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The World Bank

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Report No: PAD1523

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$22.0 MILLION

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR A

BUILDING A MODERN FISCAL SYSTEM TECHNICAL ASSISTANCE PROJECT

APRIL 5, 2016

*Macro Economics and Fiscal Management Global Practice  
East Asia and Pacific Region*

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 8, 2016)

Currency Unit = Chinese Yuan (CNY)  
CNY 6.5055 = US\$1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
CDM	The Clean Development Mechanism Fund Management (CDM) Center
CNAO	China National Audit Office
CNY	Chinese Yuan
CPC	Communist Party of China
GDP	Gross Domestic Product
GOC	Government of China
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
FM	Financial Management
FY	Fiscal Year
ICR	Implementation and Completion Report
IECD	International and Economic Cooperation Department
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISR	Implementation Status Report
MOF	Ministry of Finance
OECD	Organization for Economic Cooperation and Development
OM	Operations Manual
PDO	Project Development Objective
PMO	Project Management Office
PRD	Policy Research Department
SIA	Subproject Implementation Agency
SME	Small and Medium Enterprise

TA	Technical Assistance
TOR	Terms of Reference
USD	United States Dollar
WTO	World Trade Organization

Acting Regional Vice President:	Xiaoqing Yu
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**CHINA**  
**BUILDING A MODERN FISCAL SYSTEM TECHNICAL ASSISTANCE PROJECT**

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**PAD DATA SHEET***China**Building a Modern Fiscal System Technical Assistance (P154694)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC**0000009327*

Report No.: PAD1523

<b>Basic Information</b>			
Project ID P154694	EA Category C - Not Required	Team Leader(s) Karlis Smits	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 09-May-2016	Project Implementation End Date 31-Jul-2021		
Expected Effectiveness Date 09-May-2016	Expected Closing Date 31-Jul-2021		
Joint IFC No			
Practice Manager/Manager Mathew A. Verghis	Acting Senior Global Practice Director Satu Kristiina J. Kahkonen	Country Director Bert Hofman	Acting Regional Vice President Xiaoqing Yu
Borrower: People's Republic of China			
Responsible Agency: Policy Research Office, Ministry of Finance			
Contact: Telephone No.: 861068554088	Weixing Wang	Title: Email: wgjly2001@163.com	Director General
<b>Project Financing Data(in USD Million)</b>			
[ X ] Loan	[ ] IDA Grant	[ ] Guarantee	
[ ] Credit	[ ] Grant	[ ] Other	
Total Project Cost:	28.15	Total Bank Financing:	22.00
Financing Gap:	0.00		

Financing Source		Amount								
Borrower		6.15								
International Bank for Reconstruction and Development		22.00								
Total		28.15								
Expected Disbursements (in USD Million)										
Fiscal Year	2016	2017	2018	2019	2020	2021	2022	0000	0000	0000
Annual	0.00	2.50	3.00	7.50	6.00	3.00	0.00	0.00	0.00	0.00
Cumulative	0.00	2.50	5.50	13.00	19.00	22.00	22.00	0.00	0.00	0.00
Institutional Data										
Practice Area (Lead)										
Macro Economics and Fiscal Management										
Contributing Practice Areas										
Governance										
Cross Cutting Topics										
[ ] Climate Change										
[ ] Fragile, Conflict & Violence										
[ ] Gender										
[ ] Jobs										
[ ] Public Private Partnership										
Sectors / Climate Change										
Sector (Maximum 5 and total % must equal 100)										
Major Sector	Sector		%	Adaptation Co-benefits %	Mitigation Co-benefits %					
Public Administration, Law, and Justice	General public administration sector		100							
Total			100							
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.										
Themes										
Theme (Maximum 5 and total % must equal 100)										
Major theme	Theme		%							
Economic management	Debt management and fiscal sustainability		20							

Public sector governance	Public expenditure, financial management and procurement	40
Economic management	Analysis of economic growth	20
Public sector governance	Tax policy and administration	20
Total		100
<b>Proposed Development Objective(s)</b>		
The development objectives of the proposed project are to inform the design and implementation of the Central Government's fiscal reform program and to improve the Government's capacity in public financial management		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (USD Millions)</b>	
Key elements of China's public finance system	20.66	
Fiscal Policy and Sustainable Development	7.49	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Low	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Moderate	
5. Institutional Capacity for Implementation and Sustainability	Moderate	
6. Fiduciary	Low	
7. Environment and Social	Low	
8. Stakeholders	Moderate	
9. Other		
<b>OVERALL</b>	Moderate	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>

Environmental Assessment OP/BP 4.01			X
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Operations Manual	X		CONTINUOUS
<b>Description of Covenant</b>			
Loan Agreement, Schedule 2, Section I.A.1. The Borrower, through the PMO, shall carry out the Project , and shall cause the SIAs to carry out the Subprojects, in accordance with the Operations Manual in a timely and efficient manner satisfactory to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Subprojects	X		CONTINUOUS
<b>Description of Covenant</b>			
Loan Agreement, Schedule 2, Section I.C.1: All Subprojects shall support the overall development objective of the Project. All Subproject proposals shall be dully prepared and submitted to the PMO by SIAs, selected and approved by the PMO, and furnished to the Bank for its no-objection, following the eligibility criteria, procedures and technical requirements set forth to that effect in the Operations Manual.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Subproject Management Teams	X		CONTINUOUS
<b>Description of Covenant</b>			
Loan Agreement, Schedule 2, I.B.5: The Borrower, through the PMO, shall cause each SIA to appoint and maintain until the completion of the relevant Subproject or Subprojects, a Subproject Management Team at the SIA level, headed by a qualified officer and assigned staff in adequate numbers to enable the SIA to design proposals for and implement its respective Subproject(s).			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Consistency with Safeguards Policies	X		CONTINUOUS
<b>Description of Covenant</b>			
Loan Agreement, Schedule 2, Section I.C.4: The Borrower shall cause the PMO and each SIA, as applicable, to ensure that every Subproject to be supported under the Project is carried out under terms of			

reference satisfactory to the Bank, and that such terms of reference are consistent with, and pay due attention to, the Bank's Safeguards Policies..

**Conditions**

Source Of Fund	Name	Type
IBRD	Implementation Agreement	Effectiveness

**Description of Condition**

Loan Agreement, Article IV, Section 4.01: The Implementation Agreement has been duly executed on behalf of MOF and the CDM Center.

**Team Composition**

**Bank Staff**

Name	Role	Title	Specialization	Unit
Karlis Smits	Team Leader (ADM Responsible)	Senior Economist		GMF02
Jingrong He	Procurement Specialist (ADM Responsible)	Procurement Specialist		GGO08
Fang Zhang	Financial Management Specialist	Financial Management Specialist		GGO20
Aimin Hao	Safeguards Specialist	Social Development Specialist		GSU02
Alejandro Alcala Gerez	Counsel	Senior Counsel		LEGES
Cem Dener	Team Member	Lead Governance Specialist		GGO31
Chorching Goh	Team Member	Adviser		DECDP
Dewen Wang	Team Member	Senior Social Protection Economist		GSP02
Elena E. Glinskaya	Team Member	Program Leader		EACCF
Feng Ji	Environmental Specialist	Senior Environmental Specialist		GEN02
Maya Sheli Port	Team Member	Counsel		LEGES
Min Zhao	Team Member	Senior Economist		GGO14
Philip B. O'Keefe	Team Member	Lead Economist		GSP02
Regis Thomas Cunningham	Team Member	Sr Financial Management Specialist		GGO20

Sudarshan Goptu	Team Member	Lead Economist			GMFD2
lin Yang	Team Member	Program Assistant			EACCF
<b>Extended Team</b>					
<b>Name</b>	<b>Title</b>	<b>Office Phone</b>			<b>Location</b>
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
China	Beijing	Beijing Shi	X		The direct beneficiary of the project will be the Ministry of Finance (MOF) of China - different departments of MOF will be involved in activities financed by this operation
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required ? Consulting services to be determined					

## I. STRATEGIC CONTEXT

### A. Country Context

1. **China is now a higher middle-income country, well positioned to become a high income country in the next decade.** China's economic transformation over the past three decades has increased incomes, raised living standards and made China the world's largest manufacturer and exporter. Real per capita incomes increased 16 times over 1978–2014 and more than 750 million people were lifted out of poverty. But, China's leadership has recognized that to become a high income country requires a new growth model that is more balanced, based on productivity increases and innovations rather than on mobilization of resources, more equal in the distribution of the benefits of growth, and more sustainable in environmental outcomes. The new growth model is evolving in a context of rapid societal aging, ongoing urbanization, and structural change in the real economy.

2. **Over the last few years China has deepened its reforms to reinvigorate the underlying drivers of growth.** An ambitious and comprehensive reform agenda for the medium-term was announced during the Third Plenum meeting of the 18th Communist Party of China (CPC) Central Committee in November 2013. The main objective of the proposed reforms is to reduce government interventions in the market economy and state-introduced distortions in China's markets. The reform package covers sixteen areas and 60 individual items. An important step to deepen economic reforms will be redefining the relationship between the government and the market. If executed well, the reforms will have a profound impact on China and enhance the long-term sustainability of economic growth.

### B. Sectoral and Institutional Context

3. **Comprehensive reforms require significant changes in China's fiscal system.** Fiscal revenue and expenditure growth in China over the past 20 years has been admirable and has contributed to important accomplishments—the urban infrastructure has developed quickly, and social services have improved significantly in terms of access and quality. But the rapidly growing economy and public revenues that have made all of this possible has also exposed some important deficiencies in the system of public financing.

4. **China has outgrown its public finance system and an ambitious timetable to build a modern fiscal system has been set.** The regime of taxes, public expenditures, cash-basis accounting and central-local fiscal relations needs better alignment with the government's expanded responsibilities to its citizens and its support for the evolving economic order. In June 2014, China's top leaders endorsed a program of reform to the nation's tax system, budgeting practices, financial reporting and center-local fiscal relations. The Government indicated that fiscal reforms will be achieved by improving the budget management system; improving the tax system; and building a system that provides an appropriate allocation of governmental functions and spending responsibilities among levels of government. The Government has said that a modern fiscal system will be fully developed by 2020. This will not entail minor amendments to current policies; but rather will involve systemic restructuring and institutional innovation.

5. **While the broad proposals are impressive and ambitious, many details of these reform plans are still being developed.** The Ministry of Finance (MOF) is the leading agency for the implementation of the public finance reforms, including approximately half of the 400 reform measures initiated during the Third Plenum meeting of the 18<sup>th</sup> CPC in November 2013. The capacity of its departments to design and implement policies varies. In many cases, the empirical base to inform and support decisions is incomplete and needs capacity development.

6. **In this context, the Government of China (GOC) seeks technical assistance in implementing China's reforms in public finance.** Based on a needs assessment, MOF has identified two broad areas where access to global knowledge and international experience is instrumental to improve policy formulation, design and implementation. These areas are: (i) core elements of public finance system (specifically, budget management and tax systems); and (ii) linkages between fiscal policy and economic growth. MOF has indicated that access to international experience combined with upgraded skills will play a key role in ensuring the successful implementation of reforms. The proposed project will supplement overall Government's fiscal reform plans by informing the design and implementation of reforms in select areas, as requested by GOC.

*i. Key elements of public finance system*

7. **The challenges of improving China's public finance system are not new but they have become more critical as China transitions towards a more balanced, equitable and sustainable growth model.** Strengthening core budget management systems are at the center of these reform efforts. Revisions to China's budget law approved in 2014 is an ambitious step in a comprehensive fiscal policy reform. The revisions provide a framework for far greater transparency and accountability for fiscal revenue and spending. However, fully implementing the amendments to the budget law will take time. Many important supporting reforms in this area are still being developed. For example, formulation of an appropriate allocation of government functions, and revenue and spending responsibilities is one of the most critical reforms in this area. The rationale of such reform would be to clarify and more coherently align the allocation of functions between the central and subnational governments. The empirical base to inform and support policy decisions based on international best practice cases, and tailored to China's domestic circumstances, is essential.

8. **Similarly, in areas where the reform commitments have been made, the implementation of ambitious policy reforms also requires support.** For example, a transition to accrual-based financial reporting, including development of central government and state balance sheets, is a major undertaking in China that would require strengthening capacity by learning from global best practice cases.

*ii. Linkages between fiscal policy and economic growth*

9. **Fiscal policy is one of the most powerful instruments that governments use to maintain macroeconomic stability for growth, as well as for correcting market failures.** Evidence can be found for a variety of different hypotheses related to the relationship between public finance policies and economic growth, occasionally conflicting. However, it is clear that as China's growth model changes, the relationship between fiscal policy and economic growth will

evolve. Going forward, the fiscal policy will play a more proactive role to address distortions in China's economic growth trajectory—such as high pollution—to support better allocation of resources, promoting innovation, improving agriculture productivity and growth of Small and Medium Enterprises (SMEs). Therefore, strengthening analytical tools and capacity to analyze the linkages between economic growth and fiscal policy is an important step towards a modern public finance system in China.

10. **Moreover, the implementation of three-year medium term fiscal plans—a budget reform element which has already been announced—would require institutional capacity within MOF to develop a robust medium-term macroeconomic framework.** Currently, MOF's capacity and tools to develop such a framework are incomplete. In addition, there is a recognition that fiscal policy proposals need to include a quantitative impact assessment on key growth variables. This would require a set of analytical tools tailored for assessing alternative policy interventions.

### C. Higher Level Objectives to which the Project Contributes

11. **The higher level goals to which the project contributes is to establish a comprehensive, transparent and efficient fiscal system by 2020.** The project's scope of analytical studies directly supports objectives of the FY2013-2016 Country Partnership Strategy (Report 67566-CN) discussed by the Executive Directors on November 6, 2012, namely, (i) Reenergizing the Drivers of Growth; (ii) Supporting Greener Growth; (iii) Promoting More Inclusive Development; and (iv) Advancing Mutually Beneficial Relations with the World.

12. **The operation would also contribute to achieving the twin goals of eliminating extreme poverty and boosting shared prosperity, measured as the income of the bottom 40 percent of the population.** The primary focus of this operation is to inform the design and implementation of policies that would improve effectiveness of fiscal policy. Such policies could contribute over the medium term to improving the equitable and efficient allocation of budgetary resources and through that access to public services benefiting the bottom 40 percent of the population.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

13. The development objectives of the proposed project are to inform the design and implementation of the Central Government's fiscal reform program and to improve the Government's capacity in public financial management.

### B. Project Beneficiaries

14. **The direct beneficiary of the project will be MOF—different departments will be involved in activities financed by this operation.** Indirect beneficiaries are expected to include selected line ministries, sub-national governments, as well as other public agencies. The design of the project components reflects proposals and requirements of those beneficiaries. In addition, selected Chinese universities and research institutes are also expected to benefit from project implementation, through providing specific knowledge services.

### C. PDO Level Results Indicators

15. **The realization of the Project Development Objectives (PDOs) will be assessed using selected quantifiable results indicators.** The expected results associated with these PDOs are as follows:

- (a) dissemination of fiscal policy reform proposals to decision makers measured by number of report's findings circulated as official memoranda of MOF;
- (b) enhanced capacity and skills in core budget management systems in MOF measured by percent of staff who use concepts and skills from training activities measured by a follow-up survey;

16. **Progress during project implementation will be tracked using intermediate results indicators.** Intermediate indicators for activities related to informing the design and implementation of policies are:

- (a) number of analytical studies on fiscal policy conducted;
- (b) number of high-level policy dialogue workshops on fiscal policy issues, domestic and international; and
- (c) public outreach with respect to policy study findings on fiscal policy measured by public dissemination of results (including print and online media publications).

17. Intermediate results indicators for capacity building activities include:

- (a) number of officials undertaking training and learning activities in China and abroad; and
- (b) number of officials seconded to International Organizations.

18. Intermediate results indicators measuring Citizen Engagement include collecting, recording and reporting inputs received from beneficiaries measured by number of analytical studies conducted that have used institutionalized channels to incorporate citizen's feedback in formulating findings.

19. Indicators of the overall project are set out respectively in detail in Annex 1 Results Framework and Monitoring.

## III. PROJECT DESCRIPTION

### A. Project Components

20. **The project is organized into two thematic components.** The thematic components are: (i) key elements of China's public finance system, and (ii) fiscal policy and sustainable development. These components are closely interrelated and mutually supportive to provide technical assistance to strengthen the policies, institutional structures and systems associated with fiscal management in a comprehensive manner.

21. **Component 1—*Key elements of China's public finance system (USD16.15 million, IBRD financing)*—will support government's efforts to strengthen core budget and tax**

**systems.** The thematic component will support these objectives by undertaking policy research, staff training and exchanges, and organizing workshops to inform policy formulation and implementation. Estimated total cost of these activities, including contingencies, is USD 20.66 million.

22. **Policy research activities are focused on seven thematic areas (USD 7.6 million, IBRD financing).** Thematic areas to inform the design and implementation of the reform program are, but not limited to:

- (a) **Establishing the basic framework of a modern public finance system.** This subcomponent would include conducting theoretical analysis and reviewing international best practice cases on core functions of fiscal policy, including preparation of actionable reform proposals.
- (b) **Developing a modern budget management system.** This will include research on (i) improving the budgetary system and budget preparation cycle, (ii) a medium-term budgetary framework, (iii) technical support for budget preparation, (iv) performance budgeting and (v) budget disclosure. Policy studies will focus on proposing recommendations for further improving budget management systems. In addition, policy studies will focus on designing proposals to improve local government debt management system and to establish processes for fiscal risk warning, prevention and mitigation mechanisms.
- (c) **Developing a road map for tax policy reforms.** This would include research on policy proposals and implementation roadmaps to optimize China's tax structure, tax expenditure, and to develop local tax system and strengthen tax collection and administration. Policy studies will focus on designing action plans for the implementation of crucial tax reforms in line with the overall fiscal reform priorities. In addition, policy studies will focus on reviewing international best practice cases on measures against tax evasion and tax fraud.
- (d) **Aligning inter-governmental fiscal relationships.** Policy studies will focus on the division of administrative powers and spending obligations among levels of government. Based on this policy analysis options to improve intergovernmental transfer system and intergovernmental fiscal relationship will be developed.
- (e) **Implementing accrual-based financial reporting, including developing central government and state balance sheets.** Policy studies will focus on methodologies for preparing balance sheets of the central government taking into account basic principles of government accounting, accrual-based accounting and consolidated government financial reporting systems. This subcomponent will also include policy studies to help find ways to improve management of public infrastructure assets.
- (f) **Formulating an appropriate legal framework for China's fiscal and tax laws.** Taking into account current policy priorities, policy studies will focus on informing the process of formulation of the following laws (but not limited to): basic fiscal law, fiscal transfer law, treasury law, property tax law, consumption tax law, value-added tax law. Analytical work would focus on learning from international best practice cases to make early preparations for the above-mentioned legislation. Policy research will also support creation of a sound framework of fiscal and tax laws in China. At

the same time, technical assistance activities—learning from international best practices and designing of relevant policy recommendations—will support China’s accession to the WTO Government Procurement Agreement, as well as preparation of legislation on public-private partnerships and market-based provision of public services.

**(g) Formulating appropriate institutional arrangements to strengthen internal learning and knowledge sharing within MOF.**

23. **Capacity Building activities are focused on staff exchanges, workshops and training (USD 8.55 million, IBRD financing).** Staff exchanges include secondments to international organizations (including IMF, OECD and IBRD) of about 100 people from MOF and local public finance institutions over a five-year period. MOF has already established staff exchange agreements with these multi-national institutions, and the project would seek to leverage these relationships. A number of technical workshops on select topics of public finance will be organized for senior government officials on various fiscal and tax reform issues. Training activities would include increasing capacity to staff from the Treasury department of MOF to facilitate negotiating a procurement agreement with the World Trade Organization (WTO).

24. **This component will also include project implementation support at the central and also subproject levels to strengthen the borrower’s capacity to ensure timely implementation of project activities, adherence to procedures and quality standards and monitoring and reporting of project implementation and results.** It includes financing of incremental operating costs of the PMO and the CDM Center, including procurement and financial management experts. Eligible expenses under this component will be financed fully by the loan. The project will also finance a follow-up survey to assess the use of the newly acquired skills and capacity supported by the project.

25. **USD 1.3 million (IBRD financing) will be used for workshops on select topics of public finance.** A number of technical workshops will be organized for senior government officials on various fiscal and tax reform issues.

26. **Component 2—*Fiscal policy and sustainable development (USD 5.8 million, IBRD financing)*—will support government’s objective to make fiscal policy more effective in facilitating an orderly transition to a more balanced, equitable and sustainable growth trajectory.** The thematic component will support this objective by undertaking policy research, developing tools and increasing capacity to analyze linkages between economic growth and fiscal policy. Estimated total cost of these activities is USD 7.49 million.

27. **Specifically, this includes the following sub-themes for policy research focusing on informing the design of fiscal policy reforms aimed to enhance the role of fiscal policy instruments to:**

- (a) **Facilitate a transition towards a green growth strategy and modernization of the agriculture sector.** The policy research will focus on developing policy recommendations that reduce resource and carbon intensity of China’s economy. This includes policy options for improving fiscal and tax incentives that promote

sustainable farming practices, including measures to support modernization of agriculture.

- (b) **Unlock technological innovation as a driver for growth.** This would include policy research on China’s innovation system and benchmarking with relevant international comparators with the aim to develop policy recommendations on designing appropriate fiscal incentives to promote innovation as a driver of economic growth.
- (c) **Support Medium and long-term economic growth.** This would include policy research and development of analytical tools that allow to model China’s economic growth trajectory over the medium to long-term horizon. This includes development of analytical framework for analyzing the relationship between fiscal and macroeconomic policies to facilitate a transition towards balanced, equitable and sustainable growth trajectory.
- (d) **Improve business climate for small and medium-sized enterprises (SMEs).** This would include policy studies to analyze the conditions and constraints facing SMEs and developing of policy recommendations to use fiscal incentives for encouraging SME growth.
- (e) **Strengthen China’s customs policy framework.** This would include preparing policy recommendations based on policy research on bilateral and multi-lateral rules on investment, trade, finance and taxation as well as taking into account China’s rights and obligations in the system of global economic governance.

## B. Project Financing

28. **The project will be financed by an Investment Project Financing in the amount of USD 22 million on IBRD terms.** Co-financing would total around RMB 40 million, giving a total project cost of USD 28.15 million. The Borrower has selected a US Dollar denominated variable spread loan repayment period of 29 years, including a 5-year grace period (see details in the Loan Agreement).

## C. Project Cost and Financing

Project Components	Project Cost (USD, mil.)	IBRD financing (USD, mil.)	% Financing
1. Key elements of China’s public finance system	20.66	16.145	78%
2. Fiscal Policy and Sustainable Development	7.49	5.8	77%
Total Costs	28.15	21.945	78%
Front-end fees		0.055	
Total Financing Required	28.15	22.0	78%

## D. Lessons Learned and Reflected in the Project Design

29. **The design of the proposed project is based on lessons learned during series of Technical Cooperation Credit projects.** The principal obstacles to a strong performance have been huge investment cost in terms of manpower, skills and institutional capacity in overall project management.

30. **Based on these lessons, the proposed project design incorporates the following elements:**

- (a) **clear direction and participation of MOF in project design**—MOF has engaged proactively in project preparation, including the selections of topics that are based on needs assessments by each relevant department;
- (b) **Bank’s continuous and active involvement to support China’s reform efforts**—the Bank’s Advisory Services and Analytics (ASA) program would be aligned with the project objectives to provide analytical and advisory support related to the public finance reform agenda;
- (c) **a strong linkage between project implementation and policy formulation**—MOF’s PRD will be overseeing the implementation of research on each subtopic and coordinating the evaluation and acceptance check of research findings; and
- (d) **strengthening project implementation support**—a separate sub-component of the project is focused on supporting the borrower’s capacity to ensure timely implementation of project activities, adherence to procedures and quality standards and monitoring and reporting of project implementation and results.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

31. **The Ministry of Finance (MOF), through a Project Management Office (PMO) will have overall responsibility for project implementation and responsibility for coordination with the Bank.** The PMO consists of members of the MOF’s Policy Research Department (PRD) and the Department of International Economic and Financial Cooperation. The PMO is responsible for advising and assisting all subproject agencies with day-to-day operations.

32. The Clean Development Mechanism Fund Management (CDM) Center—an independent Public Service Unit Corporation affiliated with MOF—will support the PMO in day-to-day project implementation (including procurement, financial management, accounting, disbursement, contract management, monitoring and reporting) and work with managers of individual tasks to ensure the timely implementation of project activities. MOF will sign an Implementation Agreement with the CDM Center to define the CDM Center’s project implementation roles and responsibilities.

33. **Under the overall guidance of the PMO, Subproject Implementation Agencies (SIA)—the departments of MOF—will be responsible for implementing Subprojects.** SIAs will be responsible for preparations of Terms of Reference (TOR), consultant evaluation and the contract management of contracts under their respective subprojects. The PMO will require each SIA to identify a Subproject Management Team to manage all activities until its Subproject(s) is/are completed. Each Subproject Management Team will be headed by a qualified officer and supported by adequate staff necessary to implement their respective Subproject activities. SIAs include the General Office, Department of Policy Research, Comprehensive Department, Department of Law, Department of Taxation, Department of Customs, Department of Budget, Department of Treasury, Department of Economic Construction, Department of Asset

Management, Department of Accounting, State Office of Agriculture Comprehensive Development, Department of Personnel and Education, Human Resources Development Center, Information and Network Center, Asia-Pacific Finance and Development Center, other departments of MOF as well as other public agencies/entities as may be agreed with the Bank.

34. Please refer to Annex 3 for details on implementation.

## **B. Results Monitoring and Evaluation**

35. **A results framework and monitoring arrangements have been developed jointly with MOF and are described detail in Annex 1.** For each component, a set of qualitative and quantitative and qualitative benchmarks will be established at the onset. Monitoring and Evaluation capacity for collecting, analyzing, and reporting performance indicators is in place. The results framework and monitoring arrangements are also described in the Project Operations Manual. Management and Evaluation costs for the project will be financed with the Bank proceeds to the project.

36. **For activities related to policy research the framework relies primarily on self-evaluation—for each activity, a set of qualitative and quantitative indicators and ratings benchmarks will be established at the onset.** During implementation and at completion the indicators will be collected and activity will be rated on a four-point scale: unsatisfactory, partly unsatisfactory, satisfactory, and outstanding. SIA will recommend the ratings based on the benchmarks that were established at the onset and the PMO will validate their recommendations. At the same time, an impact of policy research will be measured by assessing utilization and dissemination of findings. Specifically, the PMO will monitor if a particular study led to policy adoption and the number reports' findings published on official websites or circulated as official memoranda. Similarly, public outreach with respect to policy study findings measured by media publications, and access rates of policy studies online.

37. **The project monitoring system will maintain records on implementation and generate quarterly reports prepared by MOF through the PMO and provide to the Bank before scheduled implementation support missions.** The PMO will also report to the MOF senior leadership the progress towards the achievement of key objectives. Regular supervision missions will report on progress to World Bank management in the form of implementation status reports (ISRs), a mid-term review, and an implementation and completion report (ICR) within six months from the end of the Project.

## **C. Sustainability**

38. **The sustainability of the proposed project is tied inextricably to the sustainability of the Government's reform momentum.** Commitment to implement reforms and broadly distributed ownership of activities amongst various departments of MOF provide a high level of confidence in the sustainability of the results.

39. **The probability of the reform program being carried out effectively remains high.** The Government's commitment to reforms, and specifically to fiscal reforms, is demonstrated in adopting comprehensive amendments to the Budget Law in 2014. Several factors considered for project sustainability have been addressed in the project design:

- (a) clear direction and participation of the Government in project design—MOF has engaged proactively in preparation;
- (b) the project supports the adoption of international standards in budget systems, accounting and auditing that are supported by international bodies as such changes would be difficult to reverse;
- (c) MOF has a track record of successful reform implementation and partnership with the Bank in the same policy areas; and
- (d) baseline indicators and use of existing monitoring systems should help to keep track of performance and enable early action in the events that activities go off track.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

40. **The overall risk for Project implementation is rated as Moderate.** While the lessons learned from previous Bank-financed projects have been factored in, several risks have been identified that could impact the project's success.

41. **First, although activities supported by the project are closely aligned with Government policies, experience with ongoing Bank technical assistance projects suggests that policy needs might change.** MOF officials may be diverted by competing demands on their time due to changing priorities. To mitigate this the design of the operation includes an element of flexibility, consistent with agreed overall project development objectives, to adapt to changing policy needs.

42. **Second, the operation contains technical assistance activities in areas that are both diverse, technically complex and politically high profile.** Effective consultation with key stakeholders, sound technical preparation will be key ingredients. For example, policy proposals related to modifications in the tax system or intergovernmental fiscal relations would require extensive consultations with key beneficiaries. To help address this risk the project implementation would require close vertical and horizontal coordination and consultations among different units of Government. The Bank's ASA program would continue to provide analytical and advisory support around the fiscal reform agenda.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

43. **The benefits of this project have multiple dimensions which will be monitored through a robust sets of indicators.** The immediate benefits of the project—stronger MOF capacity and a set of new policy proposals to advance fiscal reforms—will benefit higher level objectives of establishing a comprehensive, transparent and efficient fiscal system. In addition most of the long-term economic benefits will be realized beyond the lifetime of the project even if their achievement will depend on the effective implementation of the Central Government's fiscal reform program.

44. **Given the size of the budget sector, policy modifications that lead to even marginal improvements in revenue and expenditure efficiency would imply a high rate of return.** A recent cross country study done by the IMF<sup>1</sup> shows a significant increase in average growth during the 10 years following fiscal reform episodes. In developing economies, the estimated divergence in growth paths reaches almost 2.5 percentage points, on average. In addition, results from policy research undertaken are expected to represent an array of new knowledge not only for MOF but for China's top leadership in formulating policies. By informing future reforms of inter-governmental fiscal relations, the project will contribute to downstream impacts beyond project life to promote more equitable financing of public services.

45. **The project gives a high priority to increasing transparency and accountability of budget.** The alignment of public sector accounting and reporting standards with international standards (IPSAS) should provide the technical inputs to development of measures which when approved would contribute to greater transparency and provide the basis for improved accountability in public financial management.

46. **GOC is not dependent on external financing to carry out reforms supported by this project.** The rationale for World Bank financing is twofold; that through its engagement the Government is able to access international expertise and knowledge of good practices; and that the rigor of World Bank procurement will help ensure quality technical advice in areas of critical importance. In addition, the Bank's continuous and active involvement in China's fiscal reforms enables it, among China's various external partners, to understand and respond to the country's needs in an effective and timely manner and to help tailor global knowledge to local circumstances. Financial sustainability is thus not a concern.

## **B. Technical**

47. **The project content is determined by the Government's Fiscal and Tax Policy reform program, and the identification of problems and strategies is dependent on the Government's analysis.** This consists of a number of separate parallel, complementary initiatives taken by different departments within MOF. Together these set clear directions for reform and constitute an ambitious reform program that aims to provide China a modern fiscal system.

48. **The Bank's role in the project is primarily to provide technical advice on reform implementation, bringing knowledge of international good practices and the Bank's knowledge and experience gained during many years of engagement with previous fiscal reform initiatives in China.** A key feature of the project design has been involvement of Bank team members with extensive prior knowledge and experience gained through ad hoc advice on fiscal issues.

49. **Given the number of the activities planned within the project, management of reform sequencing and coordination will be important determinants of effective implementation of the Central Government's fiscal reform program.** The PMO will be responsible for overall coordination of the project and ensuring coordination of activities among different stakeholders

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<sup>1</sup> Fiscal Policy and Growth, IMF policy paper, June 2015, Washington, D.C.

within MOF and other agencies. Moreover, within each component strategic advice, including on coordination and sequencing issues, will be supported by one or more senior official.

### **C. Financial Management**

50. **MOF will have overall responsibility for the implementation of the Project.** The Project Management Office (PMO) consists of members of the MOF's Policy Research Department, the Department of International Economic and Financial Cooperation and supported by the CDM Center. The PMO will be responsible for overall project monitoring, management and coordination. Different departments of MOF (Subproject Implementation Agencies) will be responsible for implementing project tasks. To ensure efficient and effective project financial management (FM), the project FM functions including project accounting and financial reporting will be centralized at the PMO. Given that the CDM Center has experience of managing the Bank operation, MOF will delegate the daily project management functions to the CDM Center through signing an implementation agreement between the PMO and the CDM Center. As such, the daily FM and disbursement work including project accounting, financial reporting and managing Designated Account (DA), review of withdrawal application and coordinating with the Subproject Implementation Agencies will be executed at the CDM Center. The project related incremental operating costs incurred by the CDM Center will be financed by the Bank loan. The DA will be opened and maintained at the CDM Center as well.

51. **An assessment of the project financial management arrangements identified the principal FM risk as lack of clearly defined roles and responsibilities and operational procedures between the PMO and Subproject Implementation Agencies (SIA) that could impact MOF's ability to address the project's financial management operations in a timely manner.** To mitigate the above FM risk, the following risk management measures have been agreed: (a) preparation of financial management section in the Operation Manual (OM), acceptable to the Bank, to clearly define FM related responsibilities and to standardize project FM procedures; (b) in addition to extensive FM training provided by the Bank, PMO would provide training or workshops for the SIAs

52. **With implementation of the proposed actions, the FM arrangements satisfy the World Bank's minimum requirements under OP/BP 10.00.** See Annex 3 for additional information.

### **D. Procurement**

53. **Capacity Assessment.** The project procurement responsibilities will be shared among the PMO consisting of PRD and IECD, the CDM Center and the SIAs. To best benefit from each member's strength, PRD and IECD will focus on proposing subtopics of research and funding requirements, spearheading or participating in the research on some important subtopics, organizing and overseeing the implementation of research on each subtopic and coordinating the evaluation and acceptance check of research findings; CDM Center will focus on daily project management, inclusive of procurement management; SIAs will be responsible for the preparation of TORs, selection of consulting services and the management of contracts under their respective subprojects. Key staff of the CDM Center, which will support the PMO on day-to-day project implementation including procurement, has extensive Bank procurement experience with a similar TA project. As from experience in previous projects with MOF, the primary procurement risks

would be non-compliance with the Bank's procurement requirements, namely the conflict of interest with consultant's assignments and legal relationship among bidders and eligibility related principally with the engagement of civil servants as consultants and the hiring of State Owned Enterprises which are not financially and legally independent, and the lack of coordination among PMO's members and between the PMO and the SIAs. To mitigate these risks, the following actions have been discussed and agreed with the PMO: (1) to prepare a procurement section in the Operational Manual (OM) to clearly define the procurement roles and responsibilities of each stakeholder and to standardize the project procurement procedures; (2) to actively attend procurement training provided by the Bank; and (3) to strengthen communication among joint PMO members and between the PMO and the SIAs. More details are provided in Annex 3.

54. **Procurement Plan.** The draft procurement plan for the first 18 months of project implementation received by the Bank on March 25, 2016 was deemed acceptable to the Bank, but will need to be updated when each individual SIA submits its sub-project proposal to the Bank for review and clearance on a rolling basis. Further details on procurement are in Annex 3.

#### **E. Social (including Safeguards)**

55. The project does not compromise activities that could cause any social risk or negatively affect the population.

#### **F. Environment (including Safeguards)**

56. **The Project has been rated as category C for environmental purposes.** The project will not finance any civil works, nor any Technical Assistance activities such as feasibility studies, which may lead to future investments. The project likely has minimal or no adverse environmental impacts. The project will not be subject to the Environmental Impact Assessment procedures, or any permission relating to environmental protection.

#### **G. Gender (including Safeguards)**

57. Since the mid-1990s, China has made remarkable progress in reducing gender disparities. An appropriate legal and organizational framework is in place for protecting women and implementing China's strategy-the Program for the Development of Chinese Women (2011-2020). Some of the analytical outputs of the proposed project will be expected to be gender informed.

#### **H. World Bank Grievance Redress**

58. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For

information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## **I. Citizen Engagement**

59. **MOF uses a number of Citizen Engagement mechanisms to inform the design of its policies with objective to improve outcomes in service delivery and public financial management.** Examples of these mechanisms include collecting, recording and reporting on inputs received from citizens using a dedicated internet based portal as well as undertaking focused citizen capacity building engagements.

60. **The project will use existing MOF's processes for participation and feedback as a Citizen Engagement Mechanism.** Specifically, intermediary results indicators include the following indicators measuring Citizen Engagement: collecting, recording and reporting inputs received from beneficiaries measured by number of analytical studies conducted that have used institutionalized channels to incorporate citizen's feedback in formulating findings.

**Annex 1: Results Framework and Monitoring**

**Country: China**

**Project Name: Building a Modern Fiscal System Technical Assistance (P154694)**

**Results Framework**

**Project Development Objectives**

PDO Statement

The development objectives of the proposed project are to inform the design and implementation of the Central Government's fiscal reform program and to improve the Government's capacity in public financial management.

**These results are at** | Project Level

**Project Development Objective Indicators**

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target	
Dissemination of fiscal policy reform proposals to decision makers (Number)		0.00	0.00	5.00	15.00	20.00						20.00
Enhanced capacity and skills in core budget management systems in MOF			50.00	75.00	75.00	75.00						75.00

(Percentage)											
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**Intermediate Results Indicators**

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target	
Policy studies undertaken (Number)				15.00	25.00	40.00						40.00
High level Policy Dialogue Workshops (Number)			1.00	2.00	4.00	4.00						4.00
Public outreach of policy study findings on fiscal policy (Number)				5.00	15.00	20.00						20.00
Capacity building: secondments (Number)		5.00	15.00	40.00	60.00	100.00						100.00
Capacity building: training (Number)			20.00	40.00	60.00	100.00						100.00
Collecting, recording and reporting inputs				2.00	7.00	10.00						10.00

received from beneficiaries (Number)											
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## Indicator Description

### Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Dissemination of fiscal policy reform proposals to decision makers	Number of reports findings circulated as official memoranda of MOF	Annual	Progress Reports, Supervision Reports, Questionnaires	PMO (Collection, Validation and Compilation)
Enhanced capacity and skills in core budget management systems in MOF	Percent of staff who use concepts and skills from training activities measured by a follow-up survey	Annual	Progress Reports, Supervision Reports, Questionnaires	PMO (validation and compilation), SIA (collection)

### Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Policy studies undertaken	Number of analytical studies undertaken measured by quality of output	Annual	Progress Reports, Supervision Reports	PMO (validation and compilation), SIA (collection)
High level Policy Dialogue Workshops	Number of high-level policy dialogue workshops on fiscal policy issues, domestic and international	Annual	Progress Reports, Supervision Reports	PMO (Collection, Validation, Compilation)
Public outreach of policy study findings on fiscal policy	Policy study findings on fiscal policy published measured by media publications and on-line access rates	Annual	Progress Reports, Supervision Reports	PMO (validation and compilation), SIA (collection)
Capacity building: secondments	Number of officials from MOF and local public finance institutions seconded to International Organizations	Annual	Progress Reports, Supervision Reports	PMO (validation and compilation), SIA (collection)

Capacity building: training	Number of officials from MOF and local public finance institutions undertaking training and learning activities in China and abroad	Annual	Progress Reports, Supervision Reports	PMO (validation and compilation), SIA (collection)
Collecting, recording and reporting inputs received from beneficiaries	Number of analytical studies conducted that have used institutionalized channels to incorporate citizen's feedback in formulating findings	Annual	Progress Reports, Supervision Reports	PMO (validation and compilation), SIA (collection)

## Annex 2: Detailed Project Description

### CHINA: BUILDING A MODERN FISCAL SYSTEM TECHNICAL ASSISTANCE PROJECT

1. **The project provides an overall framework and financing to support Technical Assistance activities to support implementation of the main directions of public finance reforms in China over a five-year period.** The project will finance analysis, development of recommendations and support with implementation and training. In addition to financing, the World Bank will help to facilitate access to international experience and help to ensure the quality of project implementation.
2. **The project is organized into two components including project management support (see table 1).** The thematic components are closely interrelated and mutually supportive to provide technical assistance to strengthen the policies, institutional structures and systems associated with fiscal management in a comprehensive manner.

**Table 1. Project’s proposed structure**

<b>Overarching objective</b>	To establish a comprehensive, transparent and efficient fiscal system	
<b>PDO:</b>	The development objectives of the proposed project are to inform the design and implementation of the Central Government’s fiscal reform program and improve the Government’s capacity in public financial management.	
<b>Thematic Components:</b>	Component 1: Key elements of China’s public finance system	Component 2: Fiscal policy and Sustainable Development
<b>Activities:</b>	<p><i>1. Undertaking policy research, financing consultancies and designing analytical tools to support policy formulation and implementation</i></p> <p><i>2. Conducting training, staff exchanges and workshops to strengthen capacity to facilitate reform implementation, Project management support</i></p>	<p><i>Undertaking policy research, financing consultancies and designing analytical tools to support policy formulation and implementation</i></p>

#### **Component 1. Key elements of China’s public finance system (USD 16.15 million, IBRD financing)**

3. **China is now facing a major transition—slower GDP growth—as well as the need to address a backlog of important public service needs.** Each of these will require changes to key elements of the public finance system. Managing the government sector during these transitions, especially the finances of subnational governments, presents major public policy challenges. The recently announced new directions for fiscal reform suggest that the Government will confront the challenges with major structural reforms rather than improve fiscal policy through incremental fixes.
4. **The State Council’s decision on deepening the reform of budget management system on September 26 of 2014 (State Council, 2014/45) listed the main tasks of the reform:**

- (a) improve the government budget system by requiring that all government revenues and expenditures are included, and by making the budget more transparent;
- (b) build a system based on medium term fiscal plans (in particular, the fiscal department at all levels of government will work together with line agencies to establish the mid-term fiscal plan which covers 3 years);
- (c) eliminate preferential tax policies;
- (d) strengthen the management of carry-over funds and arrears;
- (e) strengthen budget execution, normalizing the treasury system, improving the budget performance management mechanism, and building an accrual-based and comprehensive government fiscal reporting system;
- (f) formalize subnational government debt management; and
- (g) improve fiscal discipline by strengthening the audit function, promoting transparency, and decreasing the discretionary power of government by ensuring that all fiscal activities are governed by laws.

5. **Reforms in the tax system will put an emphasis on strengthening the role of the market in resource allocation.** The rationale behind defining appropriate allocation of governmental functions and spending responsibilities is to clarify and more coherently align the allocation of functions between the central and subnational governments.

6. **The first thematic component—key elements of China’s public finance system—will support government’s efforts to establish a modern public finance system by undertaking policy research and conducting staff exchanges and workshops to strengthen capacity to facilitate reform implementation.** The component will support these efforts by undertaking three sets of activities: (i) policy research, financing consultancies and designing analytical tools, (ii) conducting training and staff exchanges, and (iii) organizing workshops on key issues of public finance reforms (USD 16.15 million, IBRD financing).

7. **Policy research activities are focused on fourteen specific topics in seven thematic areas (USD 7.6 million, IBRD financing).** Proposed thematic areas are, but not limited to:

- (a) **Establishing the basic framework of a modern public finance system.** This subcomponent would include conducting theoretical analysis and reviewing international best practice cases on core functions of fiscal policy, including preparation of actionable reform proposals.
- (b) **Developing a modern budget management system.** This will include research on (i) improving the budgetary system and budget preparation cycle, (ii) a medium-term budgetary framework, (iii) technical support for budget preparation, (iv) performance budgeting and (v) budget disclosure. Policy studies will focus on proposing recommendations for further improving budget management systems. In addition, policy studies will focus on designing proposals to improve local government debt management system and to establish processes for fiscal risk warning, prevention and mitigation mechanisms.

- (c) **Developing a road map for tax policy reforms.** This would include research on policy proposals and implementation roadmaps to optimize China’s tax structure, tax expenditure, and to develop local tax system and strengthen tax collection and administration. Policy studies will focus on designing action plans for the implementation of crucial tax reforms in line with the overall fiscal reform priorities. In addition, policy studies will focus on reviewing international best practice cases on measures against tax evasion and tax fraud.
- (d) **Aligning inter-governmental fiscal relationships.** Policy studies will focus on the division of administrative powers and spending obligations among levels of government. Based on this policy analysis options to improve intergovernmental transfer system and intergovernmental fiscal relationship will be developed.
- (e) **Implementing accrual-based financial reporting, including developing central government and state balance sheets.** Policy studies will focus on methodologies for preparing balance sheets of the central government taking into account basic principles of government accounting, accrual-based accounting and consolidated government financial reporting systems. This subcomponent will also include policy studies to help find ways to improve management of public infrastructure assets.
- (f) **Formulating an appropriate legal framework for China’s fiscal and tax laws.** Taking into account current policy priorities, policy studies will focus on informing the process of formulation of the following laws (but not limited to): basic fiscal law, fiscal transfer law, treasury law, property tax law, consumption tax law, value-added tax law. Analytical work would focus on learning from international best practice cases to make early preparations for the above-mentioned legislation. Policy research will also support creation of a sound framework of fiscal and tax laws in China. At the same time, technical assistance activities—learning from international best practices and designing of relevant policy recommendations—will support China’s accession to the WTO Government Procurement Agreement, as well as support in preparation of legislation on public-private partnerships, laws on the market-based supply of public services.
- (g) **Formulating appropriate institutional arrangements to strengthen internal learning and knowledge sharing within MOF.**

8. A table of activities and responsible departments is attached in Annex table 3.

9. **Capacity Building activities are focused on staff exchanges, workshops and training (USD 8.55 million, IBRD financing).** Staff exchanges include facilitation of secondments to international organizations (including IMF, OECD and IBRD) of about 100 people from MOF over five-year period. MOF has already established staff exchange agreements with these multi-national institutions, and the project would seek to leverage these relationships. Training activity would include increasing capacity to staff from the Treasury department of MOF to facilitate negotiating procurement agreement with WTO.

10. **This component will also include project implementation support at the central and also subproject levels to strengthen the borrower’s capacity to ensure timely implementation of project activities, adherence to procedures and quality standards and monitoring and**

**reporting of project implementation and results.** It includes financing of incremental operating costs of the PMO and the CDM Center, including procurement and financial management experts. Eligible expenses under this component will be financed fully by the loan.

11. **USD 1.3 million (IBRD financing) will be used for workshops on select topics of public finance.** A number of technical workshops will be organized for senior government officials on various fiscal and tax reform issues.

## **Component 2: Fiscal policy and Sustainable Development (USD 5.8 million, IBRD financing)**

12. **While in many aspects China’s rapid growth in recent decades and its accompanying structural changes have served the country well—all Millennium Development goals have either been reached or are within reach—they have also led to economic, environmental and social imbalances.** China’s leadership has recognized that to become a high income country requires a new growth model that is more balanced, based on productivity increases and innovations rather than on mobilization of resources, more equal in the distribution of the benefits of growth, and more sustainable in environmental outcomes.

13. **The second thematic component—*Fiscal policy and Sustainable Development*—will support government’s efforts to strengthen the role of fiscal policy to support better allocation of factors of production to support balanced, equitable and sustainable growth trajectory.** The thematic component will support these objectives by undertaking policy research on eleven topics (5.8 million USD, IBRD financing). Specifically, this includes the following sub-themes for policy research focusing on increasing role of fiscal policy instruments to:

- (a) **Facilitate a transition towards a green growth strategy and modernization of the agriculture sector.** The policy research will focus on developing policy recommendations that reduce resource and carbon intensity of China’s economy. This includes policy options for improving fiscal and tax incentives that promote sustainable farming practices, including measures to support modernization of agriculture sector.
- (b) **Unlock technological innovation as a driver for growth.** This would include policy research on China’s innovation system and benchmarking with relevant international comparators with the aim to develop policy recommendations on designing appropriate fiscal incentives to promote innovation as a driver of economic growth.
- (c) **Support Medium and long-term economic growth.** This would include policy research and development of analytical tools that allow to model China’s economic growth trajectory over the medium to long-term horizon. This includes development of analytical framework for analyzing the relationship between fiscal and macroeconomic policies to facilitate a transition towards balanced, equitable and sustainable growth trajectory.
- (d) **Improve business climate for small and medium-sized enterprises (SMEs).** This would include policy studies to analyze the conditions and constraints facing SMEs and developing of policy recommendations to use fiscal incentives for encouraging SME growth.

(e) **Strengthen China's customs policy framework.** This would include preparing policy recommendations based on policy research on bilateral and multi-lateral rules on investment, trade, finance, taxation as well as taking into account China's rights and obligations in the system of global economic governance.

14. A table of activities (for the first 18 months) and responsible departments is attached in Annex table 3.

**Table 2: Policy research activities included in component 1 (activities to be initiated over the first 18 months)**

Project Contents		Names of Detailed Activities	Implementation Unit	Amount (USD 10'000)
Module 1: Fiscal system in modern state governance	Study activities	Activity 1: Studies on establishing the basic framework of a modern fiscal system	Policy Research Department	30. 00
		Activity 2: Studies on China's taxation system reform and management-related issues Specifically, it includes 6 topics: comparison of taxation management systems in world's major countries; studies on international real estate taxation systems and associated policies; special studies on China's VAT reform; studies on the policies of environment-related fee collection funds; studies on the reform of taxes and fees for environmental resources; studies on the taxation policies for public welfare organizations. Hereinto, the <i>Studies on the Reform of Taxes and Fees for Environmental Resources</i> will be entrusted to the Chinese Academy of Fiscal Sciences, and the budget is USD100,000.	Department of Taxation	60. 00
		Activity 3: Division of power and spending responsibilities among levels of government	Budget Department	30. 00
		Activity 4: Studies on government comprehensive financial report system and issues related to management of State Treasury systems Specifically, it includes 4 topics: studies on the reform of government comprehensive financial report system on accrual basis; studies on the targeted balance management system of state treasury funds at the bottom; studies on the debt-issuing spaces of local government bonds markets; improvement of local government bonds issuance system and development of local government bonds markets.	Treasury Department	65. 00
		Activity 5: Studies on the combination of public infrastructure assets management and budget management	Department of Assets Management	30. 00
		Activity 6: Reform and improvement of Chinese accounting standards Specifically, it includes 7 topics: Comprehensive amendment and improvement of China's enterprise accounting standards system as well as studies on its continuous international convergence; improvement of Chinese enterprises' internal control and standardization system by referring to the internal control standards of world's major capital markets; studies on issues related to the establishment of Chinese government accounting standards; studies on the total budget management of government departments; studies on the development and supervision over the CPA; studies on the norms of professional	Department of Accounting	60. 00

		ethics for accounting personnel; studies on XBRL(extensible Business Reporting Language)-based application cases.		
		Activity 7: Establishment of China's fiscal, taxation and legal systems. Specifically, it includes 5 topics: studies on the international comparison of legislation for fiscal transfer payments system; studies on the international comparison of legal adjustments for entry into WTO's <i>The Agreement on Government Procurement</i> ; studies on legislation issues for Public-Private-Partnership (PPP); studies on international comparison of legislation for consumption tax systems; studies on the marketization legal system for public service supply.	Department of Law	60. 00
		Activity 8: Studies on issues related to joint cultivation of financial and economic talents -- studies on the establishment of fiscal and taxation reform service support system on the basis of ministerial and provincial platform of joint construction	Department of Personnel and Education	10. 00
		Activity 9: Fiscal big data study and analysis platform	General Office	70. 00
		Activity 10: Strengthening the building of MOF internal training system by leveraging the World Bank training platforms	Department of Personnel and Education	10. 00
		Activity 11: Studies on the international comparison of cadre education and training operation mechanism which is oriented to the reform needs of fiscal and tax systems	Cadre Education Center	20. 00
		Activity 12: Modernization of Chinese government's fiscal management information system	IT Center	20. 00
		Subtotal		<b>465. 00</b>
Module 2: Studies on sustainable development-related issues	Study activities	Activity 16: Studies on the growth drivers and spatial aspects of China's economy	Comprehensive Department	20. 00
		Activity 17: Advancing modern agriculture with comprehensive agricultural development	National Agricultural Comprehensive Development Office	30. 00
		Activity 18: Studies on issues related to medium and long term economic development	Policy Research Office	50. 00
		Activity 19: Studies on issues related to support the development of small and medium enterprises	Policy Research Office	20. 00
		Activity 20: Studies on the reform of China's investment and financing systems	Department of Economic Construction	30. 00
		Activity 21: Studies on China's development strategies in the context of global economic governance system	Policy Research Office	30. 00
		Activity 22: Studies on tariffs and relevant systems	Department of Customs	50. 00

		Specifically, it includes 2 topics: studies on the tariffs legislation and import & export taxation policy systems in the perspective of building a new regime for open economy; studies on the reform of market access negative list system.		
		Activity 23: Studies on bilateral and multilateral cooperation and think tanks Specifically, it includes 4 topics: Studies on China's strategic cooperation with OECD in the coming five years; Studies on cooperation between new and existing multilateral development organizations; analysis of the development and integration trends of economic cooperation mechanisms in the Asia-Pacific region and China's responsive measures in the coming five years; establishment of a socialist Think Tank system with Chinese characteristics.	Asia-Pacific Center	30. 00
		Subtotal		<b>260. 00</b>

### Annex 3: Implementation Arrangements

## CHINA: BUILDING A MODERN FISCAL SYSTEM TECHNICAL ASSISTANCE PROJECT

### Project Institutional and Implementation Arrangements

- 1. The Ministry of Finance (MOF), through a Project Management Office (PMO) will have overall responsibility for project implementation and responsibility for coordination with the Bank.** The PMO consists of members of MOF's Policy Research Department (PRD) and the Department of International Economic and Financial Cooperation. The Clean Development Mechanism Fund Management (CDM) Center—an independent Public Service Unit Corporation affiliated with MOF—will support the PMO in day-to-day project implementation (including procurement, financial management, accounting, disbursement, contract management, monitoring and reporting) and work with managers of individual tasks to ensure the timely implementation of project activities. MOF will sign an implementation agreement with the CDM Center to define the CDM Center's project implementation roles and responsibilities.
- 2. At operational level the PRD will be responsible for project development.** Its main responsibilities will include proposing subtopics of research and funding requirements, spearheading or participating in the research on some important subtopics, organizing and overseeing the implementation of research on each subtopic and coordinating the evaluation and acceptance check of research findings.
- 3. The International Economic and Financial Cooperation Department, on the other hand, will be responsible for liaison and coordination.** Its main responsibilities include liaising and coordinating with the World Bank; assisting the General Office and other organizations in assisting the Department of Human Resources and Training and the Training Center in organizing staff training and overseas study tours.
- 4. Under the overall guidance of the PMO, Subproject Implementation Agencies (SIA)—several departments of MOF—will be responsible for implementing Subprojects.** SIAs include the General Office, Department of Policy Research, Comprehensive Department, Department of Law, Department of Taxation, Department of Customs, Department of Budget, Department of Treasury, Department of Economic Construction, Department of Asset Management, Department of Accounting, State Office of Agriculture Comprehensive Development, Department of Personnel and Education, Human Resources Development Center, Information and Network Center, and Asia-Pacific Finance and Development Center and may include other departments of MOF.
- 5. The project implementation is expected to take place over a five-year period.**

### Financial Management, Disbursements and Procurement

#### *Financial Management*

- 6. MOF will have overall responsibility for the implementation of the Project.** The Project Management Office (PMO) consists of MOF's Policy Research Department and the

Department of International Economic and Financial Cooperation. The PMO will be responsible for overall project monitoring, management and coordination. The CDM Center will support the PMO in day-to-day project implementation (including financial management, accounting, disbursement and reporting) and work with managers of individual tasks to ensure the timely implementation of project activities. To ensure efficient and effective project financial management (FM), the project FM functions including project accounting and financial reporting will be centralized at the PMO.

7. **MOF will sign an implementation agreement with the CDM Center to define the CDM Center's project implementation roles and responsibilities.** The project related incremental operating costs incurred by the CDM Center will be financed by the Bank loan. The Designated Account will be opened and maintained by the CDM Center.

8. An assessment of the project financial management arrangements identified the principal FM risk as lack of clearly defined roles and responsibilities and operational procedures between the PMO and the subproject implementation agencies (SIA) that could impact MOF's ability to timely address the project's financial management operation in a timely manner. To mitigate the above FM risk, the following risk management measures have been agreed: (a) preparation of financial management section in the Operation Manual (OM), acceptable to the Bank, to clearly define FM related responsibilities and to standardize project FM procedures; (b) in addition to extensive FM training provided by the Bank, the PMO would provide training or workshops for the SIAs.

9. Overall, the residual project FM risk is assessed as Moderate.

10. **Budgeting.** The annual project implementation plan, including the funding budget and the resources, will be prepared by the SIAs and reviewed by the PMO. Budget variance analysis will be conducted on a semi-annual basis by the PMO to identify significant variances from the plan that may need corrective actions.

11. **Funds flow.** The Bank loan proceeds will flow from the World Bank into the designated account (DA) which will be set up at, and managed by the CDM Center. The CDM Center will be responsible for the management, maintenance and reconciliation of DA activities. Payment requests required for World Bank disbursements will be prepared and submitted by the CDM Center.

12. The World Bank loan agreement will be signed between the World Bank and the People's Republic of China through its MOF. MOF will be the final debtor for this project

13. **Accounting and financial reporting.** The administration, accounting and reporting of the project will be set up in accordance with Circular #13: "Accounting Regulations for World Bank Financed Projects" issued in January 2000 by the MOF. The standard set of project financial statements has been agreed between the World Bank and MOF.

14. To ensure efficient and effective project financial management (FM), the project FM functions including project accounting and financial reporting will be centralized at the CDM center which will support the PMO with Project implementation. The project financial statements will be prepared by the CDM Center in the name of PMO. The unaudited semi-annual project

financial statements will be furnished to the World Bank by the PMO no later than 45 days following each semester (the due dates will be August 15th and February 15th).

15. Computerized accounting systems, Yongyou (User Friendly) which is used by the CDM Center will be adopted for this project by separately setting up a project-specific profile. The accounting system has been widely used and is working well in China including under many of China’s World Bank projects. Adequate project accounting staff with educational background and work experience commensurate with the work they are expected to perform is one of the factors critical to successful implementation of project financial management. The CDM Center has assigned one financial manager, two accountants to handle day-to-day project FM and disbursement related work. Original supporting documents will be retained by the CDM Center. Based on discussions, observation and review of educational background and work experience of the staff identified for financial and accounting positions, the task team noted that three of them have extensive experience of the Bank operation.

16. **Internal control.** The project related accounting policy, procedures and regulations were issued by MOF, and the FM section of OM will be prepared and issued to standardize the project FM procedures.

17. **Audit.** China National Audit Office (CNAO) has been identified as the auditor for the project. The annual audit reports will be issued by CNAO and will be due to the World Bank within six months after the end of each calendar year. CNAO has extensive experience with auditing the Bank financed operations. According to the World Bank Policy on access to Information, the audit reports for all investment lending operations for which the invitation to negotiate was issued on or after July 1, 2010, need to be made publicly available in a timely fashion and in a manner acceptable to the Bank. Audit reports will be made publicly available on the website of the CNAO. Following the World Bank’s formal receipt of the audited financial statements from the borrower, the World Bank will also make them available to the public in accordance with the World Bank Policy on Access to Information.

***Disbursements***

18. Four disbursement methods are available for the project: advance, reimbursement, direct payment and special commitment. Supporting documents required for Bank disbursement under different disbursement methods will be documented in the Disbursement Letter issued by the Bank.

19. One segregated DA in US dollar will be opened at a commercial bank acceptable to the Bank and will be managed by the CDM center. The ceiling of the DA will be determined and documented in the Disbursement Letter.

20. The World Bank loan would be disbursed against eligible expenditures (taxes inclusive) as in the following table:

Category	IBRD Loan (USD Millions)	
	Allocated Amount	Percentage of Expenditures to be financed

(1) Goods, consultants services, non-consulting services, Training and Incremental Operating costs	21.945	100%
(2) Front End Fee	0.055	
(3) Interest Rate Cap or Interest Rate Collar premium		
<b>Total*</b>	<b>22.000</b>	

21. **Supervision Plan.** The supervision approach for this project is based on its FM risk rating, which will be evaluated on regular basis by the Financial Management Specialist in line with the FM Sector Board's FM Manual and in consultation with the task team leader. The initial FM supervision will focus on financial staff training and compliance of the Bank's FM and disbursement related requirements.

### ***Procurement***

22. **Capacity Assessment.** The project procurement responsibilities will be shared among the PMO consisting of Policy Research Department (PRD) and International and Economic Cooperation Department (IECD), the CDM Center and sub-project implementation agencies (SIAs). To best benefit from each member's strength, PRD and IECD will focus on proposing subtopics of research and funding requirements, spearheading or participating in the research on some important subtopics, organizing and overseeing the implementation of research on each subtopic and coordinating the evaluation and acceptance check of research findings. The CDM Center will focus on daily project management, inclusive of procurement management. At the SIA level, SIAs will be responsible for the preparation of TORs, selection of consulting services and the management of contracts under their respective subprojects.

23. Though it is the first time for the CDM Center to play such a role in Bank financed project, the key staff of the Center has extensive experience with procurement of Bank financed project, especially procurement management of the similar TA project. From 2006 to 2015, key staff of CDM Center were trained and had accumulated extensive experience with the selection of consultants and management of consultant's contract. These staff will continue to work on the proposed project. The primary procurement risks identified during the capacity assessment are: the non-compliance to Bank's procurement requirements, especially the deviation from conflict of interest and eligibility requirements; and the lack of coordination among PMO members and between the PMO and SIAs. To mitigate these risks, the following actions have been discussed and agreed with the PMO: (1) to prepare a procurement section in the Operational Manual (OM) to clearly define the procurement roles and responsibilities of each stakeholder and to standardize the project procurement procedures; (2) to actively attend procurement training provided by the Bank; (3) strengthened communication among joint PMO members and between the joint PMO and the SIAs through project steering committee and regular meetings. The overall procurement risk is considered Moderate.

24. **Applicable Guidelines.** The procurement of goods and non-consulting services and the selection of consultants for the proposed Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, Revised July 2014 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, Revised July 2014 (Consultant Guidelines) and the provisions stipulated in the Loan Agreement. The

Project shall also follow the Guidelines: On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 and revised in January, 2011.

25. **Procurement of Works.** No civil works are expected to be financed under the project.

26. **Procurement of Goods and Non-consulting Services.** Goods procured under this project will include: office equipment and information system equipment. Non-consulting services include: publication and dissemination of reports. Procurement will be carried out using the relevant Bank’s Standard Bidding Documents for all ICB and National Model Bidding Documents agreed with or satisfactory to the Bank for all NCB. For Shopping procedures, a sample document will be used.

27. **Selection of Consultants.** A significant part of contracts under the project will be carried out by consulting firms such as policy research and recommendations. The Bank’s Standard Request for Proposals will be used for all Quality- and Cost-Based Selection (QCBS) and Quality-Based Selection (QBS) methods. Universities and research institutes can be included in short-lists as a source of consultants, provided they are well qualified and there would be no conflicts of interest with their other activities. In this case, QBS or CQS would be used (for small assignments) where the short-list also includes private consulting firms. The shortlist may consist entirely of national consultants (firms registered or incorporated in the country) if the assignment is expected to cost less than USD500,000.

28. **Training and Workshops.** Plans for training and workshops will be developed by the PMO and included in the project’s annual work plan for Bank’s review and clearance. Expenditures incurred in accordance with the approved plans for training and workshops organized by the PMO will be the basis for reimbursement. Domestic procurement requirements shall be followed for selection and hiring of services providers providing publication services, translation services and overseas study training and study tour services.

29. **Procurement Plan.** The draft procurement plan for the first 18 months of project implementation received by the Bank on March 25, 2016 was deemed acceptable to the Bank, but will need to be updated when each individual SIA submits its sub-project proposal to the Bank for review and clearance on a rolling basis.

30. **Thresholds for Procurement Methods and Prior Review**

**Thresholds for Procurement Methods and Prior Review**

Category	Contract Value (USD10,000)	Procurement Method	Procurement Review (USD10,000)*
Goods, Non-consulting Services and Information System	≥1,000	ICB	▪ All
	<1,000	NCB	▪ The first contract of each SIA ▪ All contracts ≥ 300
	<10	Shopping	▪ The first contract of each SIA
	-	Direct Contracting	▪ All
	<300	Framework Agreement	▪ The first contract of each SIA
Consulting Services	≥30	QCBS/QBS (*)	▪ The first contract of each SIA ▪ All contracts ≥ 100

<30	CQS	▪ The first contract of each SIA
NA	IC	▪ Only in exceptional cases
NA	SSS (firm)	▪ All contracts $\geq 10$
NA	SSS (individual)	▪ All contracts $\geq 5$

(\*) shortlist of national consultants allowed in contracts below US\$ 500,000

***Monitoring and Evaluation***

31. The PMO will manage subprojects and track their progress using intermediate outputs at pre-agreed intervals (e.g., every 6th and 12th month).

32. Experts will be involved in a final peer review of studies and other analytical outputs.

33. For activities related to policy research the framework relies primarily on self-evaluation—for each activity, a set of qualitative and quantitative indicators and ratings benchmarks will be established at the onset. During implementation indicators will be collected and activity will be rated on a four-point scale: unsatisfactory, partly unsatisfactory, satisfactory, and outstanding. At the same time, an impact of policy research will be measured by assessing utilization and dissemination of findings. Specifically, PMO will monitor if a particular study led to policy adoption and the number reports’ findings published on official websites or circulated as official memoranda. Similarly, public outreach with respect to policy study findings measured by media publications, and access rates of policy studies online.

34. For activities related to capacity-building the framework relies on outcome and results indicators to be measured in various ways, including surveys among activity participants. These indicators will also monitor innovation and dissemination of the learning.

35. The project monitoring system will maintain records on implementation and generate quarterly reports prepared by MOF through PMO and provide to the Bank before scheduled implementation support missions. PMO will also report to the MOF senior leadership the progress towards the achievement of key objectives. Regular supervision missions will report on progress to World Bank management in the form of implementation status reports (ISRs), a mid-term review, and an implementation and completion report (ICR) within six months from the end of the Project.

## **Annex 4: Implementation Support Plan**

### **CHINA: BUILDING A MODERN FISCAL SYSTEM TECHNICAL ASSISTANCE PROJECT**

#### **Strategy and Approach for Implementation Support**

1. World Bank's support to China's public finance reforms is not limited just to financial resources, but also to non-financial, technical support for project preparation and implementation.
2. As an investment operation, the Bank will perform close supervision of Project implementation and support the client in achieving the intended Project results. To enhance the value of the implementation support, resources will need to be adapted to the specific Project needs. This is particularly significant in this Project which encompasses technical assistance lending for 4 major areas, each of which require different expertise within the Bank: (i) tax policy, (ii) inter-governmental fiscal relations; (iii) public finance management, and (iv) economic policy. Close supervision by a component specialist for each of the components will ensure effective implementation of the reforms.
3. The strategy for Project Implementation Support has been designed to mitigate specific Project implementation risks. In particular, co-ordination will be a challenge because project activities fall under the responsibility of several departments in the Ministry of Finance.

#### **Implementation Support Plan**

4. The implementation support plan will incorporate policy, technical and operational support. Bank will continue its policy dialogue on budget management efficiency, intergovernmental fiscal relations and tax policy, as well as facilitation of change management, and monitoring of Project results, as well as operational support in procurement, financial management and project management. The strategy for the Implementation Support Plan is built on the following key aspects:
  - (a) Policy Dialogue: The Project addresses key issues in China's public finance system. The Bank is uniquely positioned to engage with the Government on broader policy issues. The Project Aide Memoires will be used to track progress in policy development and identify any policy actions needed for the Government's consideration.
  - (b) Technical and Change Management Support: The Bank team has been advising MOF on the sequencing of reform measures during project preparation, and will continue to provide regular support in sequencing reform measures, as well as review and quality assurance for the technical design and specifications of major procurement packages.
  - (c) Result Monitoring: Beyond transaction based operational supervision, result orientation has increasingly become the focus of Project supervision. Through regular supervision mission, the Bank will assist the Government in tracking progress towards

the achievement of the intended Project results. This will ensure that outputs translate into real impact in terms of a more efficient public finance management.

- (d) Procurement: During project implementation, the Bank’s procurement specialist will provide regular supervision, in line with procurement guidelines. Procurement implementation support by the Bank will ensure that the PMO selected by the government performs procurement functions diligently and in a timely manner. This will include reviewing procurement documents and providing timely feedback, monitoring procurement progress against the Procurement Plan. In addition, post reviews will be carried on selected contracts subject to post review. Contract deliverables will be physically inspected—as appropriate and feasible.
- (e) Financial Management: The Bank will conduct risk-based financial management implementation support and supervision mission within a year of the project effectiveness, and then at appropriate intervals. In addition, the regular IFRs and annual project audit reports will be reviewed by the Bank. As required, a Bank-accredited Financial Management Specialist will assist in the implementation support and supervision process.
- (f) The team will maintain continuity and a regular dialogue with Government counterparts on all relevant operational, technical, policy issues. There will be two formal supervision and implementation support missions per year complemented by ongoing support provided by field based staff in Beijing. The following is the Bank team for implementation support.

*World Bank Group’s Implementation Support Team*

<b>Skills</b>	<b>No. of Staff-weeks</b>	<b>No. of Trips*</b>
Task Team Leader	10 weeks per yr.	2 or more/yr.
Procurement Specialist	4 weeks per yr.	2 or more/yr.
FM Specialist	2 weeks per yr.	2 or more/yr.
M&E Specialist	4 weeks per yr.	2 or more/yr.
Training Specialist	4 weeks per yr.	2 or more/yr.
Team Assistant	6 weeks per yr.	2 or more/yr.