building provided policy inputs to the State Council directives for handling employment and entrepreneurship development issues and contributed to the establishment of the rural *di-bao* system nationwide. ⁴ Some subprojects' findings and recommendations have been incorporated into new regulations and law formulations in the PRC. The evaluation report recommended that ADB continue to work with "facility-type" TA, strengthen the use of ADB staff and international consultants for providing international perspectives, supervisory support, and peer review of locally produced studies.

6. The objective of the TA is to support the government to deepen policy reforms and accelerate capacity building in areas prioritized in the PRC's reform agenda. The TA is consistent with the strategic pillar of inclusive and environmentally sustainable growth, highlighted in ADB's PRC country partnership strategy, 2011–2015 and aligned with the Midterm Review of Strategy 2020.⁵ The TA will provide policy recommendations and knowledge services to promote the PRC's inclusive development and environmentally sustainable growth, develop government capacities at central and local levels, and increase ADB's policy impact and operational efficiency. The TA will support the implementation of the PRC's 12th and 13th five-year plans and reinforce the PRC–ADB partnership.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

7. The impact of the TA will be deepened reforms and enhanced government capacities for promoting sustainable development. The outcome will be adoption by relevant government agencies of policy advice, regulations, new ideas, and best practices that are introduced or recommended by the TA to deepen reforms and increase government capacity at central and local levels.

B. Methodology and Key Activities

8. The TA will adopt the flexible mechanism effectively employed in previous TA projects to undertake strategic interventions in a timely manner. The mechanism allows for joint selection

³ Independent Evaluation Department. 2013. *Performance Evaluation Report on Facility-Type Technical Assistance in the People's Republic of China.* Manila: ADB. The report recommended that ADB continue to work with "facility-type" TA mode and replicate such engagement in other member countries to increase goodwill for the wider ADB country portfolio.

 ⁴ This refers to the system established by the Government of the PRC to cover all rural areas and ensure a minimum living standard for the destitute rural poor who lack productive capacities (e.g., childless elderly households, disabled individuals, and female-headed households).

⁵ ADB. 2012. Country Partnership Strategy: People's Republic of China, 2011–2015. Manila; and ADB. 2014. Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific. Manila.

and endorsement of new subprojects during TA implementation, which will help meet dynamic demands and enable quick responses to the PRC's emerging development issues.

9. The TA consists of two parts: component A for policy advice, and component B for capacity building. The outputs will include (i) policy synopses and "just-in-time" policy advice, and (ii) capacity-building activities.

10. **Component A for policy advice.** This component will provide central and local governments with sound policy advice on priority development issues, including (i) economic restructuring; (ii) urban and rural integration; (iii) resource conservation and environment protection; and (iv) social sector and welfare development. By 2015, a TA mobilization workshop will be organized. During the TA, some bilingual synopses and "just-in-time" advice that provide the government with policy recommendations will be produced on selected studies relating to the above mentioned four areas. Workshops to disseminate the studies' main results will be conducted to enhance policy impact. A TA wrap-up workshop will be held in 2008.

11. **Component B for capacity building**. This component will strengthen the capacity of selected central and local government agencies to implement the 12th and 13th five-year plans through capacity assessments, training programs, workshops, conferences, and knowledge management interventions. Workshops and seminars with participation from government think tanks, decision makers, executing and implementing agency representatives, academia, and civil society on introducing best practice, knowledge sharing, enhancing PRC–ADB strategic TA programming partnership, and training for executing and implementing agencies will be conducted during TA implementation. By TA completion, capacity-building activities will help increase the capacities of central and local governments and promote knowledge solutions in the PRC.

12. The subprojects of the TA will be jointly selected and endorsed by the executing agency (through the TA Division at MOF) and ADB (through the PRC Resident Mission country director) based on mutually agreed selection criteria that will be reviewed during TA implementation. The subprojects must (i) support government reform priorities and be consistent with the "Decision on Major Issues Regarding Comprehensively Deepening Reform" and the country partnership strategy, 2011–2015; (ii) promote the implementation of the 12th and 13th five-year plans; (iii) be an urgent and high-priority issue for which ADB has expertise and available capacity to add value; and (iv) show evidence of strong PRC ownership.

13. The initial subprojects identified under the TA include: (i) Qinghai low-carbon development to mitigate climate change (\$100,000); (ii) demonstration of integrated management of forest and water resources in the Guanting reservoir watershed (\$80,000); (iii) ecological restoration and protection of abandoned mines—Xiangtan case study (\$100,000); (iv) study on spatial planning system models (\$80,000); and (v) PRC–ADB strategic TA programming workshop (\$80,000). It is expected that MOF and ADB will identify and endorse additional subprojects during TA implementation, using the criteria specified in para. 12.

C. Cost and Financing

14. The TA is estimated to cost \$1 million, of which \$800,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). A total of \$500,000 is for component A and \$300,000 is for component B. The government will provide counterpart support in the form of counterpart staff from the executing and implementing agencies; office accommodation; office supplies; data and information; daily coordination; logistics support for

missions, meetings and visits for TA implementation; and other in-kind contributions.

15. Component A subprojects may also fund surveys, field investigations, purchase of required research materials, and other related expenditures on the basis of cost estimates agreed in advance by ADB. In line with standard ADB procedures, the TA will not support implementing agencies' management fees or costs related to the use of implementing agencies' resources to be provided as part of the counterpart contribution. Component B subprojects may include costs related to workshop venue, equipment rental, translation and interpretation, material editing, copying, printing and dissemination, food and nonalcoholic beverages, transportation, lodging, logistics and administrative support, and other expenditures related to TA implementation with prior ADB approval. The ceiling amount for each subproject is \$100,000, or such other amount as may be mutually agreed by ADB (through the PRC Resident Mission country director) and the executing agency (through the TA Division at MOF).

D. Implementation Arrangements

16. The TA will be implemented from 1 January 2015 to 31 December 2018. As the executing agency, MOF (through its TA Division) will be responsible for oversight and coordination of subproject activities and TA quality. ADB and MOF will meet periodically to review TA progress and update implementation status, with agreements via memorandums of understanding to be reached after each meeting. Agreements will include (i) a monitoring table updating every component's implementation status for each TA subproject, (ii) an updated list of subprojects involving ongoing and new inclusion, and (iii) a list of action items. A monitoring mechanism will be established by the PRC Resident Mission to track the subprojects' implementation status under each component. ADB staff will supervise TA performance in cooperation with MOF, implementing agencies, and other relevant parties. Frequent policy dialogue and communication will occur between ADB, MOF, implementing agencies, and stakeholders. ADB will evaluate outputs at every milestone and prepare a TA completion report.

17. Throughout implementation, ADB and MOF will accept subproject proposals from government organizations, institutions, and nongovernment organizations. ADB and MOF will jointly select subprojects on the basis of the TA design and agreed selection criteria specified in para. 12. Training will be provided to familiarize implementing agencies with ADB requirements and procedures, and share knowledge, as needed. The PRC Resident Mission will administer the TA, with support from the ADB headquarters. During implementation, the PRC Resident Mission country director will review and endorse individual proposals for TA inclusion (i.e., impact, outcome, outputs, implementation arrangements, cost and financing plan, and specific TORs).

18. ADB will recruit individual consultants in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). A total of 40 person-months of individual consulting services (10 person-months of international consultants, and 30 person-months of national consultants) will be provided, including resource persons and task-specific experts. The outline TOR is in Appendix 3. TORs for individual subprojects will be developed in consultation with relevant implementing agencies and ADB's Operations Services and Financial Management Department and approved by the PRC Resident Mission country director, as appropriate. TA proceeds will be disbursed in line with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). ADB may establish an advance payment facility for MOF and the implementing agencies.

19. 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 Support for Deepening Policy Reform and Capacity Building, 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 |
|---|---|--|--|
| Impact Deepened reforms and enhanced government capacities for promoting sustainable development | Policy advice and recommendations considered by the government by 2020 | Government documents/reports Policy announcements Institutional reforms Media reporting Feedback from civil society, donor community, and academia | Assumption Government commitment to deepened reforms and ownership of capacity building Risk Unexpected departure of senior officials responsible for delivering and disseminating outputs compromises part of the TA impact |
| Outcome Adoption by relevant government agencies of policy advice, regulations, new ideas, and best practices that are introduced or recommended by the TA to deepen reforms and increase government capacity at central and local levels | At least three related policy notes circulated to high authorities and/or senior leaders by 2018 At least three policy advice and recommendations adopted by governments by 2018 | Government documents and statements on policy reforms Media reports ADB reports and documents Meeting notes | Assumptions Good cooperation amongst ADB, executing agency, implementing agencies, and consultants Risks Loss of institutional memory if staff from the executing and implementing agencies leave their posts |
| Outputs Component A: Policy Advice Central and local governments are provided with sound policy advice on priority development issues in (i) economic restructuring; (ii) urban and rural integration; (iii) energy conservation and environment protection to promote ecological civilization; and (iv) social sector and welfare development | A TA mobilization workshop organized by 2015 Some synopses and "just-in-time" advice that provide policy recommendations to the government produced during 2015– 2018 TA dissemination and wrap-up workshops that present studies' main results conducted by 2018 | TA progress reports Periodic review meetings between ADB and MOF Meeting minutes Memorandums of understanding | Assumptions Subproject proposals target key issues; policy recommendations are responsive to needs of the government; and accessibility of needed data and information Risks New implementing agencies are unfamiliar with ADB procedures and have difficulty complying with ADB requirements |

DESIGN AND MONITORING FRAMEWORK

| | Performance Targets | Data Sources and | |
|---|--|---|---|
| Design Summary | and Indicators with Baselines | Reporting Mechanisms | Assumptions and Risks |
| Component B: Capacity Building Capacity assessments, training programs, workshops, conferences, and knowledge management interventions are provided to further develop the government's capacity in implementing the 12th and 13th five-year plans | Strategic workshop for promoting PRC–ADB strategic partnership on TA programming conducted during TA implementation Workshops and seminars on best practice, knowledge- sharing and training for executing and implementing agencies organized by 2018 | TA progress reports Periodic review meetings between ADB and MOF Meeting minutes Memorandums of understanding | Assumption Sufficient support from all relevant stakeholders Risk Qualified resource persons are not available |
| Activities with Milestones Periodic review meetings between ADB and the executing agency will be held to update the list of subprojects and monitor TA performance and milestone achievements. The first meeting will be conducted before TA implementation. Implementation progress will be tracked quarterly by ADB, in coordination with the executing and implementing agencies, through a monitoring mechanism established by the PRC Resident Mission. Component A: Policy Advice 1.1 A mobilization workshop organized by 2015 1.2 Consultations conducted with MOF that lead to subproject selection during TA implementation 1.3 Some bilingual synopses and "just-in-time" advice that provide policy recommendations to the government produced during 2015–2018 1.4 TA dissemination and wrap-up workshops that present studies' main results conducted by 2018 Component B: Capacity Building 2.1 Strategic dialogue workshops for promoting PRC–ADB partnership on TA programming conducted during 2015-2018 2.2 Workshops, seminars on best practice introduction, knowledge sharing | | | Inputs ADB: \$800,000 from TASF- others Government: The government will provide counterpart support in the form of counterpart staff from the executing and implementing agencies; office accommodation; office supplies; data and information; daily coordination; logistics support for missions, meetings and visits for TA implementation; and other in-kind contributions |
| 2018 | executing and implementing | | blic of China; TA = technical |

ADB = Asian Development Bank; MOF = Ministry of Finance; 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 | Amount |
|--|--------|
| Asian Development Bank ^a | |
| A. Component A: Policy Advice | |
| 1. Consultants, experts and resource persons | |
| a. Remuneration and per diem | |
| (i) International consultants | 140.0 |
| (ii) National consultants | 120.0 |
| b. International and local travel | 50.0 |
| c. Reports and communications ^b | 35.0 |
| 2. Equipment | 10.0 |
| 3. Training, workshops, and conferences | 30.0 |
| 4. Surveys | 40.0 |
| 5. Miscellaneous administration and support costs ^c | 30.0 |
| 6. Contingencies | 45.0 |
| Subtotal (A) | 500.0 |
| B. Component B: Capacity Building | |
| 1. Consultants, experts and resource persons | |
| a. Remuneration and per diem | |
| (i) International consultants | 100.0 |
| (ii) National consultants | 40.0 |
| b. International and local travel | 36.0 |
| 2. Reports and communications ^b | 30.0 |
| 3. Training, workshops, and conferences | 44.0 |
| 4. Miscellaneous administration and support costs ^c | 20.0 |
| 5. Contingencies | 30.0 |
| Subtotal (B) | 300.0 |
| Total | 800.0 |

Note: The technical assistance is estimated to cost \$1 million, of which \$800,000 will be financed on a grant basis by the Asian Development Bank's (ADB's) Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support in the form of counterpart staff; office accommodation; office supplies; data and information; daily coordination; logistics support for missions, meetings, and visits; and other in-kind contributions.

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

^b Includes translation activities and costs associated with TA document reviews and production.

^c Includes document editing, copying, printing, dissemination, translation and interpretation costs, and other related expenditures.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. For the technical assistance (TA) to the People's Republic of China (PRC), the Asian Development Bank (ADB) will recruit an estimated 30 person-months of national consultant inputs and 10 person-months of international expert inputs to support research, workshops, and other agreed-upon subproject activities. Consultants, resource persons, and task-specific experts will provide the inputs to introduce international best practices, provide in-depth knowledge and recommendations, and advise on policy options, challenges, and knowledge solutions. The nature of the expertise and inputs will be determined on a case-by-case basis for each activity or subproject applied by the implementation agency and jointly endorsed by the executing agency (through the TA Division at the Ministry of Finance) and ADB (through the PRC Resident Mission country director).

2. ADB will recruit consultants as individuals in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time).¹ The implementing agencies will be responsible for proposing terms of reference (TORs) to the Ministry of Finance and ADB for consideration. The experts may be independent consultants or recruited from consulting firms, research institutes, think tanks, academic institutions, government research arms, or nongovernment organizations (NGOs).

A. Consultants (5 person-months for international, 20 person-months for national)

- 3. Indicative tasks of consultants for component 1 (policy advice) subprojects include:
 - (i) assisting the executing and implementing agencies and ADB in identifying and/or refining the study scope, content, and/or methodology and related activities that focus on the PRC's strategic development issues and are consistent with the priority strategies of ADB and the government;
 - (ii) undertaking research and analysis, as required in the TORs—international experts, in particular, should provide advice and inputs on reform frameworks and processes based on international comparative analysis and best practices for incorporation into final policy recommendations;
 - (iii) working with the implementing agency and experts to produce study reports and/or policy synopsis in the required ADB format to satisfy the TA requirements (e.g., policy research studies, assessment reports, policy notes, good practice analyses, and related sector and thematic reports);
 - (iv) being responsible for quality control of the final bilingual policy synopses;
 - (v) contributing to policy dialogue with and knowledge solutions for key governmental decision-makers, as well as to the TA output dissemination.
- 4. Indicative tasks of consultants for component 2 (capacity building) include:
 - (i) conducting a detailed human resource and/or institutional needs assessment for relevant government agencies and/or nongovernment entities, including identifying gaps and obstacles and constraints that limit institutional capacities;

¹ To reduce administrative burden and improve economy, efficiency, and value for money, single-sourced recruitment and/or output-based (lump-sum) contracts for consulting services would be likely engaged under the TA, especially for "just-in-time" knowledge studies.

- (ii) proposing capacity-building action plans to ADB and implementing agencies that include experience-based methodologies that apply case studies and multiple tools, such as in-person trainings and print-based resources;
- (iii) designing and conducting training-of-trainers program to support capacity building for central and local government officials, executing and implementing agencies, NGOs, and other beneficiaries as required; and
- (iv) contributing inputs to conferences, seminars, workshops, focus group meetings, training sessions, and other events to promote knowledge sharing and dissemination, and strategic ADB–PRC partnership development.

B. Task-Specific Experts (2 person-months for international, 5 person-months for national)

5. The task-specific experts selected in accordance with ADB requirements will provide technical and/or administrative inputs in their area of expertise to support TA implementation and quality control. They will support the executing and implementing agencies in: liaising with ADB and other key stakeholders to ensure effective policy dialogues and smooth TA implementation; coordinating across agencies and subprojects for implementation; organizing workshops and knowledge-sharing events; reporting achievements to the executing and implementing agencies and ADB; and contributing inputs to reports and policy synopses, as needed. Specific tasks include:

- (i) providing technical and/or administrative inputs based on specific TORs agreedupon by the executing agency and/or implementing agencies and ADB;
- (ii) liaising with relevant stakeholders for national and internationally supported initiatives and ensuring smooth communication and coordinated efforts across agencies and organizations and administrative levels; and
- (iii) updating the executing and implementing agencies and ADB on TA progress and assisting them to address implementation and quality control issues.

C. Resource Persons (3 person-months for international, 5 person-months for national)

6. Unless otherwise agreed by the executing and implementing agencies and ADB, resource persons or experts entitled to receive honoraria or payments to be identified by executing and implementing agencies and the ADB include:

- presenters, facilitators, and panels for various workshops and events, including conferences, training seminars, and knowledge sharing and dissemination workshops;
- (ii) representatives of various agencies (e.g., academia, NGOs, and private businesses) and other individuals selected by the executing and implementing agencies and/or ADB to (a) act as discussants on related policy issues; (b) present fact findings, research results, and policy suggestions; and (c) review and refine policy synopses/reports and/or comment on selected research; and
- (iii) researchers and leading experts commissioned by the implementing agencies to prepare studies on topics or provide "just-in-time" policy advice that are agreed by the executing and implementing agencies and ADB to help achieve TA results.