



Technical Assistance Subproject Report

Project Number: 52194-002
Knowledge and Support Technical Assistance (C-KSTA)
October 2018

People's Republic of China: Policy Research on Ecological Protection and Rural Vitalization for Supporting Green Development in the Yangtze River Economic Belt

Subproject 1: Public–Private Financing Mechanism for Chishui Watershed Protection

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

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 October 2018)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1456
\$1.00	=	CNY6.8690

ABBREVIATIONS

ADB	–	Asian Development Bank
GZICCEP	–	Guizhou International Cooperation Center for Environmental Protection
TA	–	technical assistance

NOTE

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

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.

CONTENTS

Page

KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

I.	THE TECHNICAL ASSISTANCE SUBPROJECT	1
A.	Overall Progress of the TA cluster	1
B.	Subproject Outcome	1
C.	Subproject Outputs, Methods, and Activities	1
D.	Subproject Cost and Financing	2
E.	Subproject Implementation Arrangements	2

APPENDIXES

1.	Subproject Design and Monitoring Framework	4
2.	Subproject Cost Estimates and Financing Plan	7
3.	List of Linked Documents	8

KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 52194-002	
Project Name	Policy Research on Ecological Protection and Rural Vitalization for Supporting Green Development in the Yangtze River Economic Belt - Public-Private Financing Mechanism for Chishui Watershed Protection (Subproject 1)	Department/Division	EARD/EAER
Nature of Activity	Capacity Development, Policy Advice	Executing Agency	Guizhou Provincial Finance Department (GFD)
Modality	Subproject		
Country	China, People's Republic of		
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Rural water policy, institutional and capacity development		0.20
	Water-based natural resources management		0.20
		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
Environmentally sustainable growth (ESG)	Natural resources conservation		
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	Medium
Household Targeting	No	Urban	Medium
SDG Targeting	Yes		
SDG Goals	SDG6		
6. Risk Categorization		Risk Categorization does not apply	
7. Safeguard Categorization		Safeguard Policy Statement does not apply	
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	
Currency of ADB Financing: USD			

I. THE TECHNICAL ASSISTANCE SUBPROJECT

A. Overall Progress of the TA cluster

1. The knowledge and support technical assistance (TA) cluster was approved on 15 September 2018. The overall TA cluster is estimated at \$1.5 million. The subproject is estimated to cost \$400,000 and will be financed on a grant basis from the Technical Assistance Special Fund (TASF-other sources). The implementing agency, the Guizhou Provincial Environmental Protection Department, will provide counterpart support in the form of remuneration and travel expenses of counterpart staff (including a translator); local transport for TA consultants to government offices in Guiyang City; provision of available relevant government data and studies for the TA consultants' use; provision of meeting rooms, office facilities, and geographic information system maps; and other in-kind contributions. The design and monitoring framework of the subproject is in Appendix 1.¹

B. Subproject Outcome

2. The TA will have the following outcome: mechanism and policy framework to improve public-private Chishui River ecological investments strengthened. The subproject outcome will support the three outputs of the overall TA cluster. This subproject will contribute to (i) an enabling environment for ecological compensation by establishing a public-private financial mechanism to support implementation of eco-compensation project; (ii) integrate poverty targets into potential public-private projects; and (iii) share and disseminate knowledge on lessons and findings from this TA.

C. Subproject Outputs, Methods, and Activities

3. **Output 1: Framework for establishing public-private financial mechanism prepared.** This output will review and analyze the current constraints and requirements, including regulations, policies, and institutional and capacity settings which are essential to establish a public-private financing mechanism. A review of national and international experience and practices, as well as stakeholder assessment of attitudes, preferences, and willingness to participate in public-private financing mechanisms will form the basis of the proposed public-private financing mechanism.

4. **Output 2: Public-private project portfolio prepared.** This output will prepare a roadmap for implementing the financing mechanism which will be supported by a toolkit outlining the guidelines on the evaluation and selection process. Utilizing the toolkit, potential projects will be assessed, and a project portfolio will be prepared listing qualified projects.

5. **Output 3. Financial and management plan for pilot projects supported by the public-private financial mechanism developed.** By selecting one pilot project from the project pipeline, this output will support the preparation of the financial management plan, as well as the selection of relevant financial instrument which is required by the financing mechanism. This will serve as an example for other projects to prepare their project proposals.

6. **Output 4. Awareness about and capacity to implement the public-private financing mechanism enhanced.** Stakeholder understanding, buy-in, and acceptance of various forms of public-private financing mechanisms, are crucial requirements to implement partnerships successfully. Workshops will be held to engage stakeholders, seek their input and feedback on

¹ The TA first appeared in the business opportunities section of ADB's website on 8 August 2018.

analytical work, and introduce them to the role and benefits of partnerships and the public–private financing mechanism. The findings of the TA research will be presented at a transprovincial Chishui River watershed conference to raise awareness about the financing mechanism and will be captured in a knowledge product report that will be widely disseminated.

D. Subproject Cost and Financing

7. The TA subproject is estimated to cost \$500,000, of which \$400,000 will be financed on a grant basis by Asian Development Bank’s (ADB) Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

8. The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff (including a translator); local transport for TA consultants to government offices in Guiyang City; provision of available relevant government data and studies for the TA consultants’ use; provision of meeting rooms, office facilities, and geographic information system maps; and other in-kind contributions.

E. Subproject Implementation Arrangements

9. The Guizhou Provincial Finance Department through the Foreign Economy Division is the executing agency. The implementing agency will be the Guizhou Provincial Environmental Protection Department and will be responsible for the overall coordination of the TA. The Guizhou International Cooperation Center for Environmental Protection (GZICCEP), an agency of the Guizhou Provincial Environmental Protection Department, will be the implementing unit responsible for implementation of the activities and the delivery of the outputs of the subproject, as well as to provide support to knowledge dissemination. GZICCEP will (i) provide project management support and carry out day-to-day TA activities, such as overseeing the TA consultants’ work; (ii) organize peer reviews and comments on consultants’ reports; (iii) organize TA review workshops and stakeholder meetings; and (iv) coordinate with provincial government agencies and private stakeholders for awareness raising and capacity building activities. Other implementation arrangements are summarized in Table 1.

Table 1: Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	November 2018–February 2020		
Executing agency	Guizhou Provincial Finance Department - Foreign Economy Division		
Implementing agency	Guizhou Provincial Environmental Protection Department		
Consultants	To be selected and engaged by ADB		
	Firm (QCBS)	23 person-months	\$281,530
Procurement ^a	To be procured by implementing agency		
	Shopping	2 contracts	\$10,000
Disbursement	The TA resources will be disbursed following ADB’s <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time)		
Asset turnover or disposal arrangement upon TA completion	Equipment procured under the technical assistance will be turned over to the executing agency upon completion of TA activities.		

ADB = Asian Development Bank, QCBS = quality and cost- based selection, TA = technical assistance.

^a Procurement Plan (accessible from the list of linked documents in Appendix 3).

Source: Asian Development Bank.

10. **Consulting services.** The TA will be implemented over 16 months, tentatively from 1 November 2018 to 28 February 2020. A consulting firm will provide 20 person-months of national inputs (environmental policy and law specialist and team leader; investment and finance specialist; ecosystem service and eco-compensation specialist; and institutional and planning specialist) and 3 person-months of international inputs (investment and partnership specialist). The consultants will submit progress reports, which will be reviewed by ADB and the government. All reports will be available in English and Chinese language. Resource persons may be invited to review the consultants' outputs and share knowledge during workshops and conferences. The consulting firm will be engaged using the quality- and cost-based selection method with a quality-cost ratio of 90:10 by inviting biodata technical proposals following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. In line with the action plan for the Midterm Review of Strategy 2020, an output-based contract may be offered.²

11. **ADB's procurement.** Procurement will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).³

12. **Dissemination.** The subproject TA results will be disseminated through progress reports, workshops, and the Chishui River watershed conference. GZICCEP will lead the knowledge dissemination activities which will include workshops, capacity building, and awareness raising activities. Target audiences will include provincial government agencies, private sector, and stakeholders within the Chishui River watershed.

² ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila. Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

³ Procurement Plan (accessible from the list of linked documents in Appendix 3).

SUBPROJECT DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
Green economic development and ecological protection in the Yangtze River Economic Belt achieved (Yangtze River Economic Belt Development Plan, 2016–2030) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome</p> <p>Mechanism and policy framework to improve public–private Chishui River ecological investments strengthened</p>	<p>By 2021:</p> <p>a. A public–private financial mechanism and policy framework approved and established by GEPD (2018 baseline:0)</p>	<p>a. GPG letters endorsing the public–private financial mechanism</p> <p>Agreements signed by GEPD and all co-founders</p>	<p>Limited commitment from the public and private sectors to attract additional investment for ecosystem protection</p>
<p>Outputs</p> <p>1. Framework for establishing public–private financial mechanism prepared</p> <p>2. Public–private project portfolio prepared</p>	<p>By 2020:</p> <p>1a. Analysis report assessing (i) technical issues; (ii) legal, regulatory, and policy frameworks; (iii) institutional and capacity status; and (iv) commercial, financial, and economic issues produced (2018 baseline: 0)</p> <p>1b. Report on national and international best practices in public–private financing mechanisms, eco-compensation, and services for ecosystem protection produced (2018 baseline:0)</p> <p>1c. Draft of public–private financing mechanism prepared (2018: baseline 0)</p> <p>2a. Roadmap and framework report for the establishment of public–private financing mechanism for Chishui River watershed developed (2018 baseline: 0)</p> <p>2b. Guideline for applying public–private financial mechanism to pilot real-life projects prepared (2018 baseline: 0)</p>	<p>1a–c. Interim and final progress reports of the TA project</p> <p>2a–d. Interim and final technical and progress reports of the TA project</p>	<p>Staff turnover delays TA implementation</p> <p>Data required for the assessment is not available</p> <p>Unable to reach consensus on strategies required for implementing public–private financing partnership activities and policy framework</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>3. Financial and management plan for pilot projects supported by the public-private financial mechanism developed</p> <p>4. Awareness about and capacity to implement the public-private financing mechanism enhanced</p>	<p>2c. Toolkit for evaluating potential projects prepared (2018 baseline: 0)</p> <p>2d. Project portfolio established with at least seven projects listed in the pipeline (2018 baseline: 0)</p> <p>3a. One pilot project selected by using the project evaluation toolkit (2018 baseline: 0)</p> <p>3b. Financial and management plan prepared (2018 baseline: 0)</p> <p>3c. At least two potential projects supported to apply to the public-private financial mechanism (2018 baseline: 0)</p> <p>4a. Knowledge product on promoting investment in watershed protection prepared (2018 baseline: 0)</p> <p>4b. At least 60 participants in an ecosystem protection and investment conference with enhanced awareness on Chishui River watershed protection (2018 baseline: 0)</p>	<p>3a-c. Interim and final technical and progress reports of the TA project</p> <p>4a-b. Final technical report of the TA project</p> <p>4b. Survey questionnaire or feedback report after the conference</p>	

Key Activities with Milestones after Mobilization

1. Framework for establishing public-private financial mechanism prepared.

- 1.1 Review and analyze the constraints and requirements, including regulatory, policies, and institutional and capacity settings for the establishment of the public-private financing mechanism by month 3.
- 1.2 Conduct consultations and workshops with Chishui River watershed stakeholders to assess their attitudes and preferences regarding the public-private financing mechanism and willingness to contribute to and participate in such a mechanism by month 4.
- 1.3 Review national and international best practices in public-private financing mechanisms and services that can be used to promote ecosystem restoration and conservation by month 4.
- 1.4 Review national eco-compensation programs, policies, and regulations that promote provision of ecosystem services and assess opportunities for financial benefit and support from such programs for provision of ecosystem services by month 4.
- 1.5 Make recommendations to GEPD for a public-private financing mechanism, incorporating best practices from national and international experience that promote ecosystem protection by month 5.
- 1.6 Prepare the draft public-private financing mechanism diagnostic analysis report (draft interim report) by month 7.

<p>2. Public–private project portfolio prepared</p> <p>2.1 Prepare the public–private financing mechanism and implementation strategy with roadmap by month 8.</p> <p>2.2 Prepare the guidelines for applying public–private financing mechanism to pilot projects developed by month 8.</p> <p>2.3 Conduct consultations and workshops with Chishui River watershed stakeholders to promote the public–private financing mechanism and identify potential projects to participate in such a mechanism by month 9.</p> <p>2.4 Prepare a toolkit with criteria and guidelines on screening and evaluating potential projects by month 10.</p> <p>2.5 Compile the public–private financing mechanism project portfolio with at least seven pipeline projects by month 10.</p> <p>2.6 Support initial preparation of projects listed in the pipeline by month 12.</p> <p>3. Financial and management plan for pilot projects supported by the public–private financial mechanism developed</p> <p>3.1 Select one pilot project using the project evaluation toolkit by month 13.</p> <p>3.2 Prepare financial and management plan including analysis and selection on the financial instrument for the selected pilot project by month 15.</p> <p>3.3 Support and provide guidance to potential projects to apply to the public–private financial mechanism finished by month 15.</p> <p>4. Awareness about and capacity to implement the public–private financing mechanism enhanced</p> <p>4.1 Prepare a draft knowledge product that summarizes issues identified in Output 1 and in the roadmap from Output 2 by month 13.</p> <p>4.2 Conduct workshops to inform and jointly review TA results from the inception (month 2), interim (month 8), and final phases (month 12).</p> <p>4.3 Hold a cross-province conference to present the public–private financing mechanism to the Chishui River watershed stakeholders by month 15.</p> <p>4.4 Revise the knowledge product based on reviewers' feedback by month 16.</p> <p>TA Management Activities</p> <p>Mobilize the consultant team</p> <p>Develop study framework, prepare the inception report, and conduct the inception workshop by month 2.</p> <p>Prepare the interim report and conduct the interim workshop by month 8.</p> <p>Prepare the draft final report and conduct the final workshop by month 12.</p> <p>Hold the Chishui River watershed trans-provincial conference by month 14.</p> <p>Finalize the TA outputs by month 16.</p>
<p>Inputs</p> <p>TASF-other sources: \$400,000</p> <p>Note: The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff (including a translator); local transport for TA consultants to government offices in Guiyang City; provision of available relevant government data and studies for the TA consultants' use; provision of meeting rooms, office facilities, and geographic information system maps; and other in-kind contributions.</p>
<p>Assumptions for Partner Financing</p> <p>Not Applicable</p>

GEPD = Guizhou Provincial Environmental Protection Department, GPG = Guizhou Provincial Government, TA = technical assistance; TASF = technical assistance special fund.

^a Government of the People's Republic of China, National Development and Reform Commission. 2016. *Outline of the Yangtze River Economic Belt Development Plan, 2016–2030*. Beijing; and Government of the People's Republic of China. 2016. *State Council Opinions Paper on Eco-compensation*. Beijing.

Source: Asian Development Bank.

SUBPROJECT COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	81.93
ii. National consultants	151.0
b. Out-of-pocket expenditures	
i. International and local travel	40.0
ii. Reports and communications	3.6
iii. Miscellaneous administration and support costs	5.0
2. Surveys	15.0
3. Goods (rental or purchase) ^b	10.0
4. Training, seminars, workshops, forum and conferences	77.5
5. Miscellaneous administration costs ^c	11.0
6. Contingencies	4.97
Total	400.0

Note: The technical assistance (TA) is estimated to cost \$500,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff (including a translator); local transport for TA consultants to government offices in Guiyang City; provision of available relevant government data and studies for the TA consultants' use; provision of meeting rooms, office facilities, and geographic information system maps; and other in-kind contributions. The value of government contribution is estimated to account for 20% of the total TA cost.

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

^b Equipment procured under the TA will be turned over to the executing agency upon completion of the TA activities.

^c Includes workshop translation and interpretation costs, office supplies, administration, and logistics costs.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=52194-002-TARreport>

1. Terms of Reference for Consultants
2. Procurement Plan