

TERMS OF REFERENCE FOR CONSULTANTS

1. One international (4 person-months) will be individually selected and engaged by the Asian Development Bank (ADB) in accordance with the ADB Procurement Policy (2017, as amended from time to time) under output-based, lump sum contract with a provision for fixed out-of-pocket expenditures.
2. The international consultant will be required to provide (i) an inception report defining a detailed work plan and milestones consistent with the design and monitoring framework; (ii) deliverables will also include interim, draft final and final reports; and (iii) other reports and updates as needed by the executing agency. Reports should be of high quality and produced in English, with copies in Chinese also produced by the report delivery dates.
3. ADB will also recruit a firm to engage 2 national consultants (10 person-months total). A provision for fixed out-of-pocket expenditures will be provided. The firm will be required to provide (i) an inception report within 2 weeks of the start of the TA, defining a detailed work plan and milestones consistent with the design and monitoring framework; (ii) deliverables consistent with the design and monitoring framework activities, outputs, and delivery dates; and (iii) other reports and updates as required by the executing agency. Final reports must be of high quality and produced in English with copies in Chinese by the report delivery dates.
4. TA resources will be disbursed in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).
5. The TA is estimated to begin in October 2018 and will be implemented over 24 months estimated to end October 2020.

A. International Expert in Local Government Bond Markets (4 person-months, intermittent – Individually selected)

6. **Purpose, scope of work, and qualifications.** The expert will aim to improve investor confidence, the efficiency of the investment process, bond structuring, project selection, and bond issuance and management of local governments. The expert will have a minimum of a master's degree in business, finance, or economics. The expert will have at least 10 years of experience in dealing with government and local currency bond markets in a variety of developed markets and knowledge of local government fiscal and financing mechanisms across the globe. The expert will have strong English writing and speaking skills, and it is preferable that the consultant will have worked in developing countries on government and local government debt markets. Experience in working with the bond markets of a variety of developing countries is preferred. Relevant experience in Asia, and particularly in the People's Republic of China (PRC) will be an advantage.

7. The consultant will perform the following tasks:
 - (i) The consultant will compile and provide detailed reports on the various international practices of applicable local government bond markets globally. The assessment will focus on bond structuring, distribution, investor targeting, information disclosure and transparency. These approaches will be evaluated for best fit to the conditions in the PRC;
 - (ii) Lead in the preparation of an international conference that will bring in experts to discuss practices in local government bond issuance that can be best applied to the PRC;

- (iii) Support preparation of a study tour to developed ADB member countries for management of the Ministry of Finance, selected finance bureaus and local governments to allow them to identify first-hand the best practices that can be applied in the PRC;
- (iv) In cooperation with the national consultants evaluate the current policy, regulatory, infrastructure and institutional framework governing the local government bond market in the PRC and determine the appropriateness or impediments that exist to market development;
- (v) In cooperation with the national consultants survey the local institutional investor base to assess their interest in local government bonds and evaluate their requirements or impediments to investing;
- (vi) Lead in surveying a sample of current and potential foreign investors to identify their impediments to further investing in local government bonds;
- (vii) In cooperation with the national consultants hold discussions on multi-issuance channels to include the Shanghai Free Trade Area, the Shanghai Stock Exchange, the Shenzhen Stock exchange and the Bond Connect mechanism and identify the steps that can be taken to enhance investors flows;
- (viii) Support the national consultants in performing detailed studies of selected pilot local governments. The assessments will focus on current and proposed bond structuring and issuance mechanisms, financial management capacity for bond debt, the viability of proposed bond issuance and links to funding needs, and knowledge of their credit capacity and issuer rating implications;
- (ix) Participate in national training and workshops to be held for local governments and finance bureaus to disseminate the best investment processes identified;
- (x) Prepare interim, draft, and draft final and final reports with recommendations on how findings and lessons can be applied within the PRC; and
- (xi) Perform quality control for all outputs in English.

B. National Expert in Local Government Finance and Bond Markets (5 person-months, Firm)

8. **Purpose, scope of work, and qualifications.** The expert will aim to improve investor confidence, the efficiency of the investment process, bond structuring, project selection, and bond issuance and management of local governments. The expert will have at least 10 years of experience and a minimum of a bachelor's degree in business, finance or economics and demonstrated expertise in government and local government debt markets. The expert will have clear knowledge of the current situation in local government fiscal conditions and mechanisms in the PRC. The expert must have good English speaking and writing skills.

9. The expert will perform the following tasks:

- (i) Lead in preparing an assessment of current practices on bond structuring, issuance and administrative procedures, and debt and capital investment management capacity by local governments. The current policy, regulatory, infrastructure and institutional framework governing the local government bond market will be assessed to determine the appropriateness or impediments that exist to market development;
- (ii) Lead in surveying the local institutional investor base to assess their interest in local government bonds and evaluate their requirements or impediments to investing;
- (iii) Lead in discussions on multi-issuance channels to include the Shanghai Free Trade Area, the Shanghai Stock Exchange, the Shenzhen Stock exchange and the Bond

Connect mechanism and identify the steps that can be taken to enhance investors flows;

- (iv) Lead preparation of and participate in national training and workshops to be held for local governments and finance bureaus to disseminate the best investment processes identified;
- (v) Support preparation of a study tour to be held for management of the Ministry of Finance (MOF), selected finance bureaus and local governments to identify first-hand the best practices that can be applied in the PRC;
- (vi) Assist the international consultant in arranging and managing the international conference;
- (vii) Prepare interim, draft, and draft final and final reports with recommendations on how findings and lessons can be applied within the PRC;
- (viii) Translate and interpret at project meetings and of basic needed project documents and material; and
- (ix) Perform quality control on the final Chinese version of all reports and outputs.

C. National Expert in Sub-sovereign credit ratings and bond markets (5 person-months, Firm)

10. **Purpose, scope of work, and qualifications.** The expert will have at least 10 years of experience and a minimum of a bachelor's degree in business, finance, or economics or at least 10 years of relevant experience in local government debt markets and credit ratings. The expert should have knowledge of the current situation in the credit rating industry in the PRC and knowledge of deal international rating agency frameworks. The expert must have good English speaking and writing skills.

11. The expert will perform the following tasks:

- (i) Lead in performing detailed studies of selected pilot local governments. The assessments will focus on current and proposed bond structuring and issuance mechanisms, financial management capacity for bond debt, the viability of proposed bond issuance and links to funding needs, and knowledge of their credit capacity and issuer rating implications;
- (ii) In addition to the pilot assessment locales, the consultant will survey a sample of other local governments to be studied through sample surveys and outreach meetings to prepare abbreviated evaluations of the conditions, impediments and needs to expand local government bond markets;
- (iii) Prepare credit ratings and ratings' sensitivities of the selected pilot local governments utilizing international rating methods and peer comparisons to international local government bond issuers;
- (iv) Support preparation of and participate in national training and workshops to be held for local governments and finance bureaus to disseminate the best investment processes identified;
- (v) Assist the international consultant in arranging and managing the international conference;
- (vi) Prepare interim, draft, and draft final and final reports with recommendations on how findings and lessons can be applied within the PRC;
- (vii) Translate and interpret at project meetings and of basic needed project documents and material; and
- (viii) Perform quality control on the final Chinese version of all reports and outputs.