

CHINA

GREEN AGRICULTURAL AND RURAL REVITALIZATION  
PROGRAM FOR RESULTS (HUBEI AND HUNAN) (P178907)

FIDUCIARY SYSTEM ASSESSMENT

March 31, 2023

The World Bank

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## Abbreviations and Acronyms

ALEB	Administrative Law Enforcement Bureau
ARAB	Agriculture and Rural Affairs Bureau
BEC	Bid Evaluation Committee
CEM	comprehensive evaluation method
CNAO	China National Audit Office
DARA	Department of Agriculture and Rural Affairs
DEE	Department of Ecological Environment
DHURC	Department of Housing and Urban-Rural Construction
DLIs	disbursement-linked indicators
DNR	Department of Natural Resources
DOF	Department of Finance
DRC	Development and Reform Commission
EEB	Ecology and Environment Bureau
EEP	Environmental and Ecological Protection
EFA	Expenditure Framework Assessment
FB	Finance Bureau
FM	financial management
FSA	Fiduciary Systems Assessment
GAP	green agricultural practices
GHG	greenhouse gas
GPL	Government Procurement Law
HNFB	Hunan Provincial Finance Bureau
HPFB	Hubei Provincial Finance Bureau
HURCB	Housing and Urban-Rural Construction Bureau
IBMS	integrated budget management system
IPRC	International Poverty Reduction Center
IPRCC	International Poverty Reduction Center in China
MIS	management information system
MDBs	multilateral development banks
M&E	monitoring and evaluation
MOF	Ministry of Finance
MRV	monitoring, reporting, and verifying
NDRC	National Development and Reform Commission
NRB	Natural Resources Bureau
NRRA	National Rural Revitalization Administration
O&M	operation and maintenance
OPRC	Operational Procurement Review Committee
PAD	Program Appraisal Document
PAOs	Provincial Audit Offices
PAP	Program Action Plan
PDF	Provincial Department of Finance
PDO	Program Development Objective
PDRC	Provincial Development and Reform Commission
PIP	Program Implementation Plan
PLGs	Program Leading Groups
PMO	Project Management Office

PPMO	Provincial Project Management Office
PRC	People's Republic of China
PRRA	Provincial Rural Revitalization Administration
PRTC	Public Resource Transaction Center
RRA	Rural Revitalization Administration
RRB	Rural Revitalization Bureau
RRTF	Rural Revitalization Transition Funds
TBL	Tendering and Bidding Law
ZEB	zero-based budgeting

## Section 1: Conclusions

### 1.1 Reasonable Assurance

The National Rural Revitalization Administration, Hubei and Hunan provinces, together with the World Bank, is in the process of preparing the Green Agricultural and Rural Revitalization Program for Results (Hubei and Hunan). As part of preparing this operation, and pursuant to the World Bank's Policy and its associated Directive on PforR Financing issued on March 25, 2022, and March 8, 2022, respectively, as well as the World Bank's PforR Fiduciary Systems Assessment Guidance Note issued on March 8, 2022, the World Bank's fiduciary team has carried out a fiduciary systems assessment (FSA). According to the FSA – and given the agreed actions to strengthen the fiduciary systems, as reflected in the disbursement-linked indicators (DLIs), Program Action Plan (PAP), and other proposed mitigation measures that will be implemented – the Program's fiduciary systems, including the financial management (FM), procurement, and governance systems, are considered to adequately meet the requirements laid out in the Bank's PforR Policy and Directive. They provide reasonable assurance that the Program's financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

### 1.2 Risk Assessment

Major FM risks identified in the FSA are the following. (i) Although the 14th Five-Year Plan has been prepared for green agricultural and rural revitalization, there is no program-specific budget allocated to the Plan. Financing gaps associated with toilet improvement and rural solid waste and wastewater collection, transfer, and treatment were identified during the assessment. (ii) "Program" is not a budget classification element in China and the required Program financial reporting cannot be automatically generated from the government budget integrated system. (iii) No requirement by the provincial government on reporting of Program expenditures in Hubei and Hunan provinces exists. (iv) The absence of efficient supervision by related provincial entities on the use of Program funds might risk improper use of Program funds. (v) Government auditors did not audit the Program funds and prepare the Program audit report.

**Mitigation measures.** The proposed mitigation measures include the following:

- (a) Multiple-year Program budgeting should be prepared to ensure that Program funds could be secured and the county government could prioritize its investment to enhance the efficiency of its scarce financing resources. Provincial entities should revisit their budget quota distribution and take actions to ensure that the budget quota could be distributed to the county/city in advance.
- (b) A green tagging mechanism that can trace Program expenditures from the existing government integrated financial management system has been recommended and it is expected to be piloted in the project counties during project implementation. This also creates a fundamental basis for generating Program financial reporting from the government integrated system.
- (c) A tailored Program financial reporting template will be designed that can capture the data from the government system and be used by the project upon agreement by related government entities.
- (d) Provincial entities involved should strengthen their supervision on Program funds in line with related government decrees.

- (e) The Bank will work with the Provincial Audit Offices (PAOs) to develop the terms of reference (TOR) for Program auditing to ensure that Program funds can be audited in line with the Bank's policy.

The following major procurement risks have been identified. (i) The absence of a coordination framework of multiple implementing entities, such as bureaus of finance, development and reform, agricultural and rural affairs, rural revitalization, housing and rural-urban development, natural resources, ecology and environment, water resources, and city administration (comprehensive administrative law enforcement bureaus), is likely to be among the major constraints to the GARR PforR implementation. (ii) Multiple implementation entities involved in procurement activities may not be aware of the lists of debarred and temporarily suspended firms issued by the Bank and other multilateral development banks (MDBs), although most of the contracts will be of small size and it is unlikely that they would be awarded to firms debarred or under temporary suspension by the Bank or other MDBs. (iii) The Bank may not be informed of fraud allegations and corruption practices during the GARR PforR implementation. (iv) The GARR PforR will be implemented at the county/city level where most of its procurement activities will comprise small works for the construction and/or rehabilitation of rural infrastructure and small-value consulting and non-consulting services. As a result, there will be limited competition among contractors, suppliers, consultants, or design institutes interested in bidding for small-value contracts. (v) Works may not be completed within the time specified in the contracts and the contract completion audit may not be completed in time, thus affecting the achievement of results under the DLIs.

The following mitigation measures have been proposed. (a) The provincial and county PLGs will clearly define the roles and responsibilities of each implementing entity, and oversee and supervise the GARR PforR implementation in order to (i) eliminate functional repetition or overlap, (ii) set up distinct decision-making and approval structures, and (iii) avoid undesirable delays. (b) (i) Hubei and Hunan Provincial Project Management Offices (PMOs) will, upon GARR PforR's IBRD loan effectiveness, issue an official instruction (see Annex 6 – Program Action Plan) to cause the implementation agencies at the county/city level to ensure that no contract will be awarded to a firm or individual that is on the debarred list or under temporary suspension. (ii) The website access to the lists of the debarred and temporarily suspended firms and individuals issued by the Bank will be provided to the agencies in charge of procurement in county/city governments. (iii) The TOR for the annual external audit shall include the task of randomly sampling contracts and assessing whether they have been awarded to an ineligible firm or individual. (c) The Program Action Plan (PAP) shall also require Hubei and Hunan to inform the Bank of any credible and material allegations of fraud and corruption as part of the GARR PforR progress reports. (d) To enhance competition: (i) the county/city governments will maintain a long list of qualified firms, contractors, suppliers, and service providers to widen the range of prospective firms, and (ii) the county/city governments will closely monitor the procurement implementation plan and review the procurement packaging and methods to be adopted. (e) Adequate human and financial resources will be allocated for close monitoring of contract implementation progress to minimize or avoid implementation delays and/or cost overruns under the GARR PforR.

Taking into consideration the above-mentioned financial management and procurement risks and the proposed mitigation measures, the overall fiduciary risk of the Program is rated **Substantial**.

### 1.3 Procurement Exclusions

No potential high-value procurement contract is expected to be included in the Program. It is not envisaged that the Program will finance any high-value contract above Operational Procurement Review Committee (OPRC) thresholds.<sup>1</sup>

## Section 2: Scope

The scope of the Fiduciary Systems Assessment is based on the defined boundary and Program Expenditure Framework. The fiduciary team assessed the fiduciary systems of the key implementing agencies and concerned finance department at the central level as well as provincial and county level of Hubei Province and Hunan Province, including the Ministry of Finance (MOF) and International Poverty Reduction Center in China (IPRCC) at the National Rural Revitalization Administration (NRRA), Provincial Department of Finance (PDF), Provincial Development and Reform Commission (PDRC), Department of Housing and Urban-Rural Construction (DHURC), Rural Revitalization Administration (RRA), Department of Agriculture and Rural Affairs (DARA), Department of Ecological Environment (DEE), Department of Natural Resources (DNR), and Audit Office. A set of fiduciary assessment data collection sheets were provided to the Program counties (10 in Hubei and 13 in Hunan as illustrated in Table 1) during the preparation mission and most of them submitted the required information. In addition, six counties (Xiantao, Suixian, and Honghu in Hubei and Hengnan, Cili, and Lixian in Hunan) were visited and the corresponding line bureaus were interviewed during the preparation mission.

The FSA of the procurement system covers the implementation agencies responsible for carrying out major Program procurement and contract implementation, as listed in Table 1.

**Table 1: Procurement implementing agencies**

Ministry/province/county	Implementing agency
<b>NRRA</b>	The affiliated institutions, including Information Center, International Poverty Reduction Center
<b>Hubei</b>	
Ten demonstration counties: Honghu, Chongyang, Xishui, Yangxin, Yunxi, Shishou, Suixian, Xiantao, Danjiangkou, and Xianfeng	Agriculture and Rural Affairs Bureau (ARAB)
	Rural Revitalization Bureau (RRB)
	Housing and Urban-Rural Construction Bureau (HURCB)
	Administrative Law Enforcement Bureau (ALEB)
	Ecology and Environment Bureau (EEB)
	Natural Resources Bureau (NRB)
	Water Bureau

<sup>1</sup> The amounts are those, as might be amended from time to time, that require mandatory review by the World Bank's OPRC: Currently, USD 75 million for works, turnkey, and supply and installation contracts; USD 50 million for goods, IT systems, and non-consulting services; and USD 20 million for firm consultant services.

<b>Hunan</b>	
Thirteen demonstration counties: Taojiang, Lixian, Yueyang, Linxiang, Liling, Jiangyong, Suining, Hengyang, Hengnan, Huayuan, Yongding, Yongshun, and Cili.	Agriculture and Rural Affairs Bureau (ARAB)
	Rural Revitalization Bureau (RRB)
	Housing and Urban-Rural Construction Bureau (HURCB)
	Administrative Law Enforcement Bureau (ALEB)
	Ecology and Environment Bureau (EEB)
	Natural Resources Bureau (NRB)
	Water Bureau

Note: In some counties, the organizational structure is slightly different. The functions of water management and agriculture and rural affairs in Suining County are integrated into one agency.

## Section 3: Review of the Public Financial Management Cycle

### 3.1 Planning and Budgeting

#### 3.1.1 Adequacy of budgets

##### *Budget preparation and Program funding sources*

The Budget Law of the People's Republic of China (PRC), issued in 2015 and revised in 2018, has set the overarching budget management framework for the central government and local governments at all levels in China. The financial budget includes four budgets, and there are detailed provisions for the preparation, review, approval, supervision, execution, and adjustment of the budgets and final accounts as well as monitoring and evaluation (M&E). The same process and standardized budget management procedures required by the Budget Law are followed by each level of government in China. At each level, the finance department (i.e., MOF and local finance bureaus) is responsible for organizing budget preparation, deciding on the use of the budget reserve, working out budget adjustment plans, supervising budget execution of the budget-implementing entities, and for reporting to the People's Congress and its standing committee for budget approval and implementation status of the annual budget.

According to Circular #5 of 2021 issued by the Ministry of Finance, a nationwide integrated budget management system (IBMS) is being fully used in China. On January 1, 2022, a web-based nationwide IBMS was rolled out and implemented throughout China. The IBMS is used from the central level to county level, connecting all the financial departments and government budget execution entities. The IBMS targets all types of government budget funds and covers budget preparation, appropriation, execution, payments, accounting, and reporting. It also includes the M&E functions with standardized budget classification, accounts/codes, payment review and process, as well as reporting templates. All the budget information can be reflected in the system in real time. As such, the coherence, consistency, and efficiency in budget management are significantly improved. In this regard, the government budget systems at the central level and in Hubei and Hunan provinces are also all following the same policies as well as processes and procedures.



The bottom-up preparation method and the “two ups and two downs” are the usual process adopted when preparing the budget of the respective level; pre-notified upper-level transfers as well as budget balances are carried over to the next year. The “first up” refers to the budget proposals prepared by the budgetary units and submitted to the respective finance department/bureau. The “first down” refers to the finance department’s/bureau’s release of the budget ceilings for each budgetary unit upon review of the proposals submitted. For the “second up,” each budgetary unit revises its budget proposal in line with the received budget ceiling and re-submits it to the finance department/bureau. The “second down” means that the approved sectoral budget is distributed to each budgetary unit once the annual budget prepared by the finance department/bureau has been approved by the People's Congress no later than the end of March.

Some of the earmarked upper-level government transfers are distributed to the counties in the middle of the year. In this case, the budget execution entities might request the budget supplements based on notification provided by the respective finance bureau. The budget then approved by the local government will be documented by a standing committee of the People’s Congress and added into the budget adjustment. To ensure that the budget quotas distributed in the middle of the calendar, which is also the fiscal year, could be fully used, the unused balances are legally allowed to be carried over to the next year with an implementing period usually no longer than 24 months since the date of quota availability, which is specified in the budget approval documents.

The budget approved by the People’s Congress will be disclosed to the public on the government website of the respective level.

Based on data collected from all the Program counties, all the approved government budgets, including upper-level transfers, are integrated into the county’s budget in Hubei and Hunan provinces (refer to Table 2 for details).

**Table 2: Budget integration status**

Program counties in Hubei	Whether upper-level transfers have been integrated in the county budget		
	2019	2020	2021
Suixian	Yes	Yes	Yes
Yangxin	Yes	Yes	Yes
Chongyang	Yes	Yes	Yes
Yunxi	Yes	Yes	Yes
Shishou	Yes	Yes	Yes
Xishui	Yes	Yes	Yes
Honghu	Yes	Yes	Yes
Xianfeng	Yes	Yes	Yes
Xiantao	Yes	Yes	Yes
Danjiangkou	Yes	Yes	Yes
Program counties in Hunan	Whether upper-level transfers have been integrated in the county budget		
	2019	2020	2021
Liling	Yes	Yes	Yes

Hengyang	Yes	Yes	Yes
Hengnan	Yes	Yes	Yes
Huayuan	Yes	Yes	Yes
Lixian	Yes	Yes	Yes
Yongshun	Yes	Yes	Yes
Yongding	Yes	Yes	Yes
Yueyang	Yes	Yes	Yes
Suining	Yes	Yes	Yes
Linxiang	Yes	Yes	Yes
Taojiang	Yes	Yes	Yes
Cili	Yes	Yes	Yes
Yongjiang	Yes	Yes	Yes

The Program funding sources are all from the government general public budget revenues and include general and earmarked transfers from the central and provincial governments as well as earmarked funds from the respective government's budget. The upper-level transfers from central and provincial governments, which are more stable and reliable, are the dominant financial sources of the Program budget (see Tables 3, 3-1, and 3-2 for the Program funding sources and for the Program budget composition).

**Table 3: Program budget sources and related funds**

Program budget sources				
Result Areas	Budget line for revenue	Budgeting level	Budget code	
RA1 implemented by central government	Other special funds	Central government and provincial government	1030299	
RA2, RA3, and RA4 implemented by the Program counties	Upper-level general transfer for central-local shared functions in agriculture, forestry, and water affairs	Central government and provincial government	1100252	
	Upper-level general transfer for poor areas	Central government and provincial government	1100231	
	Upper-level earmarked special transfer for agriculture, forestry, and water affairs	Central government and provincial government	1100313	
RA3	Earmarked special funds for improvement of living conditions	County government	1030299	
The main Program-related earmarked funds				Main budget execution entities
RA1	Data analysis and application funds			National Rural Revitalization Administration (NRRRA) and PRRA
	IT system maintenance funds for poverty alleviation			
RA2, RA3, and RA4	Agricultural Production Development Funds			Department of Agriculture and

		Rural Affairs (DARA)
	Farmland Construction Subsidy Fund	DARA
	Rural Comprehensive Reform Transfer Payment	DARA
	Harmless Treatment of Urban and Rural Domestic Waste/Garbage Classification	DARA
	Township Domestic Sewage Treatment	RRA
	The Rural Toilet Revolution	RRA
	Agricultural Resources and Ecological Protection Funds	Department of Environmental and Ecological Protection (EEP)
	Development and Reform Commission Funds	DRC
	--Rural Living Environment Improvement Project Funds	DRC
	--Agricultural Sustainable Development Project Funds	DRC
	Rural Revitalization Transition Funds (RRTF)*	RRA
	*RRTF is an integrated budget fund from various levels of government with defined areas for rural revitalization activities. The county has discretion to decide how to use the budget funds under the defined areas.	

**Table 3-1: Program budget composition for Hubei**

Project Counties	2019		2020		2021	
	Central and provincial level	County level	Central and provincial level	County level	Central and provincial level	County level
Suixian	84%	16%	88%	12%	84%	16%
Yangxin	73%	26%	71%	29%	66%	34%
Chongyang	54%	45%	52%	48%	74%	26%
Shishou	40%	60%	45%	55%	50%	50%
Xishui	59%	41%	62%	38%	62%	38%
Honghu	72%	28%	75%	25%	71%	29%
Xianfeng	88%	12%	87%	13%	86%	14%
Xiantao	67%	33%	55%	45%	65%	35%
Danjiangkou	40%	60%	40%	60%	65%	35%
Yunxi	96%	4%	96%	4%	96%	4%

**Table 3-2: Program budget composition for Hunan**

Project Counties	2019		2020		2021	
	Central and provincial level	County level	Central and provincial level	County level	Central and provincial level	County level
Liling	75%	25%	86%	14%	90%	10%
Hengyang	79%	21%	84%	16%	85%	15%
Hengnan	84%	16%	85%	15%	80%	20%
Huayuan	87%	13%	82%	15%	83%	17%
Lixian	89%	11%	84%	16%	86%	14%
Yongshun	95%	5%	98%	2%	98%	2%
Yongding	98%	2%	72%	28%	74%	26%
Yueyang	97%	3%	82%	18%	75%	25%
Suining	91%	9%	89%	11%	88%	12%
Linxiang	86%	14%	85%	15%	91%	9%
Taojiang	62%	38%	53%	47%	56%	44%
Cili	90%	10%	92%	8%	94%	6%
Jiangyong	83%	17%	83%	17%	84%	16%

*Budget allocation*

The government general public budget allocation, including general and earmarked transfers, is made on factor-based or project-based methods according to the requirements specified in the budget quota documents. Meanwhile, the proposals for funding requests from the budget execution entities as well as their performance evaluations are key factors to be considered by local governments when dealing with budget allocation.

However, although the 14th Five-Year Plan has been prepared for green agricultural and rural revitalization, some government officials expressed their concerns about the shortage of funds for implementing certain areas in the Plan, especially the financing gaps associated with toilet improvement and rural solid waste and wastewater collection, transfer, and treatment, and these are activities that the Bank would like to support under the proposed Program. Since these activities are defined as a local government responsibility, the transfers from upper-level government (central and provincial) are relatively limited, and county governments are responsible for exploring the financing sources by themselves, although the financial capacity of most counties is weak. The data about fund allocation of the rural revitalization cohesion funds, which is one of the main financing sources to finance these kinds of activities, were collected and analyzed. The rural revitalization cohesion funds are mainly used in three areas: industrial development, rural infrastructure, and social development. According to data collected for EFA from 2018 to 2021 as addressed in the EFA report, of total RRTF funds for USD 1.9 billion equivalent for Hubei Province, only 2.0% is allocated to rural toilets, sewage, and garbage under the governments' sub-program of Improvement of Living Conditions. For Hunan, of total RRTF funds for USD 990 million equivalent, 3.6% is allocated in this regard.

In terms of optimizing the Program budget allocation, it is commendable that, since 2020, the zero-based budgeting (ZBB) approach is fully implemented in Hubei and Hunan, which is instrumental in optimizing budget allocation on an annual basis. This has broken the stereotyped principle of making budget allocation and evaluation based on pre-determined amounts and

expenditure areas, which might remain unchanged for years. ZBB is a flexible, needs-driven approach that allows restoring budget base numbers back to zero on an annual basis so that the budget entities can revisit the budget use and indicators for M&E on budget execution, which aims to optimize the allocation of budget resources to higher-priority areas. ZBB would be a quite useful mechanism for channeling the Program's budget funds to the expected Result Areas. The Bank will pay more attention in this regard to ensuring that the Program budget is optimized for better achieving the intended results (DLIs) and the PDO indicators.

### 3.1.2 Procurement planning

At the national level, the line divisions prepare their annual plan in accordance with the approved project budget, which is submitted to the corresponding NRRRA procurement leading group for verification and formalized by the issuance of meeting minutes. Based on the meeting minutes, the line division will compile a procurement program and submit it to the Director General for approval. The general division is responsible for supervising the implementation progress for budgeting and reporting to the management meeting regularly.

At the provincial level, procurement planning normally goes through the following steps: (i) the line division makes a request on the basis of allocated government budget or any other available resource; (ii) after verification by the financial division and the discipline inspection and supervision department, the request is discussed at the management meeting and the procurement method is determined in line with the relevant government rules; (iii) subject to approval by the Director General, the request is reported to the Department of Finance (DOF); and (iv) the counterpart division and the government procurement division of the DOF review the planning to confirm whether the fund is available and the budgeting is reasonable; in case the value is large, it would be subject to approval by the leader of the DOF.

The planning at the prefecture or district/county level mirrors that at the provincial level. The line division is held accountable for planning, processing the approval procedure, and reporting. The Finance Bureau (FB) reviews the plan and makes sure that a fund is available and the budgeting is reasonable.

In the process of preparation for procurement planning, both the line agency and the financial authority ensure that the cost of procurable activities, including works, goods, and services, is within the available resources. Procurement planning is carried out strictly on the grounds of fund availability.

Since the budget is a key factor for setting the pricing benchmark, which would be adopted for bid evaluation, the bid price in turn normally is close to the cost estimate. Table 4 shows that the actual bid price is mostly 90–98 percent of the cost estimate.

**Table 4: Actual award price against cost estimate**

Province/coun ty	Implementation agency	Actual award price against cost estimate (%)		
		Works	Goods	Services
<b>NRRRA</b>	Information Center of National Rural Revitalization Bureau	/	98%	98%
<b>Hubei</b>				
Honghu	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs			

	Housing and Urban-Rural Construction Bureau	90.0–99.9%	90.0–99.9%	80.0–99.9%
	Administrative Law Enforcement Bureau	90.0–99.9%	90.0–99.9%	90.0–99.9%
	Ecology and Environment Bureau	90.0–99.9%	/	/
	Natural Resources Bureau	90.0–99.9%	90.0–99.9%	80.0–99.9%
	Water Bureau	97%	95%	98%
Chongyang	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs	95%	95%	80%
	Housing and Urban-Rural Construction Bureau	85%	?	?
	Administrative Law Enforcement Bureau	/	85%	/
	Ecology and Environment Bureau	92%	/	/
	Natural Resources Bureau	90%	92%	90%
	Water Bureau	95%	95%	35%
Xishui	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs			
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau	98%	/	/
	Ecology and Environment Bureau			
	Natural Resources Bureau	/	/	94–95%
	Water Bureau			
Yangxin	Rural Revitalization Bureau	/	/	/
	Department of Agriculture and Rural Affairs	99.7%	97.8%	92.6%
	Housing and Urban-Rural Construction Bureau	/	/	/
	Administrative Law Enforcement Bureau	99%	100%	97%
	Ecology and Environment Bureau	/	/	/
	Natural Resources Bureau	99%	/	99%
	Water Bureau	88–98%	90–97%	70–99%
Yunxi	Rural Revitalization Bureau	no data		
	Department of Agriculture and Rural Affairs	95.5%	99.6%	96.0%
	Housing and Urban-Rural Construction Bureau	84%	/	/
	Administrative Law Enforcement Bureau	99.6%	/	/
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	95.4%	/	/
	Water Bureau	no data		
Shishou	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs			
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau			
	Ecology and Environment Bureau			
	Natural Resources Bureau	88%	/	/
	Water Bureau			
Suixian	Rural Revitalization Bureau	/	91%	96%

	Department of Agriculture and Rural Affairs	100%	?	?
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau	87%	/	/
	Ecology and Environment Bureau			
	Natural Resources Bureau			
	Water Bureau			
Xiantao	Rural Revitalization Bureau	/	/	99%
	Department of Agriculture and Rural Affairs	90–99%	/	/
	Housing and Urban-Rural Construction Bureau	95–99%	/	85–98%
	Administrative Law Enforcement Bureau	98–99%	/	/
	Ecology and Environment Bureau	/	/	91%
	Natural Resources Bureau	/	90%	90%
	Water Bureau	98%	97%	98%
Danjiangkou	Rural Revitalization Bureau	/	?	/
	Department of Agriculture and Rural Affairs	/	11	/
	Housing and Urban-Rural Construction Bureau	/	?	/
	Administrative Law Enforcement Bureau	/	89.4%	/
	Ecology and Environment Bureau	/	?	/
	Natural Resources Bureau	98%	/	/
	Water Bureau			
Xianfeng	Rural Revitalization Bureau	/	/	/
	Department of Agriculture and Rural Affairs	90%	/	/
	Housing and Urban-Rural Construction Bureau	90%	/	90%
	Administrative Law Enforcement Bureau	88%	/	/
	Ecology and Environment Bureau	93%	93%	/
	Natural Resources Bureau	90%	/	90%
	Water Bureau	90%	90%	90%
<b>Hunan</b>				
Taojiang	Rural Revitalization Bureau	/	/	100%
	Department of Agriculture and Rural Affairs	98%	99%	98%
	Housing and Urban-Rural Construction Bureau	78–99%	/	/
	Administrative Law Enforcement Bureau	88–92%	90–95%	100%
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	97.5%	98.0%	97.5%
	Water Bureau	/	95–97%	94–99%
Lixian	Rural Revitalization Bureau	99%	/	/
	Department of Agriculture and Rural Affairs	99%	99%	97%
	Housing and Urban-Rural Construction Bureau	98.5%	99.4%	99.0%
	Administrative Law Enforcement Bureau	/	/	94%
	Ecology and Environment Bureau	93–99%	94–99%	90–99%
	Natural Resources Bureau	90%	90%	90%
	Water Bureau	80–90%	90–95%	90–95%
Yueyang	Rural Revitalization Bureau	/	/	/

	Department of Agriculture and Rural Affairs	90%	95%	95%
	Housing and Urban-Rural Construction Bureau	90%	/	95%
	Administrative Law Enforcement Bureau	90%	95%	95%
	Ecology and Environment Bureau	/	/	95%
	Natural Resources Bureau	/	/	95%
	Water Bureau	90–95%	/	94%
Linxiang	Rural Revitalization Bureau	/	99%	/
	Department of Agriculture and Rural Affairs	95.0–99.7%	94–99%	94–99%
	Housing and Urban-Rural Construction Bureau	93–99%	/	95–98%
	Administrative Law Enforcement Bureau	80%	85%	70%
	Ecology and Environment Bureau	91–100%	99%	98–99%
	Natural Resources Bureau	98%	/	95%
	Water Bureau	98%	/	95%
Liling	Rural Revitalization Bureau	/	90–95%	90–95%
	Department of Agriculture and Rural Affairs	99%	/	99%
	Housing and Urban-Rural Construction Bureau	95%	/	95%
	Administrative Law Enforcement Bureau	95%	/	93%
	Ecology and Environment Bureau	/	/	95%
	Natural Resources Bureau	90%	95%	95%
	Water Bureau	95–98%	/	95–98%
Jiangyong	Rural Revitalization Bureau	98%	/	/
	Department of Agriculture and Rural Affairs	95%	98%	98%
	Housing and Urban-Rural Construction Bureau	97%	/	/
	Administrative Law Enforcement Bureau	/	/	99%
	Ecology and Environment Bureau	95%	95%	96%
	Natural Resources Bureau	/	/	99%
	Water Bureau	93.8%	/	/
Suining	Rural Revitalization Bureau	/	/	100%
	Department of Agriculture and Rural Affairs & Water Bureau	85%	90%	90%
	Housing and Urban-Rural Construction Bureau	72–95%	95%	95%
	Administrative Law Enforcement Bureau	/	99%	92%
	Ecology and Environment Bureau	90%	100%	90%
	Natural Resources Bureau	98%	98%	98%
Hengyang	Rural Revitalization Bureau	/	98%	/
	Department of Agriculture and Rural Affairs	96.9%	94.8%	94.8%
	Housing and Urban-Rural Construction Bureau	95%	/	98%
	Administrative Law Enforcement Bureau	/	99%	/
	Ecology and Environment Bureau	96–100%	/	/
	Natural Resources Bureau	/	/	97%
	Water Bureau	96%	/	/
Hengnan	Rural Revitalization Bureau	/	/	98%
	Department of Agriculture and Rural Affairs	99.9%	98.0%	99.0%



	Housing and Urban-Rural Construction Bureau	98%	95%	97%
	Administrative Law Enforcement Bureau	/	99%	94%
	Ecology and Environment Bureau	90%	100%	90%
	Natural Resources Bureau	98%	98%	98%
	Water Bureau	80–97%	95%	96%
Huayuan	Rural Revitalization Bureau	93%	90%	96%
	Department of Agriculture and Rural Affairs	90%	95%	95%
	Housing and Urban-Rural Construction Bureau	94%	/	/
	Administrative Law Enforcement Bureau	/	96%	/
	Ecology and Environment Bureau	96%	92%	95%
	Natural Resources Bureau	/	96.0%	96.5%
	Water Bureau	/	96%	/
Yongding	Rural Revitalization Bureau	/	/	99.8%
	Department of Agriculture and Rural Affairs	98%	/	93%
	Housing and Urban-Rural Construction Bureau	83–99%	/	/
	Administrative Law Enforcement Bureau	100%	/	100%
	Ecology and Environment Bureau	/	98%	99%
	Natural Resources Bureau	/	?	?
	Water Bureau	95–98%	95–98%	95–98%
Yongshun	Rural Revitalization Bureau	100%	/	/
	Department of Agriculture and Rural Affairs	90%		
	Housing and Urban-Rural Construction Bureau	87%	/	/
	Administrative Law Enforcement Bureau	/	91.5%	/
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	/	/	96.7%
	Water Bureau	92–98%	/	/
Cili	Rural Revitalization Bureau	/	/	81–98%
	Department of Agriculture and Rural Affairs	95%	98%	96%
	Housing and Urban-Rural Construction Bureau	96%	/	95–98%
	Administrative Law Enforcement Bureau	no data		
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	no data		
	Water Bureau	96%	/	/

### 3.1.3 Procurement profile of the Program

The Program activities are expected to cover a wealth of works, goods, and consulting services comprising constructing rural wastewater management systems (e.g., rural decentralized facilities, connections to township systems); constructing rural solid waste management systems (e.g., rural sorting, township transfer and recycling, treating and recycling livestock and poultry wastes); developing a national IT-based platform for mapping and M&E of delivery of rural infrastructure and public services; developing methodologies for monitoring, reporting, and verifying (MRV) GHG emission reduction from the main agricultural sector sources; developing regulations, standards, and guidelines for green agricultural practices (GAP); delivering rural infrastructure and

public services; providing training on operation and maintenance (O&M) of wastewater and solid waste management systems; providing training for FCs, FAs, WUAs, input suppliers, agro-enterprises, and rural extension staff, and so on. The key activities including the IT-based platform for mapping and M&E would be implemented in a cascade manner, that is, the national IT-based platform and the MRV methodologies would be developed by central government agencies while the implementation for the platform and the MRVs would be carried out by provincial line government agencies. We anticipate that some activities such as diminishing the use of chemical fertilizer and toxic pesticide and returning crop straw to farmland to increase soil organic carbon might be financed by subsidies rather than through procurement.

### 3.2 Budget Execution

All budgetary entities were required to prepare accrual basis financial reporting starting from January 1, 2019. However, the accrual basis financial reporting is neither submitted to the People's Congress nor audited by external auditors. The primary financial report at each level of government is therefore the budget execution report, which is prepared on a cash basis. Several budget items that capture Program expenditures were selected and the data were analyzed to review the budget execution status. Through assessing all the Program counties' budget execution data, the budget completion rate is quite satisfactory in Hubei and Hunan provinces. Table 5 demonstrates the status of one of the counties' budget execution, which can represent the common situation of all the Program counties, that is, once the budget is approved, completion is not a questionable concern.

**Table 5: Budget execution status**

Budget Execution Statement ('000 Yuan)										
County Name: Yang Xin County, Hubei Province										
the Program Budget Code	Budget line	2019			2020			2021		
		Budget amount	Final Account	%	Budget amount	Final Account	%	Budget amount	Final Account	%
21104	Natural ecology Protection	12459	11987	96.21%	8097	8,033	99.21%	3905	2877	73.67%
21205	urban and Rural community environment	4988	4,988	100.00%	8093	7,775	96.07%	3341	3,327	99.58%
21299	Other urban and rural community spending	8096	5,646	69.74%	2965	2,403	81.05%	5464	4,928	90.19%
21301	Agruculture and rural affairs	22872	18,418	80.53%	36207	26,569	73.38%	38909	22959	59.01%
21305	Poverty alleviation/rural revitalization	23993	23883	99.54%	22987	18,869	82.09%	27658	25435	91.96%

Notes: 1) the budget amount includes budget approved for the beginning of year and budget adustment subject to ear-marked funds available in the middle of year. 2) the low implementing rates are mainly caused by i) the budget funds are available in the middle of year and the balances are carried over to next year; ii) for few cases, the amount under final account was adjusted to other budget line.

#### 3.2.1 Treasury management and funds flow

Adequate funds are available to finance Program implementation as planned.

**Fund availability:** According to the prevailing Budget Law, the approved budget should be officially allocated or appropriated within 30 days (for general transfers) or 60 days (for earmarked transfers) once the budget is approved by the People's Congress. The approved budget quotas in all the Program counties in Hunan and Hubei provinces are noted to be entered into the IBMS by the responsible finance department and be available for use usually in about two weeks after they are finally approved by the People's Congress.

**Payment processing:** Budget payments are processed through the IBMS. The budget quotas for the activities approved by the People’s Congress are documented under each budget line in the IBMS and used to monitor and control the nature and amount of the payment requested within the approved budget plan. Pre-authorized payments under each budget entity with approved thresholds are entered in the IBMS by the local finance bureau. Budget entities retain all the original documents. Based on interviews with some counties, the average payment period is one month.

**Treasury:** Each county maintains a Treasury Single Account (TSA) and makes payments through a network of commercial banks. The integrated system is linked to each budget entity’s zero-balance business account opened at a commercial bank acceptable to the finance bureau. Payments are made by the budget user through its commercial bank, which will make settlement/reimbursement with the central bank overnight. The provincial-level treasury can either transfer funds to counties at the time of quota allocation through monthly transfers or can monitor payment plans in the system and transfer sufficient funds for counties to cover payments. Counties participating in the assessment indicated that they had not experienced cash shortages for any of the budgeted activities.

### 3.2.2 Accounting and financial reporting

In 2013, the MOF began a piloting reform for accrual-based government financial reporting. The provinces introduced accrual-based financial reporting on a trial basis, but the reports were neither submitted to the People’s Congress for review and approval nor subjected to the government auditors’ annual audit. In 2018, an accrual-based accounting regulation was issued by the MOF for the public sector in China to provide a concrete basis for budget-executing entities to record their transactions and prepare their financial reports on an accrual basis. The new regulation, which adopts international good practice and principles of the International Public Sector Accounting Standards (IPSAS), became effective on January 1, 2019. The first accrual-basis government financial report was prepared for FY 2019; however, the report has not been submitted to the People’s Congress and auditors since the related procedures and requirements are still under consultation and discussion.

Since “Program” is not a budget classification element, Program-based financial reports cannot be automatically generated from the government treasury system. Per analyzing Program activities and related government budget line items, some budget items (see Table 6) that are used to capture Program expenditures have been identified and the Program financial report template will be designed based on these items. The financial reporting template will be finalized and agreed by both parties before the loan becomes effective. For the data provided by the IPRCC at the central level and all the Program counties, the expenditures coded under these budget lines could be fully aligned with Program activities. Meanwhile, the data in the IBMS are noted to be reliable, and it is easy to track Program expenditures by reviewing the detailed vouchers when the external auditors carry out the annual Program audit.

**Table 6: Budget items to be used for reporting Program expenditures**

Result Areas	Code	Budget line
RA1: Strengthening institutional capacity for governance	2130599	Other poverty reduction expenditures
		--Data analysis and application

		--IT system maintenance for poverty alleviation/rural revitalization
	2130102	General administrative services for agricultural and rural affairs
	2130101	Administrative operation for agricultural and rural affairs
	2130126	Rural social undertaking
	2130501	Administrative operation for poverty alleviation/rural revitalization
	2130502	General administrative services for poverty alleviation/rural revitalization
RA2: Greening selected agricultural value chains	2130106	Technology transformation and promotion services
	2130108	Pest control
	2130119	Disaster prevention and relief
	2130122	Agricultural production development
	2130135	Protection, restoration, and use of agricultural resources
RA3: Increasing access to rural solid waste and wastewater services	2110402	Rural environmental protection
	2120501	Urban and rural community environment
	2130504	Rural infrastructure construction
	2129901	Other urban and rural community spending
RA4: Restoring and protecting agricultural ecological ecosystems	2130121	Agricultural structural adjustment subsidies
	2130153	Farmland construction

To easily trace Program expenditures from the government's existing integrated budget system to generate a more accurate and relevant Program financial report and analyze Program budget allocation and execution, the Bank has recommended a green tagging mechanism to tag/earmark the Program-related expenditures in the government's existing integrated budget system. This is expected to be piloted in all the Program counties during project implementation. In terms of when and technically how to proceed with the green tagging, discretion will rest with the Hubei Provincial Finance Bureau (HPFB) and Hunan Provincial Finance Bureau (HNFB), and the finalized arrangements will be concurred with the Bank. In addition, the plan for implementing green tagging will be documented in the Program Implementation Plan (PIP). The FSA received positive feedback from the two provincial finance bureaus: (i) green tagging is technically doable in the existing integrated budget system, (ii) the detailed implementing schedule and technical modality would be figured out in the first project implementation year, and (iii) inclusion in the PIP is acceptable.

### 3.2.3 Procurement processes and procedures

#### 3.2.3.1 Procurement regulatory framework

The procurement of works (including plant and materials to be incorporated in the permanent works), goods, and consultancy services related to the works, including geological exploring and survey, engineering design, cost estimating and pricing, construction supervision, and research study, should follow the procedures specified by the Tendering and Bidding Law (TBL) effective on January 1, 2000, and revised on December 28, 2017, as well as the implementation regulations enacted by the governments at the different levels. At the central level, the latest implementation

regulations issued by the State Council came into force on February 1, 2012, and was revised on March 1, 2017, March 19, 2018, and March 2, 2019.

The procurement of goods, works, and services included in the government catalogue for centralized procurement or with an estimated value above the relevant threshold should follow the procedures specified by the Government Procurement Law (GPL) effective on January 1, 2003, as well as the implementation regulations enacted by the governments at the different levels. At the central level, the latest implementation regulation issued by the State Council came into force on March 1, 2015.

### 3.2.3.2 Procurement procedures

#### **Procurement following the TBL**

The Development and Reform Commission (DRC) at the central, provincial, prefectural, and county level provides overall guidance for, and coordination of, all procurement activities that follow the TBL and its related implementing regulations. The relevant sectoral government authorities at the given level assume the day-to-day supervision responsibilities for procurement activities.

The procurement methods allowed by the TBL include open competitive bidding and direct invitation (limited competitive bidding or shopping), with open competitive bidding being the preferred method.

Public Resource Transaction Centers (PRTCs) exist at the provincial, prefectural, and county levels in Hubei and at the provincial and prefectural levels in Hunan. They provide an electronic platform for their clients (the implementing agencies) to publish procurement notices and to issue bidding documents and any subsequent clarification and addenda. All bidders are required to register with the transaction centers' information system. They then submit bids and bid securities electronically. Bids are opened electronically. The transaction centers provide physical space for bid opening and evaluation. Bid Evaluation Committee members evaluate bids in a monitored room in the transaction center. Together with staff from the relevant sectoral government authorities, the staff of the transaction center assume the supervision and monitoring functions during the bid opening and evaluation, but do not participate in the bid evaluation. The transaction centers also provide a website for the publication of the contract award recommendation and, after the standstill period, of the final contract award.

In all provinces, it is common practice for qualified procurement agent companies to carry out procurement services on behalf of clients. These companies receive a special certification from the relevant government authorities.

If the value of the contract to be procured exceeds a specified threshold, that is, not less than CNY 4 million for works, not less than CNY 2 million for goods, and not less than CNY 1 million for services, the procurement needs to take place through open competitive bidding at the local PRTC. If the value of the contract to be procured is less than the specified threshold, procurement can be carried out through limited competitive bidding or competitive negotiation, competitive dialogue, shopping, and single source, which are procurement methods under government procurement, and the procurement is not mandatorily required to be conducted at the public resource transaction center, but it should be conducted following the Government Procurement Law. The invitation for limited competitive bidding or shopping is sent to at least three qualified bidders.

A procurement notice is published on the website of the provincial Tendering and Bidding Public Service Platform, provincial PRTC, and the relevant prefectural/county website of the PRTC. The procurement notice will also be published synchronically on the website of the China Tendering and Bidding Public Service Platform (<http://www.cebpubservice.com/>). It contains information of civil works, goods, or services to be procured, including information on the quantity of the works' activities/goods/service assignments; the location; the requested completion/delivery time; the name, address, and contact number of the client; the qualification and experience requirements of the bidder, etc.

The client is responsible for preparing the bidding documents, with the assistance of the procurement agent company hired by the client (which normally helps with the commercial part of the bidding document), the design institute (which normally helps with the technical part of the bidding document), and sometimes a professional firm (which usually helps with the bill of quantities). Standard bidding documents are issued by various line ministries and sectoral departments. In accordance with the TBL and relevant implementation regulations, the bidding document must not contain biased qualification, experience, or technical requirements. Reference to specified manufacturers is also not allowed.

After publication of the procurement notice, potential bidders are given at least five calendar days to acquire the bidding document.

Any request for clarification regarding the bidding document is required to be sent not later than ten calendar days prior to the deadline for bid submission and opening. The client is required to provide a response to such requests for clarification within three calendar days. Any clarification or addendum shall be issued in writing to all the bidders not later than 15 days prior to the deadline for bid submission and opening (which needs to be extended if inadequate time is left).

The time between the date of availability of the bidding document and the deadline for bid submission and opening is not less than 20 calendar days.

According to the TBL and its implementing regulations, if the number of bids received is less than three, re-bidding must be conducted.

All bids received by the deadline for bid submission and opening, and that are properly sealed, are opened and read out. Any bid that is not properly sealed will be rejected, unopened, and not read out.

The amount of the bid security does not exceed two percent of the cost estimate, and not more than CNY 0.8 million maximum. Validity of the bid security and validity of the bid are the same.

The bid evaluation methods used are outlined in the Tendering and Bidding Supervision Regulation and Qualification. The methods are issued by the provincial Housing and Urban-Rural Development Department. There are two main bid evaluation methods, the lowest reasonable price method and the comprehensive evaluation method, which are both used in Hubei and Hunan.

#### *Lowest reasonable price method*

The lowest reasonable price method can be used for any procurement. It is a more traditional procurement method and is similar to the Bank's lowest evaluated compliant bid. The technical standard of the bidder is evaluated in line with the technical requirements of the issued bidding document and the bid price is verified by the BEC if it is recognized as reasonable, with the lowest bidder winning the contract.

### *Comprehensive evaluation method*

The comprehensive evaluation method, known as CEM, is applicable for special/large contracts. The CEM helps to ensure that the contractor with the right experience and best technical proposal is selected by using rated criteria. The CEM requirements are a draft version of the management rules, which have no mandatory requirements.

The Bid Evaluation Committee comprises five or seven members, one from the client and others selected randomly from official sectoral expert databases maintained by the relevant government authorities at the central or provincial level. The experts are normally required to have working experience of not less than eight years in the relevant sector.

The contract is normally awarded to the lowest reasonable responsive/highest scoring responsive bidder that meets the qualification and experience requirements specified in the issued bidding documents.

The contract award recommendation is disclosed to the public, including all the bidders, and the standstill period is at least three calendar days. The contract award information is published on the same websites as where the procurement notice is advertised.

Within 30 calendar days after the contract award, the client and the successful bidder sign the contract. The successful bidder will furnish to the client the performance security, if required in the bidding document. The amount of performance security normally does not exceed 10 percent of the contract price.

Within five calendar days of contract signing, the client will return the bid securities to the bidders.

### **Procurement following the GPL**

The MOF and the finance authorities at the central, provincial, prefectural, and county level provide overall guidance for, and coordination and supervision of, all procurement activities, which follow the procedures of the GPL and its implementing regulations. The relevant sectoral government authorities assume the day-to-day supervision responsibilities for procurement activities.

The interlink or hierarchy, if any, between the GPL and TBL remains unclear. The GPL (Article 122) provides that the TBL shall apply to government procurement projects (construction works) that are subject to a bidding procurement approach/method.

Normally, two sets of thresholds are defined under the GPL. One set of thresholds is set up for centralized and de-centralized government procurement and the other set of thresholds is set up for the mandatory adoption of open competitive bidding and liberty to use other methods.

In particular, in case the subject to be procured falls into the category of government centralized procurement issued by the provincial government, and updated from time to time, and the value of the contract to be procured exceeds the specified thresholds, the procurement shall be carried out by the local government procurement center. The thresholds set forth in Hubei are for works, CNY 600,000; and for goods and services, CNY 1 million at the provincial level, CNY 600,000 at the prefectural level, and CNY 400,000 at the county level. The thresholds set forth in Hunan are for works, CNY 1 million; for goods, CNY 500,000; and for services, CNY 800,000.

There are thresholds for open competitive bidding as well. For construction works, the thresholds are consistent with those under the TBL. For goods and services, the threshold for Hubei is CNY 4 million at the provincial level and CNY 2 million at the prefectural/county level, while the

threshold for Hunan is CNY 2 million at all levels. If the value of the contract to be procured is less than the specified threshold, the procurement can be carried out through other methods described below. The procurement is not required to be conducted at the PRTC.

The following procurement methods can be adopted under the GPL:

- Open competitive bidding (the preferred procurement method)
- Direct invitation
- Competitive negotiation/competitive dialogue
- Single source selection
- Shopping
- Other methods that can be approved by the relevant government authorities

A procurement notice is published on the specified websites of the Hubei and Hunan Provincial Government Procurement Center, whose information is interchangeable with that of the China Government procurement website designated by the Ministry of Finance as the platform for advertising government procurement notices nationwide and the website of China Tendering and Bidding Public Service Platform (<http://www.cebpubservice.com/>).

The procurement notice contains information on civil works, goods, or services to be procured, including information on the quantity of the works' activities/goods/service assignments; the location; the required completion/delivery time; the name, address, and contact number of the client; the qualification and experience requirements, etc.

At least five calendar days are made available to potential bidders to acquire the bidding documents. Any clarification or addendum is issued in writing to all bidders not later than 15 days prior to the deadline for bid submission and opening.

The client is responsible for preparing the bidding document following the standard bidding documents issued by the MOF. The bidding documents should not contain biased qualification, experience, or technical requirements. Reference to specified manufacturers is also not allowed.

The amount of bid security does not exceed 2 percent of the cost estimate. However, the bid security is not required for government procurement in practice.

With respect to the evaluation criteria, the GPL provides two options for bid evaluation: (a) contract award to the lowest responsive bidder and (b) contract award to the highest rated responsive bidder.

The BEC members are selected randomly from official expert databases for government procurement maintained by the relevant government authorities at the central or provincial level.

The contract award recommendation is disclosed on the same website as where the procurement notice is advertised. If the number of qualified bidders or the number of responsive bids is less than three, re-bidding is required.

The bid security is returned to the unsuccessful bidders within five working days after contract award notification and to the successful bidder within five working days after contract signing.

### **Procurement performance**

In the process of assessment, the selected PRTCs furnished the data on the number of participating bidders in normal cases. The data show that competition was adequate, with the number of participating bidders shown in Table 7.



**Table 7: Number of participating bidders**

Province/county	Implementation agency	Number of participating bidders		
		Works	Goods	Services
<b>NRRA</b>	Information Center of National Rural Revitalization Bureau	/	3–5	3–5
<b>Hubei</b>				
Honghu	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs			
	Housing and Urban-Rural Construction Bureau	5–25	3–10	3–10
	Administrative Law Enforcement Bureau	3–5	3–5	3–5
	Ecology and Environment Bureau	5–15	/	/
	Natural Resources Bureau	5–25	3–10	3–10
	Water Bureau	15	8	6
Chongyang	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs	3–22	3–7	4–12
	Housing and Urban-Rural Construction Bureau	3–10	?	?
	Administrative Law Enforcement Bureau	/	3–5	/
	Ecology and Environment Bureau	4	/	/
	Natural Resources Bureau	25	15	20
	Water Bureau	3–9	7–23	3
Xishui	Rural Revitalization Bureau			
	Department of Agriculture and Rural Affairs			
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau	3	/	/
	Ecology and Environment Bureau			
	Natural Resources Bureau			
	Water Bureau			
Yangxin	Rural Revitalization Bureau	/	/	/
	Department of Agriculture and Rural Affairs	?	?	?
	Housing and Urban-Rural Construction Bureau	/	/	/
	Administrative Law Enforcement Bureau	10	4–5	3
	Ecology and Environment Bureau	/	/	/
	Natural Resources Bureau	5–10	/	3–5
	Water Bureau	3–80	3–15	3–5
Yunxi	Rural Revitalization Bureau	no data		
	Department of Agriculture and Rural Affairs	5–25	3–10	5–10
	Housing and Urban-Rural Construction Bureau	3–11	/	/
	Administrative Law Enforcement Bureau	4–6	/	/
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	5–25	/	/
	Water Bureau	no data		
Shishou	Rural Revitalization Bureau			

	Department of Agriculture and Rural Affairs			
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau			
	Ecology and Environment Bureau			
	Natural Resources Bureau	3–5	/	/
	Water Bureau			
Suixian	Rural Revitalization Bureau	/	3	3–10
	Department of Agriculture and Rural Affairs	?	?	?
	Housing and Urban-Rural Construction Bureau			
	Administrative Law Enforcement Bureau	3–5	/	/
	Ecology and Environment Bureau			
	Natural Resources Bureau			
	Water Bureau			
Xiantao	Rural Revitalization Bureau	/	/	3
	Department of Agriculture and Rural Affairs	28–64	/	/
	Housing and Urban-Rural Construction Bureau	4–6	/	3–5
	Administrative Law Enforcement Bureau	3–6	/	/
	Ecology and Environment Bureau	/	/	3
	Natural Resources Bureau	/	3–4	3–4
	Water Bureau	4–126	4–7	3–5
Danjiangkou	Rural Revitalization Bureau	/	?	/
	Department of Agriculture and Rural Affairs	/	?	/
	Housing and Urban-Rural Construction Bureau	/	?	/
	Administrative Law Enforcement Bureau	/	3	/
	Ecology and Environment Bureau	/	?	/
	Natural Resources Bureau	3–25	/	/
	Water Bureau			
Xianfeng	Rural Revitalization Bureau	/	/	/
	Department of Agriculture and Rural Affairs	3–5	/	/
	Housing and Urban-Rural Construction Bureau	3–6	/	3–6
	Administrative Law Enforcement Bureau	3–5	/	/
	Ecology and Environment Bureau	3–7	3–7	/
	Natural Resources Bureau	3–5	/	3
	Water Bureau	3–7	3–7	3–7
<b>Hunan</b>				
Taojiang	Rural Revitalization Bureau	/	/	3–10
	Department of Agriculture and Rural Affairs	12	13	3
	Housing and Urban-Rural Construction Bureau	3–13	/	/
	Administrative Law Enforcement Bureau	10	5	3
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	3–10	3–10	3–10
	Water Bureau	/	4–6	3–5
Lixian	Rural Revitalization Bureau	4	/	/

	Department of Agriculture and Rural Affairs	3–8	3–5	3–5
	Housing and Urban-Rural Construction Bureau	3–5	3–5	3–5
	Administrative Law Enforcement Bureau	/	/	3
	Ecology and Environment Bureau	3–6	3–6	3–6
	Natural Resources Bureau	3–5	3–5	3–5
	Water Bureau	3–5	3–5	3–5
Yueyang	Rural Revitalization Bureau	Non-public	/	/
	Department of Agriculture and Rural Affairs	31	10	10
	Housing and Urban-Rural Construction Bureau	19	/	10
	Administrative Law Enforcement Bureau	5	4	3
	Ecology and Environment Bureau	/	/	10
	Natural Resources Bureau	/	/	15
	Water Bureau	5–10	/	6
Linxiang	Rural Revitalization Bureau	/	4	/
	Department of Agriculture and Rural Affairs	6–11	3–5	2–3
	Housing and Urban-Rural Construction Bureau	5–28	/	3–10
	Administrative Law Enforcement Bureau	3–15	3–10	3–5
	Ecology and Environment Bureau	3–13	3	6
	Natural Resources Bureau	3–10	/	3–4
	Water Bureau	3–10		3–4
Liling	Rural Revitalization Bureau	/	3–5	3–5
	Department of Agriculture and Rural Affairs	130–180	/	7–9
	Housing and Urban-Rural Construction Bureau	4	/	3
	Administrative Law Enforcement Bureau	4	/	3
	Ecology and Environment Bureau	/	/	3
	Natural Resources Bureau	5	4	3–10
	Water Bureau	3–10	/	3–6
Jiangyong	Rural Revitalization Bureau	3–5	/	/
	Department of Agriculture and Rural Affairs	12–30	3	4
	Housing and Urban-Rural Construction Bureau	3–5	/	/
	Administrative Law Enforcement Bureau	/	/	10–25
	Ecology and Environment Bureau	3–5	3	19
	Natural Resources Bureau	/	/	3
	Water Bureau	3	/	/
Suining	Rural Revitalization Bureau	/	/	5
	Department of Agriculture and Rural Affairs & Water Bureau	12–20	3–8	3
	Housing and Urban-Rural Construction Bureau	39	25	25
	Administrative Law Enforcement Bureau	/	3	3
	Ecology and Environment Bureau	5–8	1	3–5
	Natural Resources Bureau	3–5	3–5	3–5
Hengyang	Rural Revitalization Bureau	/	1	/

	Department of Agriculture and Rural Affairs	3	3	7
	Housing and Urban-Rural Construction Bureau	3–10	3–5	3–5
	Administrative Law Enforcement Bureau	/	15	/
	Ecology and Environment Bureau	15	/	/
	Natural Resources Bureau	5–8	/	/
	Water Bureau	13	/	/
Hengnan	Rural Revitalization Bureau	/	/	3–5
	Department of Agriculture and Rural Affairs	3–5	5–16	3
	Housing and Urban-Rural Construction Bureau	42	?	?
	Administrative Law Enforcement Bureau	/	3	3
	Ecology and Environment Bureau	5–8	1	3–5
	Natural Resources Bureau	3–5	3–5	3–5
Huayuan	Water Bureau	3–8	3–5	3–5
	Rural Revitalization Bureau	3–5	3–6	3–4
	Department of Agriculture and Rural Affairs	3–5	3	3
	Housing and Urban-Rural Construction Bureau	5	/	/
	Administrative Law Enforcement Bureau	/	3–6	/
	Ecology and Environment Bureau	3–5	4–7	4
Yongding	Natural Resources Bureau	/	4–7	4–5
	Water Bureau	/	4–7	/
	Rural Revitalization Bureau	/	/	3–5
	Department of Agriculture and Rural Affairs	3–14	/	3–5
	Housing and Urban-Rural Construction Bureau	3–36	/	/
	Administrative Law Enforcement Bureau	10	/	3
Yongshun	Ecology and Environment Bureau	/	7–28	6–17
	Natural Resources Bureau	/	3–5	3–5
	Water Bureau	4–80	3–20	3–15
	Rural Revitalization Bureau	3–5	/	/
	Department of Agriculture and Rural Affairs	5–40		
	Housing and Urban-Rural Construction Bureau	12–27	/	/
Cili	Administrative Law Enforcement Bureau	/	3–5	/
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	/	/	3–12
	Water Bureau	3	/	/
	Rural Revitalization Bureau	/	/	3–8
	Department of Agriculture and Rural Affairs	3–4	3–5	3–5
	Housing and Urban-Rural Construction Bureau	3–4	/	3–4
	Administrative Law Enforcement Bureau	no data		
	Ecology and Environment Bureau	no data		
	Natural Resources Bureau	no data		
	Water Bureau	10–12	/	/

Because the value of a large portion of contracts is below the threshold of open competitive bidding, competitive negotiation and competitive dialogue are often used. A minimum of three bidders is mandatorily required by the regulations. Direct contracting is also allowed under exceptional circumstances or when the contract cost estimate is below the threshold in order to reduce the cost of bidding and expedite the procurement process. Nonetheless, competitive bidding remains the preferred procurement method under both the TBL and GPL. Table 8 illustrates the share of contracts procured through the competitive method and non-competitive method for selected Program counties in 2021.

**Table 8: Share of different procurement methods in 2021**

Province/county	Total value of procurement (RMB 10,000)	Total value of contracts procured through competitive method (RMB)	Total value of contracts procured through non-competitive method (RMB)	Percentage of competitive method by value (%)
<b>Hubei</b>				
Honghu				
Chongyang	312,581	308,585	3,996	99
Xishui	334,949	249,471	85,478	74
Yangxin	563,372	288,026	275,345	51
Yunxi	149,547	139,027	3,142	93
Shishou	136,280	136,091	190	100
Suixian	236,834	96,715	140,119	41
Xiantao	758,023	706,602	51,421	93
Danjiangkou	4,092	4,007	85	98
Xianfeng	79,512	77,679	1,832	98
<b>Hunan</b>				
Taojiang	76,698	56,008	20,690	27
Lixian	86,956	51,356	35,600	59
Yueyang				
Linxiang				
Liling	2,249,835	2,236,100	13,735	99
Jiangyong	171,696	153,292	18,404	89
Suining	47,689	33,755	13,934	71
Hengyang	126,932	101,454	25,478	80
Hengnan	121,800	101,581	20,219	83
Huayuan				
Yongding	24,512	22,583	1,929.06	92
Yongshun	38,380	36,131	2,248.87	94
Cili	47,732	17,168	30,563.73	36

The statistics of cancellation and rebidding at the provincial, prefecture, and district/county level are summarized as follows (see Table 9). The number of cancellations and rebidding in most cases account for less than 3 percent on average. For a particular sector, for example, housing and urban-rural construction, the occurrence of cancellation/rebidding cases was relatively higher

than for other sectors. The main causes of cancellation and rebidding were the following: none of the bidders was qualified for the contract, there were substantial omissions or errors in the issued bidding documents, and the bid price was far beyond the cost estimate.

**Table 9: Statistics on cancellation and rebidding**

Province/county	Implementation agency	Total number of contracts			Number of cancellations and re-bids		
		2019	2020	2021	2019	2020	2021
<b>NRRA</b>	Information Center of National Rural Revitalization Bureau	27	18	19	0	0	0
<b>Hubei</b>							
Honghu	Rural Revitalization Bureau						
	Department of Agriculture and Rural Affairs						
	Housing and Urban-Rural Construction Bureau	22	61	41	1	0	0
	Administrative Law Enforcement Bureau	/	2	2	/	0	0
	Ecology and Environment Bureau	/	/	9	/	/	0
	Natural Resources Bureau	7	13	21	0	0	0
	Water Bureau	12	14	15	0	0	0
Chongyang	Rural Revitalization Bureau						
	Department of Agriculture and Rural Affairs	8	25	6	0	0	0
	Housing and Urban-Rural Construction Bureau	3	10	8	0	0	0
	Administrative Law Enforcement Bureau	2	/	/	0	/	/
	Ecology and Environment Bureau	/	1	/	/	0	/
	Natural Resources Bureau	1	8	1	0	0	0
	Water Bureau	6	/	5	0	/	0
Xishui	Rural Revitalization Bureau						
	Department of Agriculture and Rural Affairs						
	Housing and Urban-Rural Construction Bureau						
	Administrative Law Enforcement Bureau	/	/	1	/	/	0
	Ecology and Environment Bureau						
	Natural Resources Bureau	6	15	3	0	0	0
	Water Bureau						
Yangxin	Rural Revitalization Bureau	/	/	/	/	/	/
	Department of Agriculture and Rural Affairs	18	19	20	0	0	0
	Housing and Urban-Rural Construction Bureau	/	/	/	/	/	/
	Administrative Law Enforcement Bureau	8	8	5	0	0	0
	Ecology and Environment Bureau	/	/	/	/	/	/
	Natural Resources Bureau	6	19	15	0	0	0
	Water Bureau	11	21	16	?		
Yunxi	Rural Revitalization Bureau	no data					
	Department of Agriculture and Rural Affairs	4	21	/	0	0	0

	Housing and Urban-Rural Construction Bureau	/	9	10	/	0	3
	Administrative Law Enforcement Bureau	/	/	3	/	/	0
	Ecology and Environment Bureau	no data					
	Natural Resources Bureau	6	15	3	0	0	0
	Water Bureau	no data					
Shishou	Rural Revitalization Bureau						
	Department of Agriculture and Rural Affairs						
	Housing and Urban-Rural Construction Bureau						
	Administrative Law Enforcement Bureau						
	Ecology and Environment Bureau						
	Natural Resources Bureau	2	20	6	0	0	0
	Water Bureau						
Suixian	Rural Revitalization Bureau	2	1	3	0	0	0
	Department of Agriculture and Rural Affairs	2	3	1	0	0	0
	Housing and Urban-Rural Construction Bureau						
	Administrative Law Enforcement Bureau	5	/	/	0	/	/
	Ecology and Environment Bureau						
	Natural Resources Bureau						
	Water Bureau						
Xiantao	Rural Revitalization Bureau	/	/	3	/	/	0
	Department of Agriculture and Rural Affairs	3	2	3	0	0	0
	Housing and Urban-Rural Construction Bureau	21	/	/	0	/	/
	Administrative Law Enforcement Bureau	/	2	3	/	0	0
	Ecology and Environment Bureau	/	/	24	/	/	0
	Natural Resources Bureau	10	6	23	0	0	0
	Water Bureau	22	10	25	0	0	2
Danjiangkou	Rural Revitalization Bureau	5	4	5	0	0	0
	Department of Agriculture and Rural Affairs	4	4	5	0	0	0
	Housing and Urban-Rural Construction Bureau	4	5	5	0	0	0
	Administrative Law Enforcement Bureau	1	2	/	0	0	/
	Ecology and Environment Bureau	5	5	6	0	0	0
	Natural Resources Bureau	4	1	8	0	0	0
	Water Bureau						
Xianfeng	Rural Revitalization Bureau	/	/	/	/	/	/
	Department of Agriculture and Rural Affairs	2	3	4	0	0	0
	Housing and Urban-Rural Construction Bureau	9	11	10	0	0	0
	Administrative Law Enforcement Bureau	/	1	1	/	0	0
	Ecology and Environment Bureau	2	/	3	0	/	0
	Natural Resources Bureau	5	3	4	0	0	0

	Water Bureau	4	6	8	0	0	0
<b>Hunan</b>							
Taojiang	Rural Revitalization Bureau	/	1	4	/	0	0
	Department of Agriculture and Rural Affairs	21	21	25	0	0	0
	Housing and Urban-Rural Construction Bureau	2	3	5	1	0	0
	Administrative Law Enforcement Bureau	4	1	5	0	0	0
	Ecology and Environment Bureau	no data					
	Natural Resources Bureau	10	25	35	0	0	6
	Water Bureau	2	1	4	0	0	0
Lixian	Rural Revitalization Bureau	/	/	2	0	0	0
	Department of Agriculture and Rural Affairs	65	80	140	0	0	0
	Housing and Urban-Rural Construction Bureau	3	6	11	0	0	0
	Administrative Law Enforcement Bureau	3	/	1	0	0	0
	Ecology and Environment Bureau	9	11	3	0	0	0
	Natural Resources Bureau	24	13	9	0	0	0
	Water Bureau	14	22	27	0	0	0
Yueyang	Rural Revitalization Bureau	Non-public	/	/	/	/	/
	Department of Agriculture and Rural Affairs	35	32	50	0	0	0
	Housing and Urban-Rural Construction Bureau	12	36	70	0	0	0
	Administrative Law Enforcement Bureau	5	21	23	0	0	0
	Ecology and Environment Bureau	/	1	1	/	0	0
	Natural Resources Bureau	13	9	16	0	0	0
	Water Bureau	/	2	4	/	0	0
Linxiang	Rural Revitalization Bureau	/	/	1	/	/	0
	Department of Agriculture and Rural Affairs	22	28	13	1	1	0
	Housing and Urban-Rural Construction Bureau	98	30	34	0	0	0
	Administrative Law Enforcement Bureau	13	9	19	0	0	0
	Ecology and Environment Bureau	4	2	3	0	0	0
	Natural Resources Bureau	7	9	15	0	0	0
	Water Bureau						
Liling	Rural Revitalization Bureau	3	14	2	0	0	0
	Department of Agriculture and Rural Affairs	45	60	36	0	4	0
	Housing and Urban-Rural Construction Bureau	3	1	/	0	0	/
	Administrative Law Enforcement Bureau	3	3	/	0	0	/
	Ecology and Environment Bureau	6	2	1	0	0	0
	Natural Resources Bureau	35	27	/	0	0	/
	Water Bureau	12	10	14	0	0	0
Jiangyong	Rural Revitalization Bureau	77	138	140	0	0	0
	Department of Agriculture and Rural Affairs	22	25	26	0	0	1



	Housing and Urban-Rural Construction Bureau	1	4	3	0	0	0
	Administrative Law Enforcement Bureau	/	2	/	0	0	0
	Ecology and Environment Bureau	11	3	2	0	0	0
	Natural Resources Bureau	/	/	6	/	/	0
	Water Bureau	/	/	1	/	/	0
Suining	Rural Revitalization Bureau	/	/	16	/	/	0
	Department of Agriculture and Rural Affairs & Water Bureau	32	30	30	0	1	1
	Housing and Urban-Rural Construction Bureau	5	17	10	0	0	0
	Administrative Law Enforcement Bureau	1	3	2	0	0	0
	Ecology and Environment Bureau	5	19	7	0	0	0
	Natural Resources Bureau	11	5	7	0	0	0
Hengyang	Rural Revitalization Bureau	/	/	1	0	0	0
	Department of Agriculture and Rural Affairs	7	7	2	0	0	0
	Housing and Urban-Rural Construction Bureau	6	14	12	0	0	0
	Administrative Law Enforcement Bureau	/	/	1	0	0	0
	Ecology and Environment Bureau	2	2	1	0	0	0
	Natural Resources Bureau	8	/	/	0	/	/
	Water Bureau	1	1	/	0	0	/
Hengnan	Rural Revitalization Bureau	/	/	14	/	/	0
	Department of Agriculture and Rural Affairs	/	7	5	/	0	0
	Housing and Urban-Rural Construction Bureau	3	16	9	0	0	0
	Administrative Law Enforcement Bureau	1	2	3	0	0	0
	Ecology and Environment Bureau	4	15	6	0	0	0
	Natural Resources Bureau	9	5	9	0	0	0
	Water Bureau	8	32	19	0	0	0
Huayuan	Rural Revitalization Bureau	3	6	3	0	0	0
	Department of Agriculture and Rural Affairs	1	8	1	0	1	0
	Housing and Urban-Rural Construction Bureau	/	/	1	/	/	0
	Administrative Law Enforcement Bureau	3	5	7	0	0	0
	Ecology and Environment Bureau	/	5	2	/	1	0
	Natural Resources Bureau	5	12	7	0	2	2
	Water Bureau	1	/	2	1	/	0
Yongding	Rural Revitalization Bureau	/	/	2	/	/	0
	Department of Agriculture and Rural Affairs	13	18	33	0	0	0
	Housing and Urban-Rural Construction Bureau	2	3	5	0	0	0
	Administrative Law Enforcement Bureau	1	1	2	0	0	0
	Ecology and Environment Bureau	9	7	6	0	0	0
	Natural Resources Bureau	10	19	26	0	0	0
	Water Bureau	23	15	14	0	0	0

Yongshun	Rural Revitalization Bureau	/	/	16	0	0	0
	Department of Agriculture and Rural Affairs	17	22	20	0	0	0
	Housing and Urban-Rural Construction Bureau	/	1	3	0	0	0
	Administrative Law Enforcement Bureau	2	/	/	0	0	0
	Ecology and Environment Bureau	no data					
	Natural Resources Bureau	/	10	254	/	0	2
	Water Bureau	/	/	3	/	/	0
Cili	Rural Revitalization Bureau	2	2	2	0	0	0
	Department of Agriculture and Rural Affairs	22	34	35	0	0	0
	Housing and Urban-Rural Construction Bureau	19	24	37	0	0	0
	Administrative Law Enforcement Bureau	no data					
	Ecology and Environment Bureau	no data					
	Natural Resources Bureau	no data					
	Water Bureau	4	/	/	0	/	/

#### 3.2.3.4 Contract administration and performance

The responsibility of contract implementation rests with the party that signs the contract with the winning bidder. Regardless of which law applies, the government authority is not involved in the day-to-day management of contract implementation. In accordance with the laws, the contractor, supplier, or consultant shall not assign the contract to any other party while the contractor or consultant can sub-contract non-critical components or contract activity, subject to prior concurrence by the employer or the client.

The selected counties provided data in terms of the timeliness of contract implementation. Each executing agency provided up to 10 contracts that were carried out in the past three years. The data on the timeliness appear in Table 10. This shows that most contracts can be completed within the contractual timeframe.

**Table 10: Timeliness of contract implementation**

Province/county	Implementation agency	Number of contracts surveyed	Number of contracts completed within initial contract period	Number of contracts with time slippage	Percentage of time slippages against initial contract period occurred
<b>NRRA</b>	Information Center of National Rural Revitalization Bureau	10	10	0	/
<b>Hubei</b>					
Honghu	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau	10	7	no data	3 contracts under implementation

	Administrative Law Enforcement Bureau	4	1	no data	3 contracts under implementation
	Ecology and Environment Bureau	2	no data	no data	2 contracts under implementation
	Natural Resources Bureau	10	10	0	/
	Water Bureau	15	9	6	Contract 10: 20% (96/115 days) Contract 11: 9% (96/105 days) Contract 12: 17% (96/112 days) Contract 13: 19% (96/114 days) Contract 14: 28% (90/115 days) Contract 15: 20% (90/108 days) 6 contracts pending acceptance
Chongyang	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs	12	6	6	Contract 7: 50% (30/45 days) Contract 8: 100% (180/360 days) Contract 9: 50% (20/30 days) Contract 10: 100% (180/360 days) Contract 11: 125% (20/45 days) Contract 12: 100% (180/360 days)
	Housing and Urban-Rural Construction Bureau	10	?		
	Administrative Law Enforcement Bureau	2	2	0	/
	Ecology and Environment Bureau	1	1	0	/
	Natural Resources Bureau	10	?		1 contract under implementation
	Water Bureau	11	11	0	/
Xishui	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau	1	0	1	150% (180/450 days)

	Ecology and Environment Bureau				
	Natural Resources Bureau	?			
	Water Bureau				
Yangxin	Rural Revitalization Bureau	no data	/	/	/
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	no data	/	/	/
	Administrative Law Enforcement Bureau	10	6	?	?
	Ecology and Environment Bureau	no data	/	/	/
	Natural Resources Bureau	?			
	Water Bureau	?			
Yunxi	Rural Revitalization Bureau	no data			
	Department of Agriculture and Rural Affairs	7	7	0	/
	Housing and Urban-Rural Construction Bureau	5	5	0	/
	Administrative Law Enforcement Bureau	3	3	0	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	5	5	0	/
	Water Bureau	no data			
Shishou	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau				
	Ecology and Environment Bureau				
	Natural Resources Bureau	?			
	Water Bureau				
Suixian	Rural Revitalization Bureau	6	?		
	Department of Agriculture and Rural Affairs	6	?		
	Housing and Urban-Rural Construction Bureau				

	Administrative Law Enforcement Bureau	5	0	5	Contract 1: 131% (90/208 days) Contract 2: 124% (90/202 days) Contract 3: 115% (81/174 days) Contract 4: 52% (81/123 days) Contract 5: 56% (90/140 days)
	Ecology and Environment Bureau				
	Natural Resources Bureau				
	Water Bureau				
Xiantao	Rural Revitalization Bureau	3	3	/	/
	Department of Agriculture and Rural Affairs	8	3	no data	3 contracts under implementation, 2 contracts under completion audit
	Housing and Urban-Rural Construction Bureau	10	2	7	7 works contracts delayed 200% (12/36 months), 1 contract under implementation
	Administrative Law Enforcement Bureau	5	5	/	1 contract under implementation
	Ecology and Environment Bureau	10	10	/	/
	Natural Resources Bureau	10	10	/	/
	Water Bureau	10	0	5	Contracts 1–4: 36% (165/225 days) Contract 5: 145% (73/179 days) 5 contracts under implementation
Danjiangkou	Rural Revitalization Bureau	?			
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	?			
	Administrative Law Enforcement Bureau	?			
	Ecology and Environment Bureau	?			
	Natural Resources Bureau	?			
	Water Bureau				
Xianfeng	Rural Revitalization Bureau	no data	/	/	/
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	?			

	Administrative Law Enforcement Bureau	2	?		
	Ecology and Environment Bureau	5	?		
	Natural Resources Bureau	?			
	Water Bureau	?			
<b>Hunan</b>					
Taojiang	Rural Revitalization Bureau	5	5	/	/
	Department of Agriculture and Rural Affairs	10	10	/	/
	Housing and Urban-Rural Construction Bureau	10	8	2	Contract 3: 33% (90/120 days) Contract 4: 55% (90/140 days)
	Administrative Law Enforcement Bureau	10	10	/	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	10	6	/	4 contracts under implementation
	Water Bureau	7	5	/	2 contracts under implementation
Lixian	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs	10	10	/	/
	Housing and Urban-Rural Construction Bureau	10	10	/	/
	Administrative Law Enforcement Bureau	2	2	/	/
	Ecology and Environment Bureau	10	10	/	/
	Natural Resources Bureau	7	6	1	Contract 6: 11% (540/600 days)
	Water Bureau	10	7	3	3 works contracts delayed Contract 1: 43% (630/900 days) Contract 5: 60% (450/720 days) Contract 10: 25% (360/450 days)
Yueyang	Rural Revitalization Bureau	Non-public	/	/	/
	Department of Agriculture and Rural Affairs	10	10	/	/

	Housing and Urban-Rural Construction Bureau	10	2	8	Contract 1: 17% (360/420 days) Contract 2: 50% (180/270 days) Contract 3: 67% (90/150 days) Contract 4: 80% (150/270 days) Contract 5: 45% (110/160 days) Contract 6: 11% (540/600 days) Contract 7: 8% (360/390 days) Contract 8: 33% (360/480 days)
	Administrative Law Enforcement Bureau	2	0	/	/
	Ecology and Environment Bureau	2	0	/	/
	Natural Resources Bureau	10	10	/	/
	Water Bureau	6	0	6	Contract 1: 6% (180/190 days) Contract 2: 25% (120/150 days) Contract 3: 21% (120/145 days) Contract 4: 50% (120/180 days) Contract 5: 50% (120/180 days) Contract 6: 44% (180/260 days)
Linxiang	Rural Revitalization Bureau	1	1	/	/
	Department of Agriculture and Rural Affairs	10	10	/	/
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau	10	10	/	/
	Ecology and Environment Bureau				
	Natural Resources Bureau	10	10	/	/
	Water Bureau	?			
Liling	Rural Revitalization Bureau	2	2	/	/
	Department of Agriculture and Rural Affairs	10	10	/	/

	Housing and Urban-Rural Construction Bureau	4	4	/	/
	Administrative Law Enforcement Bureau	4	2	1	Contract 1: 50% (60/90 days), 1 contract under implementation
	Ecology and Environment Bureau	9	9	/	/
	Natural Resources Bureau	10	10	/	/
	Water Bureau	10	6	3	Contract 1: 39% (400/555 days) Contract 2: 8% (400/430 days) Contract 4: 67% (180/300 days) Contract 3 under implementation
Jiangyong	Rural Revitalization Bureau	10	9	1	Contract 9: 3% (60/62 days)
	Department of Agriculture and Rural Affairs	10	2	8	Contracts 2, 3, 4, 5, 7, 8, 9, 10: 1–10% (150/152–165 days)
	Housing and Urban-Rural Construction Bureau	3	3	0	/
	Administrative Law Enforcement Bureau	2	2	/	/
	Ecology and Environment Bureau	10	7	/	3 contracts under implementation
	Natural Resources Bureau	6	0	0	6 consulting service contracts under implementation
	Water Bureau	1	0	0	/
Suining	Rural Revitalization Bureau	10	10	/	/
	Department of Agriculture and Rural Affairs & Water Bureau	10	10	/	/
	Housing and Urban-Rural Construction Bureau	10	5	0	5 contracts under implementation
	Administrative Law Enforcement Bureau	6	6	0	Contract 2: 67% (90/150 days) Contract 3: 58% (240/1,650 days) Contract 4: 10% (50/55 days)
	Ecology and Environment Bureau	6	3	3	
	Natural Resources Bureau	10	10	/	/
Hengyang	Rural Revitalization Bureau	1	1	/	/



	Department of Agriculture and Rural Affairs	16	5	7	Contract 1: 7% (210/225 days) Contract 2: 28% (120/225 days) Contract 3: 27% (180/228 days) Contract 4: 11% (90/100 days) Contract 5: 13% (90/102 days), Contract 7: 9% (120/131 days), Service contracts: 11 delayed 3 months, contracts 13–16 under implementation
	Housing and Urban-Rural Construction Bureau	31	8	22	11 works contracts (3–23%) and 11 consulting services (4–35%)
	Administrative Law Enforcement Bureau	1	0	1	38% (240/330 days)
	Ecology and Environment Bureau	5	0	5	Contract 1: 19% (190/227days) Contract 2: 29% (240/310 days) Contract 3: 22% (180/219 days) Contract 4: 21% (190/230 days) Contract 5: 23% (160/197 days)
	Natural Resources Bureau	8	0	8	8 service contracts delayed (18–47%, the contractual duration is 510 days, the actual duration is 600–750 days)
	Water Bureau	2	0	2	Contract 1: 29% (180/233 days) Contract 2: 37% (180/247 days)
Hengnan	Rural Revitalization Bureau	10	10	/	/
	Department of Agriculture and Rural Affairs	10	10	/	/
	Housing and Urban-Rural Construction Bureau	10	10	/	/

	Administrative Law Enforcement Bureau	6	6	/	/
	Ecology and Environment Bureau	6	2	4	?
	Natural Resources Bureau	10	10	/	/
	Water Bureau	10	9	1	Contract 8: 50% (120/180 days)
Huayuan	Rural Revitalization Bureau	2	2	/	/
	Department of Agriculture and Rural Affairs	3	2	1	Contract 2: 40% (150/210 days)
	Housing and Urban-Rural Construction Bureau	1	/	/	Under implementation
	Administrative Law Enforcement Bureau	1	/	/	Under implementation
	Ecology and Environment Bureau	1	0	1	3%
	Natural Resources Bureau	10	10	/	/
	Water Bureau	3	3	/	/
Yongding	Rural Revitalization Bureau	2	2	/	/
	Department of Agriculture and Rural Affairs	10	0	10	200% for all provided contracts (90/270 days)
	Housing and Urban-Rural Construction Bureau	10	10	/	/
	Administrative Law Enforcement Bureau	4	4	/	/
	Ecology and Environment Bureau	?			
	Natural Resources Bureau	10	8	2	Contract 1: 67% (90/150 days), Contract 4: 25% (120/150 days)
	Water Bureau	10	10	/	/
Yongshun	Rural Revitalization Bureau	10	10	/	/
	Department of Agriculture and Rural Affairs	10	0	10	All provided contracts delayed 100 days
	Housing and Urban-Rural Construction Bureau	4	1	/	3 contracts under implementation
	Administrative Law Enforcement Bureau	2	2	/	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	8	0	2	Consulting services contract 1 has been extended by 2 years and contract 2 has been extended by 1 year; 6 contracts under implementation

	Water Bureau	3	1	2	Contract 1: 6% (180/190 days), Contract 2: 8% (180/195 days)
Cili	Rural Revitalization Bureau	2	2	/	/
	Department of Agriculture and Rural Affairs	10	8	/	8 contracts delayed 3 months, 2 contracts under implementation
	Housing and Urban-Rural Construction Bureau	10	5	5	Contract 3: 67% (90/150 days) Contract 4: 33% (90/120 days) Contract 5: 67% (90/150 days) Contract 6: 33% (90/120 days) Contract 10: 33% (90/120 days)
	Administrative Law Enforcement Bureau	no data			
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	no data			
	Water Bureau	4	4	0	/

The executing agency should ensure that the contract is completed at the cost that is consistent with the contractual value. Any cost overrun must go through the approval procedures in line with the contractual conditions and the local regulations. First, the variations leading to a cost overrun need to be verified by the supervising engineer. Second, the justification and costing of variations should be endorsed by the employer. Third, depending on the value, the variations could be subject to clearance by the line government agencies. If the aggregated value is expected to exceed the original budget significantly, the case shall be reported to the financial authority to seek clearance for additional fund allocation.

In the process of assessment, the selected counties provided relevant information on variations and cost overruns. The data on cost control is summarized in Table 11. The data show that 61 out of 696 contracts had cost overruns against the contractual value, accounting for 9 percent of the contracts. There was not any other case of cost overruns in most of the cases.

**Table 11: Cost overruns**

County	Implementation agency	Number of contracts surveyed	Number of contracts with cost overrun	Range of cost overrun (in %)	Number of contracts with cost overrun >15%
<b>NRRA</b>	Information Center of National Rural Revitalization Bureau	10	0	/	/
<b>Hubei</b>					
Honghu	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau	10	no data	3 contracts under implementation, 3 contracts pending acceptance, 4 contracts under audit	/
	Administrative Law Enforcement Bureau	4	0	?	/
	Ecology and Environment Bureau	2	no data	2 contracts under implementation	/
	Natural Resources Bureau	10	0	/	/
	Water Bureau	15	0	6 contracts pending acceptance	/
Chongyang	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs	12	0	4 contracts pending audit	/
	Housing and Urban-Rural Construction Bureau	10	?		
	Administrative Law Enforcement Bureau	2	0	/	/
	Ecology and Environment Bureau	1	1	1.15%	/
	Natural Resources Bureau	10	0	5 contracts pending audit, 1 contract under implementation	/
	Water Bureau	11	4	Contract 2: 22.7% Contract 3: 3.3% Contract 5: 3.3% Contract 6: 88.8%	Contract 2: 22.7% (CNY 5,711,200/CNY 7,010,300) Contract 6: 88.8% (CNY 1,006,600/CNY 1,900,000)
Xishui	Rural Revitalization Bureau				

	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau	1	0	/	/
	Ecology and Environment Bureau				
	Natural Resources Bureau	?			
	Water Bureau				
Yangxin	Rural Revitalization Bureau	no data	/	/	/
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	no data	/	/	/
	Administrative Law Enforcement Bureau	?			
	Ecology and Environment Bureau	no data	/	/	/
	Natural Resources Bureau	?			
	Water Bureau	?			
Yunxi	Rural Revitalization Bureau	no data			
	Department of Agriculture and Rural Affairs	7	no data	All contracts with no final price	/
	Housing and Urban-Rural Construction Bureau	5	no data	All contracts with no final price	/
	Administrative Law Enforcement Bureau	3	no data	All contracts with no final price	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	5	no data	All contracts with no final price	/
	Water Bureau	no data			
Shishou	Rural Revitalization Bureau				
	Department of Agriculture and Rural Affairs				
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau				
	Ecology and Environment Bureau				
	Natural Resources Bureau	?			
	Water Bureau				
Suixian	Rural Revitalization Bureau	6	?		
	Department of Agriculture and Rural Affairs	6	?		
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau	5	2	Contract 1: 3% Contract 3: 21%	1
	Ecology and Environment Bureau				

	Natural Resources Bureau				
	Water Bureau				
Xiantao	Rural Revitalization Bureau	3	0	/	/
	Department of Agriculture and Rural Affairs	8	2	Contract 6: 2.5% Contract 8: 6% 3 contracts under implementation, 2 contracts under completion audit	/
	Housing and Urban-Rural Construction Bureau	10	no data	8 contracts under completion audit, 1 contract under implementation	no data
	Administrative Law Enforcement Bureau	5	4	1 contract under implementation	/
	Ecology and Environment Bureau	10	0	/	/
	Natural Resources Bureau	10	0	/	/
	Water Bureau	10	2	Contract 2: 16% Contract 5: 22% 5 contracts under implementation	2
Danjiangkou	Rural Revitalization Bureau	?			
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	?			
	Administrative Law Enforcement Bureau	?			
	Ecology and Environment Bureau	?			
	Natural Resources Bureau	?			
	Water Bureau				
Xianfeng	Rural Revitalization Bureau	no data	/	/	/
	Department of Agriculture and Rural Affairs	?			
	Housing and Urban-Rural Construction Bureau	?			
	Administrative Law Enforcement Bureau	2	?		
	Ecology and Environment Bureau	5	?		
	Natural Resources Bureau	?			
	Water Bureau				
Hunan					
Taojiang	Rural Revitalization Bureau	5	0	/	/
	Department of Agriculture and Rural Affairs	10	5	0.4–3.1%	/
	Housing and Urban-Rural Construction Bureau	10	0	/	/

	Administrative Law Enforcement Bureau	10	0	/	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	10	0	Contracts 5, 6, 9, 10 under implementation	/
	Water Bureau	5	0	Contract 4 under implementation	/
Lixian	Rural Revitalization Bureau	2	0	2 contracts pending audit	/
	Department of Agriculture and Rural Affairs	10	0	4 contracts under completion audit	/
	Housing and Urban-Rural Construction Bureau	10	0	/	/
	Administrative Law Enforcement Bureau	2	0	/	/
	Ecology and Environment Bureau	10	0	/	/
	Natural Resources Bureau	7	0	/	/
	Water Bureau	10	0	/	/
Yueyang	Rural Revitalization Bureau	Non-public	/	/	/
	Department of Agriculture and Rural Affairs	10	10	2–6%	/
	Housing and Urban-Rural Construction Bureau	10	0	/	/
	Administrative Law Enforcement Bureau	2	1	Contract 2: 11%	/
	Ecology and Environment Bureau	2	0	/	/
	Natural Resources Bureau				
	Water Bureau	6	3	Contract 5: 35% Contract 6: 10%	1
Linxiang	Rural Revitalization Bureau	1	0	/	/
	Department of Agriculture and Rural Affairs	10	7	1.1–6.7%	/
	Housing and Urban-Rural Construction Bureau				
	Administrative Law Enforcement Bureau	10	2	Contract 1: 20% Contract 2: 18%	2
	Ecology and Environment Bureau				
	Natural Resources Bureau	10	0	/	/
	Water Bureau				
Liling	Rural Revitalization Bureau	2	0	/	/
	Department of Agriculture and Rural Affairs	10	0	/	/
	Housing and Urban-Rural Construction Bureau	4	no data	All contracts pending completion audit	/
	Administrative Law Enforcement Bureau	4	0	1 contract under implementation	/

	Ecology and Environment Bureau	9	0	/	/
	Natural Resources Bureau	10	0	/	/
	Water Bureau	10	1	Contract 2: 4.8% Contracts 1, 4, 5, 6 under audit Contract 3 under implementation	
Jiangyong	Rural Revitalization Bureau	10	3	0.9–2.1%	/
	Department of Agriculture and Rural Affairs	10	0	/	/
	Housing and Urban-Rural Construction Bureau	3	n.a.	3 contracts pending completion audit	/
	Administrative Law Enforcement Bureau	2	0	/	/
	Ecology and Environment Bureau	10	0	3 contracts under implementation	/
	Natural Resources Bureau	6	0	6 consulting service contracts under implementation	/
	Water Bureau	1	n.a.	1 contract pending completion audit	/
Suining	Rural Revitalization Bureau	10	0	/	/
	Department of Agriculture and Rural Affairs & Water Bureau	10	2	Contract 4: 1.1% Contract 6: 12.4%	/
	Housing and Urban-Rural Construction Bureau	10	n.a.	5 contracts pending audit, 5 contracts under implementation	/
	Administrative Law Enforcement Bureau	6	1	Contract 6: 15.3%	1
	Ecology and Environment Bureau	6	0	/	/
	Natural Resources Bureau	10	0	/	/
Hengyang	Rural Revitalization Bureau	1	0	/	/
	Department of Agriculture and Rural Affairs	16	1	Contract 6: 1.7%, Contracts 13–16 under implementation	/
	Housing and Urban-Rural Construction Bureau	31	0	/	/
	Administrative Law Enforcement Bureau	1	0	/	/
	Ecology and Environment Bureau	5	0	/	/
	Natural Resources Bureau	8	0	/	/
	Water Bureau	2	0	/	/
Hengnan	Rural Revitalization Bureau	10	0	/	/
	Department of Agriculture and Rural Affairs	10	1	0.7%	/
	Housing and Urban-Rural Construction Bureau	10	0	/	/



	Administrative Law Enforcement Bureau	6	1	Contract 6: 15.3%	1
	Ecology and Environment Bureau	6	0	/	/
	Natural Resources Bureau	10	0	/	/
	Water Bureau	10	0	/	/
Huayuan	Rural Revitalization Bureau	2	0	/	/
	Department of Agriculture and Rural Affairs	3	0	/	/
	Housing and Urban-Rural Construction Bureau	1	/	Under implementation	/
	Administrative Law Enforcement Bureau	2	/	Under implementation	/
	Ecology and Environment Bureau	1	0	/	/
	Natural Resources Bureau	10	0	/	/
	Water Bureau	3	0	/	/
Yongding	Rural Revitalization Bureau	2	1	/	/
	Department of Agriculture and Rural Affairs	10	/	All contracts under audit	/
	Housing and Urban-Rural Construction Bureau	10	0	/	/
	Administrative Law Enforcement Bureau	4	0	/	/
	Ecology and Environment Bureau	?			
	Natural Resources Bureau	10	9	1 contract pending audit	/
	Water Bureau	10	2	Contract 1: 3.7%, Contract 7: 7.3% 4 contracts without final price	/
Yongshun	Rural Revitalization Bureau	10	0	/	/
	Department of Agriculture and Rural Affairs	10	7	0.7–7.9%	/
	Housing and Urban-Rural Construction Bureau	4	/	4 contracts without final prices	/
	Administrative Law Enforcement Bureau	2	0	/	/
	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	8	0	/	/
	Water Bureau	3	1	Contract 1: 2%	/
Cili	Rural Revitalization Bureau	2	0	/	/
	Department of Agriculture and Rural Affairs	10	0	8 contracts pending audit, 2 contracts under implementation	/
	Housing and Urban-Rural Construction Bureau	10	0	10 contracts pending audit	/
	Administrative Law Enforcement Bureau	no data			

	Ecology and Environment Bureau	no data			
	Natural Resources Bureau	no data			
	Water Bureau	4	0	/	/

For civil works contracts, it is mandatory that a supervising firm be hired to help the employer to monitor day-to-day implementation and exercise quality control. Upon the completion of the works, the final acceptance will be jointly undertaken by representatives from the employer, the contractor, and the line government agencies, including the local FB, environmental protection bureau, local administration of quality supervision, and so on. The acceptance is approved in line with the relevant national code or standard that is applicable for the works.

For goods contracts, the contract normally requires that 10–20 percent of the contract payment be made against the acceptance of the goods delivered. In case of any dispute, the purchaser and supplier can submit the case to a third-party quality inspection agency. In addition, the contract normally stipulates a warranty period of at least one year, within which the supplier is obliged to address any defects in quality and to make repairs or replacement as necessary. The warranty period is covered by the performance security.

For consultancy service contracts, the deliverables and outputs under the assignment are subject to review and assessment by an independent panel. The panel mainly comprises experts in this area in addition to the government officials. The corresponding payment would not be made until the consultant addresses the concerns raised by the panel and the quality of the report is to the panel's satisfaction.

It is noted that payments are made to the contractor, supplier, or consultant in line with the payment conditions and terms of the signed contract, without major delay. This usually takes one to four weeks after the application for payment is received by the executing agency. As one local practice, to prevent payment from exceeding the amount certified by the final audit, it is often stipulated in the contract that payment would pause as soon as the aggregated payment reaches 80 percent of the contract value. The remaining 20 percent would be made only upon the completion of the government final audit. Normally, it takes one to two years after the completion of a project for the final audit to be concluded. However, in some extreme cases, the final audit took 5 years to conclude.

Dispute resolution procedures are included in the contract. The contract parties can resolve a contractual dispute through amicable negotiation. If both contract parties cannot reach agreement through negotiation, the contract offers the option that either party can submit the case to an arbitration committee or go through a litigation process. If the case is submitted to an arbitration committee, unless one party sues to revoke the arbitration decision, the case is not allowed to be resubmitted to the court for litigation. In the past three years, one scarce case was resolved through arbitration and a lawsuit.

### 3.3 Internal Controls

#### 3.3.1 Internal controls

##### **Internal control for financial management**

A strong control environment was perceived during the assessment. The Chinese Government takes internal control in the public sector seriously. The Regulation on Internal Control of Administrative and Public Service Units was issued by the MOF in 2012. It provides detailed

instructions and guidance to all budgetary units on strengthening their internal control function. Moreover, a set of basic internal control standards and practical guidance was issued by the MOF in recent years, as a reference for all public sector entities. In 2014, the MOF issued the Basic Internal Control Rules (Decree No. 40), which provide a good model for other ministries and sub-national government entities. All public sector entities are required to prepare an annual internal control report.

Adequate control and stewardship exist over program funds, with well-defined delegation of authority. Following the national policy and regulations issued by the MOF and NDRC, the provincial governments have issued a series of regulations regarding fund management, implementation measures, result verification procedures, etc. For example, related government decrees (refer to Table 12) have been issued for some earmarked funds, which are the main financing sources of program activities, to regulate the use of these earmarked funds to ensure that the budget could be used for the intended purposes.

**Table 12: Regulations issued by government entities**

Earmarked funds	Financing sources	Government decree
Funds for agricultural production development	Central government	Administrative Measures for Agricultural Production Development Funds
Subsidy for farmland construction	Central government	Administrative Measures on Subsidy Funds for Farmland Construction
Animal epidemic prevention and other subsidies	Central government	Administrative Measures for Animal Epidemic Prevention and Other Subsidies
Agricultural resources and ecological protection subsidy	Central government	Administrative Measures for Agricultural Resources and Ecological Protection Subsidy Funds
"Toilet revolution" in rural areas to promote entire villages	Provincial government	Interim Measures for the Promotion of Financial Reward and Subsidy Projects and Fund Management for Rural Toilet Revolutions in Hubei Province, same for Hunan
Special project for the improvement of rural human settlements	NDRC	Interim Measures for the Special Management of Investment in the Central Budget for the Improvement of Rural Human Settlements
The special project of modern agricultural support system	NDRC	Interim Measures for the Special Management of Investment in the Central Budget for the Sustainable Development of Agricultural Development Gai Nong Jing Gui (2019) No. 2028

Provincial sector departments also established many regulations/decrees for their responsible earmarked funds and conducted regular or irregular supervision of these funds. Almost all Program counties prepared detailed practicable guidance on these upper-level regulations/decrees.

The integrated budget management system (IBMS) has been established in both provinces. County finance bureaus are required to report their budget execution monthly by using the data generated from the IBMS so that budget execution can be monitored closely. Some county line bureaus also submit their monthly fund use report to upper-level administrative bureaus/departments. Meanwhile, provincial sector departments conduct a budget performance evaluation annually to assess whether the public funds are used properly and the predetermined

performance indicators are achieved. A management information system (MIS) has also been set up in the RRA sector with a comprehensive database in which every Program activity can be tracked. Government officials conduct field supervision by using the data generated from the MIS.

Three layers of a Program activity supervision system have been established in both provinces: (a) provincial sector departments used to carry out regular supervision on some selected counties every year; (b) municipal sector bureaus also conducted regular reviews on some counties; and (c) county line bureaus supervised Program activities in different manners. A third party was hired to supervise Program activities in some counties in both provinces.

Verification of the achievement of DLIs will rely on an independent third-party verification agent through on-site review. A detailed verification protocol has been designed and is reflected in the PAD.

### **Internal control for procurement**

For procurement following the TBL, daily procurement falls under the supervision and oversight of the Development and Reform Commission and relevant sectoral government agencies at a high level. For procurement following the GPL, daily procurement falls under the supervision and oversight of the finance authority and relevant sectoral government agencies at a high level.

In terms of procurement decisions, the client prepares a procurement plan. It is subject to clearance and approval by its supervision authority and the finance bureau. The qualification and evaluation criteria are set by the client in the issued bidding document. The contract award recommendation is made by the BEC on the basis of these criteria. The decision for contract award cannot be overruled by the client. In case the decision for the contract award needs to be revised, the BEC needs to re-convene.

With respect to the transparency and confidentiality of the procurement process, procurement is conducted via the platform of the PRTC if the contract value exceeds the specified threshold. This process is witnessed by staff of the transaction center and supervised by inspection staff from the relevant government agencies. The bid opening and evaluation are carried out at the center. If the procurement is processed outside the transaction center, the client's inspection staff and staff from the DRC or local finance authority witness and supervise the bid opening and evaluation.

The agencies involved in the procurement process include the client, the procurement agent company, and the PRTC. All agencies have clear mandates, a clear segregation of function, and clearly defined responsibilities for different units and staff. Ethical standards apply to all their staff when carrying out their daily work.

All procurement documents are kept for a specified time period. According to the TBL, procurement documents must be retained for at least ten years after completion of the procurement. According to the GPL, procurement documents must be kept for at least 15 years after completion of the procurement.

### **3.3.2 Internal audit**

Internal audit practice complies with the Audit Law and the related regulations as issued by the China National Audit Office (CNAO). Article 3 of CNAO Decree No. 11 of 2018 defines five types of internal audit: financial revenue and expenditure audit, accountability audit, performance audit, audit of the implementation of key policies, and internal control and risk audit. Based on the interviews with provincial entities and counties visited and the data collected, we note that the internal audit function has not been widely established in the two provinces as well as in the IPRCC.

However, the supreme audit institutions from the central level to provincial and county level are engaging in all five types of audits as mentioned above to secure the government budget funds to be used in a sound and effective environment. Under the Program, all the budget execution entities assessed receive a financial revenue and expenditure audit on an annual basis, an accountability audit covering the entire tenure while changing the top leader, as well as a performance audit for earmarked funds specifically required by the government. No significant audit issues are noted in the 23 audit reports sampled for review and the findings mainly relate to a time-consuming internal approval procedure, weakness in cost control and project management, a filing system needing improvement, etc. Remedial actions are noted to be undertaken and reported to the governments on a timely basis as required.

### 3.3.3 Program governance and anti-corruption arrangement

#### 3.3.3.1 Complaints and reviews

##### **Complaint handling mechanism for procurement following the TBL**

Two tiers of complaint handling exist for procurement following the TBL. Under the first tier, the bidder can lodge a complaint to the client regarding the bidding documents, the bid opening, or the contract award recommendation. The contract award recommendation is required to be disclosed for at least three calendar days. Any complaint regarding the contract award recommendation must be submitted within this standstill period. The client is required to respond to the complaint within three calendar days.

Under the second tier, the bidder can lodge a complaint to the relevant supervision authority regarding the bidding documents, the bid opening, the contract award recommendation, or other non-compliance of the procurement process with the relevant laws, rules, and regulations within 10 calendar days from his/her awareness of the issue. Within three working days, the supervision authority shall determine whether the complaint is valid. If the complaint is determined valid, within 30 working days, the supervision authority shall issue its written judgment and determination. If the complainant is not satisfied with the resolution, the complainant is entitled to request an administrative review by a high-level government office or administrative litigation.

##### **Complaint handling mechanism for procurement following the GPL**

Similarly, for procurement under the GPL, there exist two tiers of complaint handling. Under the first tier, the bidder can lodge a complaint to the client regarding the bidding documents, the procurement processing, the contract award recommendation, or other non-compliance of the procurement processing with relevant laws, rules, and regulations within seven working days from his/her awareness of the issue. The client is required to respond to the complaint within seven working days.

Under the second tier, if the bidder is unsatisfied with the response from the client or if the client does not respond within the required time, the bidder can lodge a complaint to the relevant supervision authority regarding the bidding documents, the bid opening, the contract award recommendation, or other non-compliance of the procurement processing with relevant laws, rules, and regulations within 15 working days after receiving the response from the client or after expiry of the required responding time, as applicable. Within 30 working days, the supervision authority must issue its written judgment and determination. If the bidder is not satisfied with the determination made by the supervision authority or if the supervision government authority

does not make its determination within the required time, the bidder can refer the matter to a high-level administrative review or invoke administrative litigation.

During the fiduciary assessment, information was collected about complaints received in the past three years. The data show that few complaints were received. All complaints are normally responded to within the time specified by the TBL or GPL and the applying implementing regulations.

### 3.3.3.2 Compliance with the anti-corruption guidelines

The Chinese Government has put multiple institutions in place to combat fraud and corruption. They are designed to prevent, report, detect, investigate, prosecute, and sanction fraud and corruption. First, within all implementation agencies involved in procurement, so-called discipline inspection commissions are in place that directly report to the discipline inspection commissions attached to higher-level supervision agencies. Second, the Ministry of Supervision exists at the central level with supervision departments/bureaus at the provincial, prefectural, and county levels. Third, under the Chinese People's Procuratorate, anti-corruption departments/bureaus have been set up at the central, provincial, prefectural, and county levels. Fourth, audit offices exist at the central, provincial, prefectural, and county levels, and all agencies involved in procurement are subject to an annual external independent audit. All these agencies have comprehensive mandates to combat fraud and corruption while carrying out procurement. Any bidder or any party can report fraud and corruption issues to any of these government agencies.

Still, the Bank may not be informed of fraud and corruption allegations during implementation of the Program. The Program manual will therefore require the client to regularly inform the Bank of any credible and material allegations of fraud and corruption in the Program progress report, as required in the loan agreement.

The Bank's right to conduct an inquiry into such allegations or other indications, independently of or in collaboration with the borrower, regarding activities and expenditures supported by the Program, as well as its right to have access to the required persons, information, and documents, will be observed in accordance with the standard arrangements between the Government of the PRC and the Vice Presidency Integrity Department ("INT") of the Bank.

Procurement will be implemented by the implementation agency as established by each county, with assistance from the procurement agent company. These parties may not have knowledge of the firms and individuals debarred and temporarily suspended by the World Bank and other multilateral development banks. Therefore, there is a potential risk that contracts might be awarded to ineligible firms or individuals. The proposed mitigation actions follow. (a) Upon Program loan effectiveness, the Program Provincial Leading Group or the Provincial Authority shall issue a high-level official letter or official instruction to require Program implementation agencies to ensure that no contract will be awarded to ineligible firms or individuals. (b) The Program implementation agencies (i.e., procuring entities) are to include the Bank's website link to the debarment list (which is dynamic) as one of the minimum qualification requirements in bidding documents. When the bid evaluation starts or before the contract award is issued, the implementation agencies and/or the Bid Evaluation Committee shall check the latest lists of the debarred and temporarily suspended firms and individuals to ensure that the contract is being awarded to eligible firms or individuals. (c) As an alternative, since the full-process electronic bidding (e-procurement) has functioned in the provincial e-procurement system and the systems in the six cities/counties, the Bank recommends that one additional function be developed in the

existing e-procurement system to link to the sanction list of the World Bank's website and the procuring entities are required to check the website and the list, and shall confirm in the e-procurement system that the recommended bidder is not included in the list before the bid evaluation results are allowed to be published through the e-procurement system. (d) The TOR for annual external audit include the task of randomly selecting awarded contracts to check whether they have been awarded to ineligible firms or individuals.

### 3.4 Auditing

#### 3.4.1 Coverage

Both provinces and the counties received various external audits and inspections throughout the year, primarily focusing on the proper use of public funds. The annual external audit findings on budget execution by the Provincial Audit Offices (PAOs) are included in their annual report to the Provincial People's Congress, and the full audit report is published on the PAO official website. However, due to personnel shortages in the audit offices, not every budgetary unit is audited yearly. The audit strategy for government auditors is to conduct audits on a rolling basis, and for audits to cover multiple years.

The audit bureaus in counties carry out audits on budget execution and have access to the necessary data without any restriction. Several material issues and systemic and control risks are usually detected and disclosed in the audit reports, and remedial action is taken by the audited units effectively and timely. The audit bureaus submit their audit reports to the legislature in a timely manner, after receiving the financial reports. The standing committees of the County People's Congresses provide timely approval of the audit reports and call for in-depth hearings on the main findings of the audit reports once a year.

Although government auditors indeed audit Program funds when they carry out a budget execution audit, accountability audit, and other types of audits, no specific Program audit was conducted by the PAOs and audit offices of the interviewed counties on the use of Program funds in the past years. To mitigate this risk, an annual Program audit is required, and the audit of the proposed Program will be conducted by PAOs. Besides auditing budget execution and other provincial-level entities, the PAOs have been the auditors of Bank-financed projects in the two provinces for about three decades. The PAOs also have experience in auditing PforR projects. The first year's audit report issued by the PAOs is subject to a quality review by the CNAO.

To gain reasonable assurance on the proper use of Program funds, the CNAO and the PAOs will agree with the Bank on the audit TOR and conduct annual Program financial statement audits that will be publicly disclosed. The CNAO and the PAOs will adopt the audit approach and coordination mechanisms used in other Bank-financed PforR operations. The PAOs will coordinate internally to minimize the chances of duplicate audits conducted by different auditors, and to maximize reliance on each other's findings. The auditors will conduct the financial audit on the PforR financial statements in accordance with the audit TOR to meet the Bank's audit requirements. The audit report will be submitted to the Bank within nine months of the end of the calendar year. Each provincial PAO will issue an audit report separately for its own part. It has been agreed that the Program audit would focus on the following aspects:

- Whether the transfers from central and provincial governments have been delivered to the counties timely and completely.
- Whether Program funds are used properly and in line with the applicable regulations and procedures by sampling of Program counties.

- Whether the Bank's procurement and safeguard policies and requirements have been fully complied with by all counties.
- Whether the domestic regulations and requirements have been strictly implemented.
- Whether the Program financial reporting fairly presents the sources and use of Program funds.

### 3.4.2 Staffing

The Provincial Audit Offices have been equipped with sufficient experienced auditors and can also use auditors from lower-level governments.

### 3.4.3 Audit methodology

The external audit methodology used by provincial, municipal, and county auditors is established by the CNAO. It includes an annual department audit work plan, risk assessment, audit work programs, sampling methodologies, reports for each audit engagement, quality assurance, follow-up on recommendations made in previous audit reports, and electronic workpapers, among others. Auditors at all levels of the government appeared knowledgeable about the unit's audit methodology and enthusiastically endorsed it. Its consistent use throughout the government is an audit system strength as this improves audit quality at lower levels of government where skill and experience levels are often much lower. It also facilitates communication and coordination among audit units at different levels in the government as the methodology provides a common language among these auditors. The common audit methodology will assist the Provincial Audit Office, responsible for issuing the PforR financial audit opinion, in coordinating audit work with the county auditors.

## 3.5 Procurement and Financial Management Capacity

### 3.5.1 Staffing should be adequate in both numbers and experience

A central PMO has been established under the IPRCC of NRRA and a Provincial Project Management Office (PPMO) has been established in the DARA in Hunan Province and RRA in Hubei Province. The three PMOs have experience with the Bank's operations. The interviews with the IPRCC and provincial sector departments and all the Program counties and the data collected from Program counties indicate that they had adequate budget and staffing to carry out their functions. No delays in budget preparation, budget execution/financial reporting, treasury operations, or inspection/auditing were noted that would indicate a shortage in personnel.

The parties involved in procurement normally include the implementation agency, the procurement agent company, and the design institute. Both the procurement agent company and the design institute are professional firms that possess sufficient human resources with the needed expertise, skills, and experience. The implementation agencies have adequate experience in conducting procurement and contract implementation. Table 13 shows the procurement portfolios managed by the implementation agencies in the past three years.



**Table 13: Contract experience in 2019 to 2021**

Province/ County	Implementation agency	Category	Total number of contracts			Total contract value (RMB 10,000)		
			2019	2020	2021	2019	2020	2021
<b>NRRA</b>								
	Information Center of National Rural Revitalization Bureau	Goods	5	/	/	227	/	/
		Services	22	18	19	2,877	2,225	2,196
<b>Hubei</b>								
Honghu	Rural Revitalization Bureau							
	Department of Agriculture and Rural Affairs							
	Housing and Urban-Rural Construction Bureau	Works	21	27	11	37,879	33,331	26,216
		Goods	/	2	10	/	200	2,749
		Services	1	32	20	117	1,752	606
	Administrative Law Enforcement Bureau	Works	/	1	1	/	119	160
		Goods	/	/	1	/	/	99
		Services	/	1	/	/	508	/
	Ecology and Environment Bureau	Works	/	/	9	/	/	3,551
	Natural Resources Bureau	Works	1	1	/	1,036	260	/
		Services	6	12	21	697	3,250	3,745
	Water Bureau	Works	8	7	11	11,263	4,256	24,949
		Goods	1	2	1	67	669	290
		Services	3	5	3	426	186	968
Chongyan g	Rural Revitalization Bureau							
	Department of Agriculture and Rural Affairs	Works	2	5	1	120	244	30
		Goods	3	13	1	98	770	257
		Services	3	7	4	115	276	1,033
	Housing and Urban-Rural Construction Bureau	Works	3	10	7	2,087	7,521	12,570
		Services	/	/	1	/	/	65
	Administrative Law Enforcement Bureau	Goods	2	/	/	310	/	/
	Ecology and Environment Bureau	Works	/	1	/	/	959	/
	Natural Resources Bureau	Works	1	2	/	1,110	1,450	/
		Services	/	6	1	/	2,512	117
	Water Bureau	Works	2	/	4	462	/	6,994
		Goods	4	/	/	1,893	/	/
		Services	/	/	1	/	/	70
Xishui	Rural Revitalization Bureau							
	Department of Agriculture and Rural Affairs							
	Housing and Urban-Rural Construction Bureau							
	Administrative Law Enforcement Bureau	Works	/	/	1	/	/	1,568

	Ecology and Environment Bureau							
	Natural Resources Bureau	Services	6	15	3	37	84	34
	Water Bureau							
Yangxin	Rural Revitalization Bureau	no data	/	/	/	/	/	/
	Department of Agriculture and Rural Affairs	Works	/	3	2	/	662	197
		Goods	13	12	17	2,253	1,891	2,492
		Services	5	4	1	474	420	215
	Housing and Urban-Rural Construction Bureau	no data	/	/	/	/	/	/
	Administrative Law Enforcement Bureau	Works	5	3	2	6,375	1,800	791
		Goods	2	1	1	62	141	652
		Services	1	4	2	20	973	63
	Ecology and Environment Bureau	no data	/	/	/	/	/	/
	Natural Resources Bureau	Works	2	5	7	4,621	6,395	2,520
		Services	4	14	8	1,812	8,051	1,220
	Water Bureau	Works	8	12	8	10,371	35,869	13,389
		Goods	1	1	1	171	116	75
		Services	2	8	7	431	9,137	620
Yunxi	Rural Revitalization Bureau	no data						
	Department of Agriculture and Rural Affairs	Works	1	20	/	15,226	10,575	/
		Goods	/	1	/	/	79	/
		Services	3	/	/	115	/	/
	Housing and Urban-Rural Construction Bureau	Works	/	9	10	/	5,220	9,293
	Administrative Law Enforcement Bureau	Works	/	/	3	/	/	2,835
	Ecology and Environment Bureau	no data						
	Natural Resources Bureau	Works	6	15	3	3,100	36,452	1,507
Shishou	Water Bureau	no data						
	Rural Revitalization Bureau							
	Department of Agriculture and Rural Affairs							
	Housing and Urban-Rural Construction Bureau							
	Administrative Law Enforcement Bureau							
	Ecology and Environment Bureau							
	Natural Resources Bureau	Works	2	20	6	746	2,191	2,257
Suixian	Water Bureau							
	Rural Revitalization Bureau	Goods	2	1	1	180	230	300
		Services	/	/	2	/	/	650
	Department of Agriculture and Rural Affairs	Works	1	1	/	60	60	/
		Goods	1	1	/	20	81	/
		Services	/	1	1	/	60	75

	Housing and Urban-Rural Construction Bureau							
	Administrative Law Enforcement Bureau	Works	5	/	/	2,535	/	/
	Ecology and Environment Bureau							
	Natural Resources Bureau							
	Water Bureau							
Xiantao	Rural Revitalization Bureau	Services	1	1	1	318	318	318
	Department of Agriculture and Rural Affairs	Works	3	2	3	27,699	9,379	15,160
	Housing and Urban-Rural Construction Bureau	Works	7	/	/	26,406	/	/
		Services	14	/	/	843	/	/
	Administrative Law Enforcement Bureau	Works	/	2	3	/	3,200	116
	Ecology and Environment Bureau	Services	/	/	24	/	/	265
	Natural Resources Bureau	Goods	2	2	3	15	35	173
		Services	8	4	20	101	34	2,897
	Water Bureau	Works	17	6	15	7,197	2,140	34,601
		Goods	4	/	/	456	/	/
		Services	1	4	10	50	288	1,496
Danjiangkou	Rural Revitalization Bureau	Goods	5	4	5	4.8	4.2	4.6
	Department of Agriculture and Rural Affairs	Goods	4	4	5	3.9	3.7	3.6
	Housing and Urban-Rural Construction Bureau	Goods	4	5	5	4.8	4.6	4.6
	Administrative Law Enforcement Bureau	Goods	1	2	/	49	32	/
	Ecology and Environment Bureau	Goods	5	5	6	3.6	3.4	4.1
	Natural Resources Bureau	Works	4	1	8	2,312	474	3,459
	Water Bureau							
Xianfeng	Rural Revitalization Bureau	no data	/	/	/	/	/	/
	Department of Agriculture and Rural Affairs	Works	2	3	4	1,200	1,300	1,600
	Housing and Urban-Rural Construction Bureau	Works	6	7	6	7,000	8,000	8,000
		Services	3	4	4	90	100	100
	Administrative Law Enforcement Bureau	Works	/	1	1	/	300	300
	Ecology and Environment Bureau	Works	2	/	1	400	/	300
		Goods	/	/	2	/	/	100
	Natural Resources Bureau	Works	2	1	2	900	500	700
		Services	3	2	2	30	25	25
	Water Bureau	Works	2	1	3	1,200	700	2,200
		Goods	2	3	3	120	200	240
		Services	/	2	2	30	20	45
Hunan								
Taojiang	Rural Revitalization Bureau	Services	/	1	4	/	441	1,486

	Department of Agriculture and Rural Affairs	Works	13	17	22	4,771	6,291	8,015
		Goods	1	1	/	80	300	/
		Services	7	3	3	186	261	376
	Housing and Urban-Rural Construction Bureau	Works	2	3	5	703	1,195	2,439
	Administrative Law Enforcement Bureau	Works	/	/	3	/	/	178
		Goods	2	/	1	68	/	45
		Services	2	1	1	219	540	1,846
	Ecology and Environment Bureau		no data					
	Natural Resources Bureau	Works	4	2	1	1,747	2,879	156
		Goods	/	1	/	/	48	/
		Services	6	22	34	1,023	5,333	2,082
	Water Bureau	Goods	/	/	2	/	/	1,382
		Services	2	1	2	100	43	179
Lixian	Rural Revitalization Bureau	Works	/	/	2	/	/	616
	Department of Agriculture and Rural Affairs	Works	34	35	91	1,130	4,453	219,447
		Goods	25	30	36	937	989	1,298
		Services	6	15	13	625	1,257	549
	Housing and Urban-Rural Construction Bureau	Works	/	2	1	/	2,050	101
		Goods	3	1	1	1,190	1,351	31
		Services	/	3	9	/	272	2,421
	Administrative Law Enforcement Bureau	Works	1	/	/	362	/	/
		Goods	1	/	/	0.4	/	/
		Services	1	/	1	210	/	3
	Ecology and Environment Bureau	Works	2	2	1	935	196	150
		Goods	5	2	/	189	234	/
		Services	2	7	2	171	380	145
	Natural Resources Bureau	Works	8	4	3	2,806	262	297
		Goods	/	/	1	/	/	50
		Services	16	9	5	909	4,125	704
	Water Bureau	Works	6	9	10	14,392	6,165	12,560
		Goods	3	9	/	5,406	4,470	/
		Services	5	4	17	134	292	999
Yueyang	Rural Revitalization Bureau	Works	1	1	1	23	3	10
		Goods	/	24	32	/	66	82
	Department of Agriculture and Rural Affairs	Works	13	42	60	7,569	7,957	8,362
		Goods	97	129	126	782	340	944
		Services	100	123	86	444	619	874
	Housing and Urban-Rural Construction Bureau	Works	7	11	15	9,284	29,452	18,075
		Services	5	25	55	252	605	1,092
	Administrative Law Enforcement Bureau	Works	/	12	5	/	1,000	150
		Goods	3	5	10	10	780	100

		Services	2	4	8	5	50	30
	Ecology and Environment Bureau	Services	/	1	1	/	54	51
	Natural Resources Bureau	Services	13	9	16	1,215	403	1,900
	Water Bureau	Works	/	1	2	/	1,178	1,028
		Services	/	1	2	/	77	56
Linxiang	Rural Revitalization Bureau	Goods	/	/	1	/	/	1,406
	Department of Agriculture and Rural Affairs	Works	16	18	4	4,609	4,672	4,882
		Goods	1	5	6	510	1,666	3,838
		Services	5	5	3	268	373	392
	Housing and Urban-Rural Construction Bureau	Works	37	8	11	12,005	9,515	34,983
		Services	61	22	23	385	251	500
	Administrative Law Enforcement Bureau	Works	4	1	4	2,944	812	682
		Goods	7	7	12	1,058	1,083	2,645
		Services	2	1	3	59	135	190
	Ecology and Environment Bureau	Works	3	/	1	3,805	/	1,744
		Goods	1	/	/	238	/	/
		Services	/	2	2	/	116	514
	Natural Resources Bureau	Works	1	2	3	273	435	360
		Services	6	7	12	685	485	1,295
	Water Bureau							
Liling	Rural Revitalization Bureau	Goods	3	12	/	16	19	/
		Services	/	2	2	/	142	278
	Department of Agriculture and Rural Affairs	Works	35	42	26	6,723	6,942	8,702
		Services	10	18	10	1,096	1,448	1,146
	Housing and Urban-Rural Construction Bureau	Works	2	/	/	75,128	/	/
		Services	1	1	/	121	267	/
	Administrative Law Enforcement Bureau	Works	3	1	/	635	2,007	/
		Services	/	2	/	/	58	/
	Ecology and Environment Bureau	Services	6	2	1	842	111	50
	Natural Resources Bureau	Works	30	12	/	6,759	3,766	/
		Goods	1	3	/	120	152	/
		Services	5	12	/	218	151	/
	Water Bureau	Works	8	6	9	12,059	4,716	8,153
		Services	4	4	5	650	450	700
Jiangyong	Rural Revitalization Bureau	Works	77	138	140	1,591	2,929	4,353
	Department of Agriculture and Rural Affairs		9	10	11	2,172	2,942	4,962
		Goods	8	10	9	1,024	651	377
		Services	5	5	6	126	133	272
	Housing and Urban-Rural Construction Bureau	Works	1	4	3	2,832	4,892	6,237
	Administrative Law Enforcement Bureau	Services	/	2	/	/	1,393	/
		Works	1	/	/	583	/	/

	Ecology and Environment Bureau	Goods	/	/	1	/	/	139
		Services	10	3	1	308	278	44
	Natural Resources Bureau	Services	/	/	6	/	/	624
	Water Bureau	Works	/	/	1	/	/	469
Suining	Rural Revitalization Bureau	Services	/	/	16	/	/	442
	Department of Agriculture and Rural Affairs & Water Bureau	Works	16	13	15	3120	2814	3996
		Goods	5	7	9	364	333	678
		Services	11	10	6	683	391	1722
	Housing and Urban-Rural Construction Bureau	Works	5	15	8	1,036	7,692	18,498
		Goods	/	1	/	/	180	/
		Services	/	1	2	/	150	320
	Administrative Law Enforcement Bureau	Goods	1	/	/	18	/	/
		Services	/	3	2	/	182	125
	Ecology and Environment Bureau	Works	/	4	/	/	195	/
		Goods	2	5	3	1	3	2
		Services	3	10	4	171	129	163
	Natural Resources Bureau	Works	2	/	/	75	/	/
		Goods	1	/	/	30	/	/
		Services	8	5	7	760	3,235	808
Hengyang	Rural Revitalization Bureau	Goods	/	/	1	/	/	40,509
	Department of Agriculture and Rural Affairs	Works	2	5	/	492	1,114	/
		Goods	1	1	1	215	224	222
		Services	4	1	1	192	50	29
	Housing and Urban-Rural Construction Bureau	Works	/	14	/	/	236	/
		Services	6	/	12	193	/	121
	Administrative Law Enforcement Bureau	Goods	/	/	1	/	/	35,988
	Ecology and Environment Bureau	Works	2	2	1	1,300	466	90
	Natural Resources Bureau	Works	8	/	/	2,867	/	/
Hengnan	Water Bureau	Works	1	1	/	909	858	/
	Rural Revitalization Bureau	Services	/	/	14	/	/	424
	Department of Agriculture and Rural Affairs	Works	/	3	2	/	714	345
		Goods	/	/	1	/	/	558
		Services	/	4	2	/	297	76
	Housing and Urban-Rural Construction Bureau	Works	3	14	6	1,105	8,692	17,563
		Goods	/	1	/	/	168	/
		Services	/	1	3	/	146	316
	Administrative Law Enforcement Bureau	Goods	1	/	/	21	/	/
		Services	/	2	3	/	126	189
	Ecology and Environment Bureau	Works	/	4	/	/	195	/
		Goods	1	3	2	1	2	0.1
		Services	3	8	4	161	104	148

	Natural Resources Bureau	Works	2	/	/	116	/	/
		Goods	1	/	/	33	/	/
		Services	6	5	9	867	4,532	1,324
	Water Bureau	Works	8	21	12	2,311	7,680	9,860
		Goods	/	3	/	/	80	/
		Services	/	8	7	/	70	96
Huayuan	Rural Revitalization Bureau	Works	1	2	1	3,000	289	134
		Goods	1	2	1	35	50	75
		Services	1	2	1	100	50	
	Department of Agriculture and Rural Affairs	Works	/	3	/	/	759	/
		Goods	/	1	1	/	45	128
		Services	1	4	/	72	116	/
	Housing and Urban-Rural Construction Bureau	Works	/	/	1	/	/	224
	Administrative Law Enforcement Bureau	Goods	3	5	7	126	189	224
	Ecology and Environment Bureau	Works	/	/	1	/	/	480
		Goods	/	4	1	/	780	46
		Services	/	1	/	/	73	/
	Natural Resources Bureau	Goods	4	11	1	1,108	3,609	77
		Services	1	1	6	480	290	2,033
	Water Bureau	Goods	1	/	2	96	/	306
Yongding	Rural Revitalization Bureau	Services	/	/	2	/	/	1,012
	Department of Agriculture and Rural Affairs	Works	9	13	22	3,410	4,417	5,457
		Services	4	5	11	158	191	214
	Housing and Urban-Rural Construction Bureau	Works	2	3	5	773	599	1,350
	Administrative Law Enforcement Bureau	Works	/	/	1	/	/	87
		Services	1	1	1	2,483	3,815	143
	Ecology and Environment Bureau	Goods	7	6	4	1,543	1,353	820
		Services	2	1	2	472	86	1,716
	Natural Resources Bureau	Goods	/	8	14	/	26.38	429.26
		Services	10	11	12	175	99	25
	Water Bureau	Works	14	13	5	3,518	2,454	703
		Goods	2	1	2	139	43	90
		Services	7	1	7	458	175	188
Yongshun	Rural Revitalization Bureau	Works	/	/	16	/	/	840
	Department of Agriculture and Rural Affairs	Works	1	/	/	100	/	/
		Goods	14	12	10	343	543	582
		Services	2	10	10	90	201	211
	Housing and Urban-Rural Construction Bureau	Works	/	1	3	/	2,306	37,181
	Administrative Law Enforcement Bureau	Goods	2	/	/	22	/	/
	Ecology and Environment Bureau	no data						

	Natural Resources Bureau	Services	/	10	254	/	70	854
	Water Bureau	Works	/	/	3	/	/	280
	Rural Revitalization Bureau	Services	2	2	2	803	1,094	1,011
	Department of Agriculture and Rural Affairs	Works	20	29	32	6,278	5,529	8,230
		Goods	/	2	1	/	63	69
		Services	2	3	2	268	324	347
	Housing and Urban-Rural Construction Bureau	Works	17	22	31	9,594	23,809	7,070
		Services	2	2	6	303	1,330	87
	Administrative Law Enforcement Bureau	no data						
	Ecology and Environment Bureau	no data						
	Natural Resources Bureau	no data						
	Water Bureau	Works	/	/	4	/	/	6,479

Based on the assessment of the performance information and institutional arrangements, the fiduciary systems adopted have enough capability to ensure the successful implementation of the Program and the achievement of its development objectives.

## Section 4: Program Systems and Capacity Improvements

The overall fiduciary risk of the envisaged PforR operation is rated as **Substantial** given the proper implementation of the proposed mitigation measures:

Risk	Mitigation action	Timing	Type of action (PAP, DLI, etc.)
The contracts might be awarded to firms or individuals that are debarred or under temporary suspension by the Bank or other multilateral development banks.	<p>1. Upon Program loan effectiveness, the NRRA and the Program Provincial Leading Group or Hubei RRA and Hunan DARA shall issue a high-level official letter or official instruction to require Program implementation agencies to ensure that no contract will be awarded to ineligible firms or individuals, which will include:</p> <p>The Program implementation agencies (i.e., procuring entities) are to include the Bank's website link to the debarment list (which is dynamic) as one of the minimum qualification requirements in the bidding documents. When the bid evaluation starts or before the contract award is issued, the implementation agencies and/or the bid evaluation committees shall check the latest lists of the debarred and temporarily suspended</p>	Implementation	PAP



	<p>firms and individuals to ensure that the contract is being awarded to eligible firms or individuals; or, as an alternative to the above, since the full-process electronic bidding (e-procurement) has functioned in the provincial e-procurement system and the systems in the six cities/counties, the Bank recommends that one additional function be developed in the existing e-procurement system to link to the sanction list of the World Bank's website and the procuring entities be required to check the website and the list, and confirm in the e-procurement system that the recommended bidder is not included in the list before the bid evaluation results are allowed to be published through the e-procurement system.</p> <p>2. The TOR for annual external audit includes the task of randomly selecting awarded contracts to check whether they have been awarded to ineligible firms or individuals.</p>		
The Bank may not be informed of any credible and material allegations of fraud and corruption during the implementation of the Program.	The Program Implementation Plan will require the IPRCC and PPMOs to regularly inform the Bank of any credible and material allegations of fraud and corruption in the Program progress report, as required in the loan agreement.	Implementation	PAP
Contracts might not be completed within the contractual completion time and the contract completion audit might not be completed in a timely manner.	The PPMO clearly defines the undertaking of contract administration obligations in compliance with the Regulatory Framework.	Implementation	PIP
Although the 14th Five-Year Plan has been prepared for green agricultural and rural revitalization, there is no program-specific budget allocated to the Plan. The financing gaps associated with toilet improvement and	Multiple-year Program budgeting should be prepared to ensure that Program funds can be secured and the county government can prioritize its investment to enhance the efficiency of its scarce financing resources. Provincial entities should revisit their budget quota distribution	Implementation	PIP

rural solid waste and wastewater collection, transfer, and treatment were identified during the assessment.	and take actions to ensure that the budget quota can be distributed to the county/city in advance.		
“Program” is not a budget classification element in China and the required Program financial reporting cannot be automatically generated from the government budget integrated system.	A green tagging mechanism that can trace Program expenditures from the existing government integrated financial management system has been recommended and it is expected to be piloted in the project counties during project implementation. This also creates a fundamental basis for generating Program financial reporting from the government-integrated system.	Implementation	PIP
No requirement by the provincial government on reporting of Program expenditures in Hubei and Hunan provinces.	A tailored Program financial reporting template will be designed that can capture the data from the government system and be used by the project upon agreement by related government entities.	By effectiveness	PAP
Absence of efficient supervision by related provincial entities on the use of Program funds might risk improper use of Program funds.	Provincial entities involved should strengthen their supervision on Program funds in line with related government decrees.	Implementation	PIP
Government auditors did not audit the Program funds and prepare the Program audit report.	The Bank will work with China National Audit Office and Provincial Audit Offices to develop the TOR for Program auditing to ensure that Program funds can be audited in line with the Bank’s policy.	By effectiveness	PAP

## Section 5: Program Implementation Support

During Program implementation, the proposed fiduciary implementation support includes the following:

- Work with the team to review Program implementation progress, including the achievement of Program results and implementation of the PAP.
- Work with the team to assess timeliness and adequacy of Program fund appropriation as approved in the budget.

- Continuously assess and monitor the performance of the financial management and procurement systems under the Program and provide suggestions for enhanced efficiency and effectiveness.
- Monitor application of the PforR anti-corruption guidelines.
- Monitor the performance of the fiduciary systems and the audit report, including the implementation of the PAP.
- Monitor the PforR financial statement reporting process and assist the client as necessary.
- Monitor contract implementation, including cost, time, and quality control.
- Help the client resolve implementation issues and carry out institutional capacity building.
- Assist CNAO and the audit offices at the provincial and county level in strengthening audit arrangements.
- Hold regular training activities for provincial and county audit offices, particularly with respect to procurement post-audit to build capacity.
- Monitor changes in fiduciary risks of the Program and, as relevant, compliance with the fiduciary provisions of legal covenants.