



Technical Assistance Report

Project Number: 51022-001
Knowledge and Support Technical Assistance (KSTA)
December 2017

People's Republic of China: Strengthening the Role of E-Commerce in Poverty Reduction in Southwestern Mountainous Areas in Chongqing

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 29 November 2017)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1514
\$1.00	=	CNY6.605

ABBREVIATIONS

ADB	–	Asian Development Bank
PRC	–	People's Republic of China
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51022-001	
Project Name	Strengthening the Role of E-Commerce in Poverty Reduction in Southwestern Mountainous Areas in Chongqing	Department /Division	EARD/EAPF
Country	China, People's Republic of	Executing Agency	Chongqing Municipal Government
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Small and medium enterprise development		0.05
	Trade and services		0.20
Agriculture, natural resources and rural development	Agro-industry, marketing, and trade		0.15
Total			0.40
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Private sector development (PSD)	Knowledge sharing activities Conducive policy and institutional environment Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Rural	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG1, SDG8		
6. TA Category:		B	
7. Safeguard Categorization Not Applicable			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.40	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.40	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.40	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will produce studies on the promotion of e-commerce for targeted poverty reduction in rural and mountainous areas of Chongqing Municipality, the People's Republic of China (PRC). The TA will also support the preparation of policy recommendations, and organize capacity building for applying e-commerce in rural and mountainous areas.

2. The TA is in the 2017–2019 country operations business plan for the PRC.¹ Following a fact-finding mission on 31 August–1 September 2017, the Asian Development Bank (ADB) and Chongqing Municipal Government reached an understanding on the impact, outcome, outputs, cost estimates, financing plan, implementation arrangements, and terms of reference for the TA.²

II. ISSUES

3. Some 56 million people live in poverty in rural areas of the PRC, according to 2015 figures, based on the national poverty line of CNY2,980 per year.³ They mainly live in remote and mountainous areas, particularly in the west and southwest of the country including Chongqing Municipality. By the end of 2016, Chongqing had a poverty population of about 710,000, mainly living in its rural and mountainous areas, many of whom are women.⁴ The Government of the PRC has set a target to eliminate absolute poverty by 2020, and encourages innovative approaches to poverty reduction, including e-commerce. The State Council issued directives for developing e-commerce in rural areas as a tool for targeted poverty reduction.⁵ This is expected to expand markets for agriculture products and services, provide more timely and accurate market information to guide agricultural production, create more nonfarm jobs, and raise rural income.

4. The World Trade Organization defines e-commerce as “the sale or purchase of goods or services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders.”⁶ E-commerce has several key advantages over traditional ways of doing business. First, e-commerce lowers the cost of doing business, as the seller requires minimal physical infrastructure. It improves market access for traders, as it connects the supply and demand sides without traditional physical limitations and without certain transaction costs—increasing profit margins for traders. Second, e-commerce permits better and faster customer service, and saves time and money. This helps improve competitiveness, particularly for small and medium-sized enterprises (SMEs) that have difficulty competing and surviving in the market. These advantages make e-commerce a powerful and low-cost tool for expanding trade networks in rural areas. E-commerce could play an important role in reducing poverty in rural areas, and will also help empower women by creating higher-income jobs selling agricultural products.

5. E-commerce has been growing rapidly in the PRC since 2011. By the end of 2016, the PRC had 731 million internet users, of which 467 million were engaged in online shopping and 209 million in selling goods and services.⁷ The total value of e-commerce transactions reached

¹ ADB. 2017. *Country Operations Business Plan: People's Republic of China, 2017–2019*. Manila.

² The TA first appeared in the business opportunities section of the ADB's website on 14 December 2017.

³ Government of the PRC, State Council Poverty Reduction Office. 2016. *Poverty Reduction and Development in the People's Republic of China*. Beijing.

⁴ Government of the PRC, Chongqing Municipality. 2016. *Chongqing Statistics Yearbook*. Chongqing.

⁵ Government of the PRC, State Council. 2015. *Directives on Accelerating Development of E-commerce in Rural Areas*. Beijing.

⁶ World Trade Organization. 2013. *E-commerce in Developing Countries*. Geneva.

⁷ Government of the PRC, Ministry of Commerce. 2016. *E-Commerce in China*. Beijing.

CNY26.1 trillion, an increase of 19.8% over 2015. E-commerce has also been growing fast in rural areas, but it still lags urban areas. Internet users in rural areas account for only 27.4% of the national total, and the value of online retail sales in rural areas was CNY895 billion, accounting for 17.4% of the national total.

6. Overall, e-commerce in Chongqing has undergone rapid growth since 2011, and total online sales in 2016 reached CNY50 billion, an increase of 25.6% over 2015. However, online sales in rural areas accounted for only 11.0% of the total. Chongqing has yet to overcome challenges to realize the potential of e-commerce in supporting economic development in rural and mountainous areas, where most of its poor people live.

7. In addition to gaps in physical infrastructure for e-commerce in rural areas, three key soft constraints need to be addressed.⁸

- (i) The local e-commerce platforms have had limited success in building e-commerce business models to cater to local conditions and meet the needs of trade in agriculture-related products, which are usually seasonal, perishable and time-sensitive, small in quantity but large in variety, and widely dispersed in terms of production locations. The business models used for agricultural e-commerce in Chongqing are mostly replicated (with little innovation) from established e-commerce platforms, which are more suitable for the large-scale sale of industrial and manufactured goods, particularly brand products.
- (ii) The policy and legal framework for e-commerce in rural areas is still inadequate. Progress in local legislation for e-commerce is lagging; coordination for policy making and implementation among various agencies (including agriculture, commerce, quality inspection, food and drug administration, standardization, and business registration departments and/or offices) is often weak; awareness of e-commerce-related policies and laws is usually low among the rural population, particularly in remote mountainous areas; and statistics and data on rural e-commerce are lacking.
- (iii) Chongqing's rural areas still lack technical sophistication and operational experience in e-commerce because of (a) a shortage of interdisciplinary professionals who understand not only agriculture, but also marketing and the internet; (b) a low level of participation by poor households and SMEs caused by poor literacy in information and communication technology; and (c) lack of a comprehensive capacity building strategy for rural areas based on needs analysis.

8. Chongqing is fully aware of these challenges and is increasing its efforts in improving the supporting infrastructure for e-commerce, both physical and soft, to promote e-commerce for poverty alleviation in rural areas. The municipal government passed a decision and issued guidelines in 2016 to implement the State Council directives (footnote 5), aiming to establish a competitive and effective e-commerce system in Chongqing's rural areas by 2020, which will substantially improve e-commerce coverage in rural and mountainous areas and increase the trade of agricultural products through e-commerce platforms.⁹

⁸ Infrastructure gaps in rural areas (particularly those below the township level) include lower coverage of the telecommunications network, slower internet speed, and poor logistics facilities and services related to the collection, storage, distribution, and delivery of agricultural produce and other products.

⁹ Government of the PRC, Chongqing Municipality. 2016. *Implementation Guidelines on Comprehensive Promotion of E-commerce in Rural Areas*. Chongqing.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The TA is aligned with the following impact: access to markets for agricultural products expanded (footnotes 5 and 9). The TA will have the following outcome: e-commerce for poverty reduction in the rural and mountainous areas of Chongqing strengthened and applied effectively.¹⁰

B. Outputs, Methods, and Activities

10. The proposed TA will support the efforts of Chongqing in implementing the State Council directives for e-commerce development for targeted poverty reduction. The TA will have the following three outputs:

- (i) **Practical and effective e-commerce business models for poverty reduction developed.** The TA will support a study on the experience of e-commerce development in the southwestern mountainous areas including Wuling, Qinba, and Wumeng mountain areas. The study will review the status of policies, infrastructure, and operational performance related to e-commerce; and identify problems and constraints. It will also review the experience of other areas of the PRC and selected foreign countries in applying e-commerce for poverty reduction. Based on the findings of the studies, business models for applying e-commerce for poverty reduction (with special attention to the needs of local SMEs, poor households, and women) will be developed to serve as a reference guide for the poverty areas in Chongqing and elsewhere in the PRC. Each business model will be supported by actual cases with in-depth analysis. The data and information gathered from the studies will also be used to improve policy making and implementation.
- (ii) **Recommendations on improving legal and policy framework for applying e-commerce in targeted poverty reduction prepared.** Based on the findings of the studies and workshops, the TA will produce policy notes to be submitted to Chongqing municipal government and relevant agencies of the PRC central government to inform their policy making, which is expected to have a broader impact on poverty reduction in the country. The policy notes will include recommendations to fill the infrastructure gaps and improve the agriculture value chain in support of e-commerce development in poor areas.
- (iii) **Capacity of Chongqing municipal government and poverty counties for e-commerce development in rural areas enhanced.** The TA will (a) formulate an overall institutional strengthening and capacity building plan for developing e-commerce in rural and mountainous areas, with gaps and needs analysis; (b) prepare training manuals, which should be easy to understand and use for people living in poverty areas; and (c) organize at least six training workshops for e-commerce users from the mountainous areas, with at least three networking events held directly following the training workshops to facilitate interaction and business matching between the e-commerce platform enterprises and agricultural cooperatives from the rural and mountainous areas.

¹⁰ The design and monitoring framework is in Appendix 1.

C. Cost and Financing

11. The TA is estimated to cost \$450,000, of which \$400,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

12. Chongqing Municipal Government will provide counterpart support in the form of counterpart staff, office and meeting space, office supplies, venues for workshops, access to needed data and material, secretarial assistance, local transportation, and other in-kind contributions.

D. Implementation Arrangements

13. The TA will be implemented from January 2018 to December 2019. The executing agency will be Chongqing Municipal Government. The implementing agency will be the Development Research Center of Chongqing Municipal Government.

14. ADB will administer the TA. The East Asia Department's Public Management, Financial Sector, and Regional Cooperation Division will select, supervise, and evaluate consultants; support the implementing agency to organize workshops and consultations; and identify and provide staff to act as resource persons as needed. The proceeds of the TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

15. The TA will be monitored and evaluated based on the implementation of activities and satisfactory delivery of outputs following the agreed timeline and budget. Consultants will submit inception, interim, and final reports. TA review missions will be used to aid in monitoring progress, and regular communication will be maintained with the executing and implementing agencies and the consultants.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	January 2018–December 2019		
Executing agency	Chongqing Municipal Government		
Implementing agency	Development Research Center of Chongqing Municipal Government		
Consultants	To be selected and engaged by ADB		
	ICS	2.0 person-months for 1 international consultant	\$43,920
	ICS	34.5 person-months for 8 national consultants	\$293,310
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, ICS = individual consultant selection, TA = technical assistance.

Source: Asian Development Bank.

16. **Consulting services.** The TA will engage one international trade and e-commerce specialist for 2.0 person-months, and eight national consultants for 34.5 person-months (one development economist and poverty reduction specialist as team leader for 6.0 person-months; one senior e-commerce and information and communication technology specialist as deputy team leader for 6.0 person-months; two e-commerce and information and communication technology specialists for 4.0 person-months each; one rural development specialist for 3.0 person-months; one trade and logistics specialist for 3.0 person-months; one SME development specialist for 4.0 person-months; and one institutional development and capacity building specialist for 4.5 person-months).¹¹ The consultants as well as resource persons will be engaged in accordance with ADB's Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and TA staff instructions. Consultants will be recruited individually using output-based, lump sum contracts with a provision for fixed out-of-pocket expenditures.¹²

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of the People's Republic of China for Strengthening the Role of E-Commerce in Poverty Reduction in Southwestern Mountainous Areas in Chongqing, and hereby reports this action to the Board.

¹¹ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

¹² In line with Action 2.9.2 and Action 2.10.2 of the Midterm Review of Strategy 2020 Action Plan.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
Access to markets for agricultural products expanded (Directives on Accelerating Development of E-commerce in Rural Areas, and Implementation Guidelines on Comprehensive Promotion of E-commerce in Rural Areas) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Outcome E-commerce for poverty reduction in the rural and mountainous areas of Chongqing strengthened and applied effectively</p>	<p>By 2020 Agricultural products from the rural and mountainous areas of Chongqing traded on e-commerce platforms increased by at least 50% (2016 baseline: CNY 5.5 billion)</p>	<p>a. E-commerce in China (annual report by the Ministry of Commerce, the PRC)</p> <p>b. TA progress reports and TA completion report</p>	<p>Support from the central government and Chongqing municipal government may not be sustained</p> <p>Commitment of the private sector e-commerce enterprises, poor households, and SMEs in rural and mountainous areas may not be sustained</p>
<p>Outputs 1. Practical and effective e-commerce business models for poverty reduction developed</p>	<p>By 2019</p> <p>1a. General report on experience of applying e-commerce for poverty reduction in Chongqing's rural and mountainous areas (including gender analysis and sex-disaggregated data) prepared (2016 baseline: 0)</p> <p>1b. Three sub-reports on experience of applying e-commerce for poverty reduction, including detailed gender analysis and sex-disaggregated data (1 each for Wuling, Qinba, and Wumeng mountain areas) prepared (2016 baseline: 0)</p> <p>1c. At least three business models (each model to be supported by at least two actual cases, including cases from selected foreign countries and cases featuring women in e-commerce, as</p>	<p>a. TA progress reports</p> <p>b. Annual work plans and work performance reports of Chongqing Development Research Center</p>	<p>Poor coordination among government agencies may cause disruptions to TA implementation</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>2. Recommendations on improving legal and policy framework for applying e-commerce in targeted poverty reduction prepared</p> <p>3. Capacity of Chongqing municipal government and poverty counties for e-commerce development in rural areas enhanced</p>	<p>appropriate) compiled (2016 baseline: 0)</p> <p>1d. At least 600 participants (with at least 40% female participants) in training workshops have increased understanding of report findings (2016 baseline: NA)</p> <p>At least three policy notes, with gender and social analysis, prepared and submitted to Chongqing municipal government and the PRC central government (2016 baseline: NA)</p> <p>At least 600 participants (with at least 40% female participants) attend the training workshops and have improved skills and knowledge about e-commerce development and application (2016 baseline: 0)</p>	<p>a. TA progress reports</p> <p>b. Annual work plans and work performance reports of Chongqing Development Research Center</p> <p>a. TA progress reports</p> <p>b. Annual work plans and work performance reports of Chongqing Development Research Center</p>	

Key Activities with Milestones**1. Practical and effective e-commerce business models for poverty reduction developed**

- 1.1 Conduct studies in Wuling, Qinba, and Wumeng mountain areas and prepare sub-reports, with gender and social analysis (Q1–Q4 2018).
- 1.2 Prepare the general report and the e-commerce business models based on consultations with various stakeholders, with gender and social analysis (Q1 2019).
- 1.3 Compile actual cases of applying e-commerce, with in-depth analyses (Q1–Q4 2018).
- 1.4 Organize final dissemination workshop (Q2 2019).

2. Recommendations on improving legal and policy framework for applying e-commerce in targeted poverty reduction prepared

- 2.1 Prepare at least three policy notes with practical policy recommendations, and gender and social analysis (Q3 2019).
- 2.2 Submit the policy recommendations to Chongqing municipal government and the PRC central government (Q3 2019).

3. Capacity of Chongqing municipal government and poverty counties for e-commerce development in rural areas enhanced

- 3.1 Prepare an overall institutional strengthening and capacity building plan for developing e-commerce in rural and mountainous areas based on gaps and needs analyses (Q1–Q2 2018).
- 3.2 Prepare training manuals on e-commerce in rural areas (Q2–Q3 2018).
- 3.3 Organize at least six training workshops for e-commerce users (Q4 2018–Q3 2019).
- 3.4 Organize at least three networking events for e-commerce platforms and users, directly following the training workshops (Q3 2018–Q3 2019).

Inputs

ADB: \$400,000 (TASF-others)

Note: Chongqing Municipal Government will provide counterpart support in the form of counterpart staff, office and meeting space, office supplies, venues for workshops, access to needed data and material, secretarial assistance, local transportation, and other in-kind contributions.

Assumptions for Partner Financing

Not applicable.

ADB = Asian Development Bank, NA = not applicable, PRC = People's Republic of China, Q = quarter, SMEs = small and medium-sized enterprises, TA = technical assistance, TASF = Technical Assistance Special Fund.

^a Government of the PRC, State Council. 2015. *Directives on Accelerating Development of E-commerce in Rural Areas*. Beijing; Government of the PRC, Chongqing Municipality. 2016. *Implementation Guidelines on Comprehensive Promotion of E-commerce in Rural Areas*. Chongqing.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank ^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	43.92
ii. National consultants	293.31
b. Out-of-pocket expenditures	
i. International and local travel	12.77
ii. Reports and communications ^b	10.00
2. Surveys	10.00
3. Workshops, training, seminars, and conferences ^c	15.00
4. Contingencies	15.00
Total	400.00

Note: The technical assistance (TA) is estimated to cost \$450,000, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office and meeting space, office supplies, venues for workshops, access to needed data and material, secretarial assistance, local transportation, and other in-kind contributions. The value of the government contribution is estimated to account for 11% of the total TA cost.

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

^b Includes costs related to printing, translation and interpretation, and communications.

^c Expenditures may include costs for (i) engagement of resource persons and event organizers, (ii) rental of workshop venues and equipment, (iii) food and beverages for participants (excluding alcoholic beverages), (iv) travel costs of participants, (v) fees and travel costs of interpreters, and (vi) travel costs of ADB staff who will serve as resource persons and/or facilitators in the workshops.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51022-001-TARreport>

1. Terms of Reference for Consultants