



Technical Assistance Report

Project Number: 39257
May 2007

People's Republic of China: Facility for Policy Reform and Poverty Reduction (Cofinanced by the Poverty Reduction Cooperation Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 20 April 2007)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.130
\$1.00	=	CNY7.72

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
CSPU	–	country strategy and program update
DFID	–	Department for International Development
EA	–	executing agency
FYP	–	Five-Year Plan
11th FYP	–	Eleventh Five-Year Plan for Economic and Social Development
GDP	–	gross domestic product
IA	–	implementing agency
LBC	–	left-behind children
LGOP	–	State Council Leading Group Office of Poverty Alleviation and Development
M&E	–	monitoring and evaluation
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
PRC	–	People's Republic of China
PRCM	–	The ADB Resident Mission to the PRC
PRF	–	Poverty Reduction Cooperation Fund
QCWF	–	Qingshen County Women's Federation
STC	–	subcomponent task coordinator
TA	–	technical assistance
TOR	–	terms of reference
VPRC	–	Village Poverty Reduction Cooperative

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Multisector (law and public sector management; health, nutrition, and social protection)
Subsector	–	National government administration; subnational government administration; social protection
Themes	–	Sustainable economic growth; inclusive social development; capacity development
Subthemes	–	Promoting economic efficiency and enabling markets; developing rural areas; other vulnerable groups

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I. INTRODUCTION

1.. During the Country Programming Mission from 27 November to 1 December 2006, the Government of the People's Republic of China (PRC) requested the Asian Development Bank (ADB) to provide a technical assistance (TA) facility to support flexible and timely responses to emerging policy and capacity development needs. The TA facility would support key policy reforms and/or development of new mechanisms to better implement existing policies, as well as capacity building to support policy directions under the Eleventh Five-Year Plan for Economic and Social Development (11th FYP; 2006 to 2010). Fact-finding discussions with the two executing agencies (EAs)—the Ministry of Finance (MOF) and State Council Leading Group Office of Poverty Alleviation and Development (LGOP)—reached agreement on the impact, outcome, scope, and implementation arrangements. Inclusion of the TA (renamed the Facility for Policy Reform and Poverty Reduction¹) in the 2007 pipeline and an increased funding amount were confirmed during the April 2007 Country Program Midterm Review Mission.

2.. The TA facility mechanism has provided an important tool that enhances ADB's ability to quickly and flexibly respond to urgent policy and capacity building issues, including those not covered in the regular TA pipeline. Three prior TA facilities² undertaken in the PRC have allowed ADB to work with government, academic and research institutions, nongovernment organizations (NGOs), and other partners to undertake a range of focused initiatives to address specific policy reform and capacity building needs. Building on this successful cooperation, the proposed TA facility would flexibly address emerging challenges and priorities as the PRC nears the midpoint of 11th FYP implementation. The TA framework is in Appendix 1.

II. ISSUES

3.. In view of the PRC's past achievements and changes in the development context, including existing and newly emerging challenges, the 11th FYP and related policy directions—established by the PRC leadership at the highest levels—represent an important new paradigm focused on creating a harmonious society through balanced and people-centered development. The 11th FYP sets out key priorities, including (i) transforming the economic growth model to raise efficiency, conserve resources, and protect the environment; (ii) adjusting and improving industrial structure; (iii) rural development, under the concept of constructing a “socialist new rurality”; (iv) enhancing equity and social development; (v) coordinating development across regions; and (vi) deepening legal and governance reform. More broadly, the new paradigm reflected in the 11th FYP and related declarations explicitly recognizes the need to address critical gaps and imbalances, including between economic and social development, rural and urban areas, western and coastal regions, and poor and more affluent populations.

4.. Achieving the directions and targets set under the 11th FYP will require innovative new approaches in areas ranging from economic and fiscal policy to social development and environmental protection. At the same time, the Government also increasingly recognizes the need to resolve challenges surrounding the country's remaining poverty, which is fundamental to achievement of social harmony. This will require more targeted and innovative approaches in order to address a new national poverty context, which include (i) persistent absolute poverty,

¹ The TA, initially titled Facility for Reform Support and Capacity Building II, first appeared in *ADB Business Opportunities* on 9 January 2007.

² ADB. 2003. *Support to the PRC for A Fund for Strategic Policy Conferences and Studies for Poverty Reduction*. Manila (executed by LGOP); ADB. 2004. *Support to the PRC for A Facility for Policy Reform Support*. Manila (executed by MOF); ADB. 2006. *Support to the PRC for A Facility for Reform Support and Capacity Building*. Manila (executed by MOF).

which is increasingly concentrated in hard to reach, geographically dispersed groups (e.g. remote ethnic minority communities, those living in environmentally fragile ecosystems, the elderly and disabled, as well as pockets of relative poor in more affluent areas); (ii) the vulnerability of the large population that lives on the brink of poverty; (iii) new manifestations of urban poverty; and (iv) the relationship between non-income poverty and social development (for example, health and to a lesser degree education-related costs often force families into poverty, while the lack of access to affordable services constitutes a longer-term poverty trap).

5.. The Government views the flexible facility mechanism and the proposed TA as an effective means to support its work to address the development challenges noted above, and to contribute to establishment of a more harmonious society. The facility approach is particularly important in light of (i) possible increasing diversification of the PRC's TA needs in order to support new priority areas under the 11th FYP; and (ii) in view of the Government's desire for more timely implementation, enhanced EA ownership, and more effective follow-through. The proposed TA facility provides a foundation for continued cooperation in supporting reforms in approaches to poverty reduction and other economic and social development issues and priorities set out under the 11th FYP, the China Rural Poverty Alleviation and Development Outline (2001–2010) and other related directives. It also builds on cooperation with the United Kingdom Department for International Development (DFID) under the first TA facility (see footnote 2) and the Poverty Reduction Cooperation Fund (PRF), and will encourage information sharing and dialogue with other international organizations. In addition to work with national-level entities and policy dialogue, it will also engage subnational (especially provincial) entities, and strengthen the capacity of provincial governments to implement central government policies and new directions under the 11th FYP (e.g., resource-saving and clean development). Capacity building will also support EAs for proposed, current, or recently completed advisory TAs to ensure effective implementation and/or follow-through.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

6.. The long-term impact supported by the TA will be achievement of the objectives of the 11th FYP, with a sound framework of policy, legislation, and implementation mechanisms and capacity in place to support continued economic and social development under subsequent FYPs. The outcome of the TA will be a series of recommendations on policy reform, supportive legislation, institutional change, and effective implementation mechanisms provided for consideration by the Government, along with capacity building in priority areas.

7.. Policy recommendations are expected to be reflected in policy reforms or refinements during and/or after TA implementation. Priority areas for capacity-building subcomponents will include linkage to the implementation of key policies and/or complementarity to other advisory TAs, as noted above. As outlined below, a portion of TA facility support will be earmarked for poverty reduction interventions to address key issues and make strategic recommendations for reducing poverty (broadly defined). Subcomponents will support policy dialogue between government agencies, civil society, academia, and the international community.

B. Methodology and Key Activities

8.. To support achievement of the outcome and contribute to the long-term impact, the key outputs of the TA will be:

- (i) a series of studies (one per policy-related subcomponent) assessing and providing concrete recommendations for priority policy issues;

- (ii) a series of activity reports (one per capacity-building subcomponent) outlining the key rationale and gaps addressed, processes, and outcomes, with resource materials attached to support replication and/or follow-up capacity-building activities; and
- (iii) for each subcomponent, a self-contained focused synopsis monograph (see Appendix 2) that distills the key issues (e.g., gaps in policy, operational mechanisms, and/or implementation capacities) and recommendations (e.g., proposed reforms and/or operational mechanisms to support more effective policy, or practical lessons from capacity-building approaches and recommendations for future programs).

While deliverables under (i) and (ii) may be produced solely in Chinese (if justified), the high quality focused synopses will be produced in both Chinese and English.

9.. The TA will allow ADB to provide timely support for PRC reform processes and capacity building, and its design provides a flexible framework, including allowing selection of some subcomponents during TA implementation. ADB and the EAs will jointly select subcomponents to provide timely support to emerging Government reform and capacity building priorities in those areas (i) where ADB's involvement is expected to have substantial impact on development, refinement, and/or operationalization of national policy; (ii) that are consistent with the existing country strategy and program update (CSPU) and subsequent country partnership strategy (CPS) for 2008–2010; and (iii) that are complementary to ADB lending and TA operations. Selection criteria will include the following: (i) support to priority Government policy reforms and close linkages to directions identified under the 11th FYP; (ii) consistency with the CSPU and/or dialogue towards the new CPS, and ability to contribute to existing or emerging niche areas of ADB-PRC cooperation, where ADB involvement has the potential to make a significant contribution; and (iii) evidence of strong PRC ownership such that a small amount of strategic ADB assistance will help advance or better implement important reforms.³ Policy-related activities may include formulation and/or amendment of policies, laws, regulations, and design or refinement of institutional structures, operational procedures, and capacity-building mechanisms. Capacity-building subcomponents will be selected based on their potential to advance PRC-ADB cooperation in promote reforms (including through enhanced project management for advisory TA projects, and/or implementation and follow-through).

10.. TA activities will be divided into two components, overseen by separate EAs (see below), with each component contributing in parallel to the outputs noted above.

11.. **Component 1: Sectoral Policy Studies and Capacity Building.** Under this component, to be executed by MOF (indicatively \$500,000), three subcomponents have been indicatively identified for initial funding,⁴ as outlined in Appendix 3:

- (i) Dissemination of ADB TA Best Practice (\$40,000);
- (ii) Study on Beijing-Hebei Water Resource Compensation Mechanisms and Approaches (\$50,000); and
- (iii) Scale-up and Policy Framework for Supporting Left-behind Children (\$50,000).

12.. **Component 2: Support for Innovations in Poverty Reduction.** Under this component, to be executed by LGOP (indicatively \$465,000), four subcomponents have been indicatively identified (see footnote 4) for initial funding:

³ Examples include requests for support where the proponent has been mandated to submit a policy note to the State Council or other agencies, and topics linked to the FYP and CPS and slated for legislative review within the year.

⁴ Additional subcomponents may be added to those initially identified (for both components), if jointly agreed after TA approval.

- (i) Model Development and Pilot Testing of Village Poverty Reduction Cooperatives in Yunnan and Hebei (\$150,000);
- (ii) Pilot Testing and Plan Design for Mobilizing PRC Poverty Reduction Volunteers (\$50,000);
- (iii) Technical Design for a Poverty Reduction and Public Goods Information Web-based Network (\$50,000); and
- (iv) Research on Models for Technology-based Poverty Reduction in Different Ecological Zones (\$30,000).

13.. ADB and the relevant EA will jointly select other subcomponents for each component, tentatively including a final subcomponent to produce a concise synthesis monograph (in both print and electronic format) that compiles and supports dissemination of key achievements, lessons, and policy implications. Subcomponents will typically include conferences to discuss key issues and build consensus, capacity-building seminars, and/or other workshops involving participants from government agencies, the private sector, NGOs, and/or international agencies. These workshops, in conjunction with distribution of core subcomponent outputs (see para. 8) in hardcopy and via the Internet, will serve to disseminate information and subcomponent findings.

C. Cost and Financing

14.. The total cost of the TA is estimated at \$1,215,000 equivalent, of which ADB will provide \$965,000 equivalent on a grant basis, including \$900,000 under ADB's TA funding program and \$65,000 (earmarked for component 2) cofinanced from the PRF, source-funded by DFID and administered by ADB. The Government will contribute \$250,000 equivalent in-kind for office space, counterpart staff, honoraria, and other miscellaneous services; implementing agency (IA) management fees, overhead, or related costs such as staff salaries and allowances and use of IA resources (e.g., office accommodation) will also be viewed as part of the counterpart contribution. The cost estimates and financing plan are in Appendix 4, and estimated budgets for indicative initial subcomponents are noted above. Subsequent subcomponents will be subject to budget categories identified in Appendix 4 and to a maximum allocation of \$50,000, unless this ceiling is waived by the relevant EA and ADB; the latter may also agree to adjust subcomponent budgets in special cases, in dialogue with the IA.

15.. The cost estimate is based on engaging expert inputs (see para. 18) equivalent to a total of 6.5 person-months of international expert inputs and 60 person-months of domestic expert inputs. TA support for workshops may include costs related to venue, equipment rental, translation, printing and copying, food and non-alcoholic beverages, transportation and lodging, logistics and administration support, and other expenditures with prior agreement from ADB. Subcomponents may also fund surveys, field investigations, and purchase of required resource materials, based on costed proposals agreed upon by ADB.

D. Implementation Arrangements

16.. The TA will be implemented from June 2007 through June 2009. MOF and LGOP will act as parallel EAs for the TA, with MOF responsible for oversight and coordination of subcomponents of component 1, and LGOP for poverty-related initiatives under component 2. To ensure effective coordination, ADB and the EAs will tentatively meet quarterly (or as needed) to review progress and discuss additional subcomponent candidates. Within MOF, the TA Division of the International Department will act as focal point for the TA. LGOP will establish special project implementation and management teams and a special work group within the Department of International Cooperation and Social Poverty Reduction to provide oversight and

coordination of poverty-related subcomponents. LGOP will also promote information exchange during the TA and dissemination of subcomponent findings, which may include establishment of a special website and publication using various media, with support provided under the TA.

17.. ADB and the relevant EA will jointly agree on IAs for subcomponents (generally the concept paper proponent), which may include government organizations, various institutions, NGOs, and, in special cases, a unit within the EA or ADB. For each agreed subcomponent, the IA will assume overall responsibility for ensuring coordination and the timely delivery of quality outputs. It will identify a focal point to provide working-level inputs throughout the subcomponent, including (i) supporting implementation and policy-related dialogue, including liaising with the EA, ADB, and other key actors and decision makers; (ii) identifying and proposing to ADB and the EA external sub-component experts (see below) and coordinating their inputs; (iii) proposing to the EA and ADB any needed changes in subcomponent scope or approaches, based on discussion with the experts. ADB will monitor, and in some cases directly contribute to, TA progress and outputs, and will conduct policy discussions with relevant government agencies. The ADB PRC Resident Mission (PRCM) will administer the TA, with contributions (and/or management of some subcomponents) provided by counterparts at ADB headquarters, based on their technical strengths and complementarity between the TA and other ADB programs.

18.. ADB will work with the Government to identify national (60 person-months equivalent) and international (6.5 person-months equivalent) experts to provide inputs as formal consultants, short-term resource persons, and task-specific experts. Required expertise and terms of reference, including duration and expected results, will be endorsed by ADB when subcomponents are jointly identified, or during implementation. ADB will recruit consultants as individuals, in dialogue with the relevant EA and/or IA, and in accordance with the *Guidelines on the Use of Consultants* (2006, as amended from time to time). Additional resource persons and task-specific experts will carry out well-defined tasks (e.g., preparation of case study papers, workshop presentations, participation in workshops, and reviews of draft reports). ADB will disburse funds linked to other activity expenditures based on costed work plans submitted by the IA and jointly reviewed by the relevant EA: unless otherwise agreed, disbursement will be directly to IAs, and in all cases IAs will provide documentation to liquidate actual expenditures to ADB in accordance with ADB's *Guidelines for Disbursement of Technical Assistance Grants*, (1992, as amended from time to time). To facilitate implementation, ADB may establish an advance payment facility for EAs and IAs as needed and/or utilize direct payment (e.g., to workshop venues). PRCM will provide an orientation⁵ to ensure IAs clearly understand the procedures.

IV. THE PRESIDENT'S DECISION

19.. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$65,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$900,000 on a grant basis, to the Government of the People's Republic of China for Facility for Policy Reform and Poverty Reduction, and hereby reports this action to the Board.

⁵ Outside of subcomponent budgets, the TA may fund travel-related costs for participation by non-Beijing IAs in orientation sessions.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Achievement of aims set down in the Eleventh FYP (2006–2010), with a sound framework of policy, legislation, and implementation mechanisms and capacities in place to support continued economic and social development under subsequent FYPs.</p>	<p>Targets and directions set out in the Eleventh FYP for 2006-2010, particularly:</p> <ul style="list-style-type: none"> • per capita GDP rises 6.6% annually (5% for rural incomes); • water used per unit of industrial value-added falls 30%; • cooperative medical system reaches at least 80% of rural population, 45 million migrants trained, and related system improvements; • new systems in place for (i) civil society participation in rural poverty alleviation and development, and (ii) rural social safety net. 	<p>Government annual work reports and other documents; media reporting; legislation, institutional reform, and policy pronouncements.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Government prioritization of balanced, people-centered development and social harmony maintained or increased. • Policies and new directions are effectively implemented.
<p>Outcome A series of recommendations on policy reform, supportive legislation, institutional change, and implementation mechanisms provided for consideration by the Government, along with capacity building in priority areas.</p>	<p>Key subcomponent findings reflected in national policy dialogue, disseminated to multiple stakeholders, and core capacities built. By TA completion:</p> <ul style="list-style-type: none"> • at least three related policy notes circulated to state council and/or vice premier or more senior leaders; • evidence of improved capacity and broader replication of capacity-building approaches. 	<p>Government documents and statements on policy directions; media reports; ADB issuance of Observations and Suggestions policy notes and other internal or external documents; dialogue and cooperation with EAs and other agencies.</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Policy notes are endorsed by EA for senior-level review. <p>Risk</p> <ul style="list-style-type: none"> • Parallel implementation of subcomponents across multiple IAs becomes fractured, undermining EA ownership.
<p>Outputs Components 1 (sectoral policy studies and capacity building), and 2 (support for innovations in poverty reduction) both yield a series of deliverables:</p> <p>(i) one study per policy-related subcomponent assesses and provides concrete recommendations for priority policy issues;</p> <p>(ii) one activity report per capacity-building subcomponent outlines</p>	<p>By subcomponent completion:</p> <ul style="list-style-type: none"> • A total of at least 12 policy reports, which comprehensively assess context, issues, and proposed directions; • A total of at least 3 activity reports on capacity building, 	<p>Progress reports submitted by IA (with support from external experts) to EA and ADB (quarterly or as needed); quarterly EA-ADB meetings to review progress and consider additional subcomponents; media coverage of workshops, etc.</p>	<p>Assumption</p> <ul style="list-style-type: none"> • ADB internal coordination allows timely and flexible response during implementation. <p>Risk</p> <ul style="list-style-type: none"> • IAs new to cooperation with ADB may have difficulty complying with ADB.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>the key rationale and gaps addressed, processes, and outcomes, and includes a resource material kit to support replication of similar and/or follow-up capacity building activities; and</p> <p>(iii) for each subcomponent under (i) or (ii), a self-contained focused synopsis monograph that distills the key issues and recommendations (e.g., proposed reforms and/or operational mechanisms to support more effective policy, or actionable lessons from capacity-building approaches and recommendations for future programs).</p>	<p>which identify lessons learned and provide core resources to support skill retention and replication;</p> <ul style="list-style-type: none"> • A total of at least 15 high-quality, concise, targeted and focused synopses, which effectively disseminate key findings to government and broader national and international stakeholders, in English and Chinese. 		
<p>Activities with Milestones</p> <p>Rapid launch of initial subcomponents, with a draft of core outputs by March 2008 (approximately) unless otherwise agreed. In addition to the seven policy-related studies noted below, each of which produces outputs (i) and (II) above, additional policy-related and/or capacity building subcomponents may be included during EA-ADB meeting(s) held immediately following TA approval to finalize arrangements and timetables for first-round activities.</p> <p>Component 1 (sectoral policy studies and capacity building, executed by MOF):</p> <p>1.1 Dissemination of ADB TA Best Practice, with selection of best practice award TAs by end 2007.</p> <p>1.2 Study on Beijing-Hebei Water Resource Compensation Mechanisms and Approaches.</p> <p>1.3 Scale-up and Policy Framework for Supporting Left-behind Children.</p> <p>Component 2 (support for innovations in poverty reduction, executed by LGOP):</p> <p>2.1 Model Development and Pilot Testing of Village Poverty Reduction Cooperatives in Yunnan and Hebei, with initial outline mechanism design and launch of M&E baseline by end 2007, and final reports by end of overall TA.</p> <p>2.2 Pilot Testing and Plan Design for Mobilizing PRC Poverty Reduction Volunteers.</p> <p>2.3 Technical Design for a Poverty Reduction and Public Goods Information Internet-based Network.</p> <p>2.4 Research on Models for Technology-based Poverty Reduction in Different Ecological Zones.</p> <p>Progress to be tracked and additional subcomponents jointly considered at quarterly EA-ADB meetings.</p>			<p>Inputs</p> <ul style="list-style-type: none"> • \$900,000 from ADB TA resources • Additional \$65,000 for poverty component from the PRF, administered by ADB • \$250,000 equivalent Government and other counterpart contributions (mostly in-kind) • Additional in-kind inputs from beneficiaries, civil society, and NGOs, and other stakeholders to specific subcomponents

ADB=Asian Development Bank; EA=executing agency; FYP=Five-year Plan; GDP=gross domestic product; IA=implementing agency; MOF=Ministry of Finance; NGO=nongovernment organization; LGOP=State Council Leading Group Office of Poverty Alleviation and Development; PRC=People's Republic of China.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Under the Asian Development Bank (ADB) technical assistance (TA), national and international experts will be engaged to support the research, workshops, and other agreed subcomponent activities. Expert inputs (equivalent to a total of 6.5 person-months international and 60 person-months domestic expert inputs) will consist of formal consultants—recruited as individuals by ADB in dialogue with the relevant executing agency (EA)—as well as short-term resource persons and other task-specific experts, and will serve to introduce international best practice, provide in-depth local knowledge, and/or advise on policy options, challenges, and implications of various courses of action. The nature of the needed expertise and inputs will be determined on a case-by-case basis, with implementing agencies (IAs) responsible for proposing terms of reference (TOR) to the EA and ADB.

A. Types of Experts that May Receive Honoraria or Payments

2. Unless otherwise agreed by the component EA and ADB, experts entitled to receive honoraria or payments will be identified from outside proposed subcomponent IAs, and include

- (i) facilitators for various workshops (including conferences, training seminars, etc.);
- (ii) representatives of academia, nongovernment organizations (NGOs), private businesses, and other individuals selected to (a) act as discussants on related policy issues; (b) present research results; and (c) review reports and/or comment on the research of others; and
- (iii) researchers that IAs have commissioned to prepare studies on poverty reduction (broadly defined) or related fields (e.g., social security reform, urban unemployment, rural-to-urban migration, social services in rural areas, and pro-poor fiscal reform).

B. Indicative Responsibilities for General Subcomponents

3. As noted in the main text, the IA will take overall responsibility for ensuring coordination, quality and timeliness of output delivery, with one staff member acting as the focal point to provide working-level inputs throughout the subcomponent. External experts will report to and work under the guidance of the IA (and, as requested, the EA), and will provide the inputs generally outlined below (to be specified in subsequent TOR), and any other specific tasks as the EA or ADB may reasonably request. For each subcomponent, concise progress reports will analyze key issues encountered and propose next steps, including updated work plans detailing inputs of the IA and external experts.

4. **Subcomponent Task Coordinator.** Each subcomponent will typically have one (generally national) consultant who will serve as the subcomponent task coordinator (STC) in addition to providing technical inputs in their area of expertise. The STC will support the IA in liaising with the EA, ADB, and other key actors, ensuring smooth activity implementation and policy-related dialogue, coordinating across subcomponent experts, and facilitating overall implementation. Specific tasks will include the following.

- (i) Liaise with relevant focal points for other domestic and internationally-supported initiatives, ensuring communication and coordination of efforts across agencies and/or organizations and administrative levels.
- (ii) Assist the IA to formulate a comprehensive and concrete action plan, considering existing local and international models relevant to the subcomponent context, support plan achievement, and facilitate communication and information sharing.

- (iii) Provide concise updates (quarterly, as issues emerge, and/or timed with major milestones) to the EA and ADB. These updates should report on progress, emerging lessons, and identify challenges and propose resolutions.
- (iv) Provide agreed technical inputs based on a division of labor reflected in the action plan.

5. In most cases, the STC will act as team leader and take overall responsibility for inputs from additional consultants, resource persons, and/or task-specific experts. An indicative outline of expert inputs follows, grouped by type of subcomponent.

6. For policy subcomponents, experts' indicative tasks will include assisting the IA to
- (i) identify and/or refine the topical coverage, content, and/or methodology of the study and related activities, as reflected in the action plan;
 - (ii) design, contribute to, and/or act as facilitators for activities such as surveys or workshops, including technical aspects and targeting (e.g., identification of and advocacy to key decision makers and survey sampling);
 - (iii) provide research and analytical inputs (e.g., background research, policy papers, and/or workshop presentations), emphasizing quality and relevance;
 - (iv) work with the IA and other experts to identify challenges and recommendations for policy, institutional, and/or legislative reforms, and/or effective implementation mechanisms. International experts in particular are to provide advice and other inputs based on international comparative analysis and relevant evidence on reform frameworks and processes, for incorporation into group work, policy forums and other activities, and final recommendations; and
 - (v) directly contribute to the policy dialogue, and support dissemination of key TA findings and outputs to Government decision-makers and other stakeholders.

7. For capacity-building subcomponents, the indicative expert tasks include assisting the IA to

- (i) identify and/or refine the topical coverage, content, and/or methodology of the program and related activities, as reflected in the action plan;
- (ii) design, contribute to, and/or act as facilitators for activities such as training workshops, support for follow-up hands-on "practicum" activities, on-demand counseling, and capacity-building materials development. International experts in particular are to provide advice and support adoption of best practice international capacity-building models and techniques; and
- (iii) develop materials to support capacity building, including introduction of international best practice with relevance to the PRC context. To ensure efficacy, materials should emphasize applied competencies and use of participatory, active learning approaches, ranging from participatory face-to-face training to learning-by-doing.

C. Indicative Terms of Reference for Model Development and Pilot Testing of Village Poverty Reduction Cooperatives in Yunnan and Hebei

8. This subcomponent is expected to involve more comprehensive inputs spread over the duration of the TA. Subject to agreement between LGOP and ADB via joint design dialogue at (or after) subcomponent inception, it will indicatively involve inputs from a STC consultant (national; 4 person-months) and the consultants noted below, as well as auxiliary expert inputs.

9. **Specialist on Rural Finance and Grassroots Organizations** (national consultant; 8 person-months). Based on a detailed work plan agreed upon by the EA, IA, and ADB, the specialist will indicatively focus on tasks that include the following.

- (i) Assess (a) financial aspects of village governance and nongovernment poverty and rural development programs (e.g., NGO-run microfinance, village cooperatives, and farmer technical associations), including funding modalities, as well as (b) relevant regulations (e.g., for NGO registration and fund transfer) and supervision mechanisms that shape interactions between governments, village cooperatives and other nongovernment actors. Investigate broader issues such as the balance of equity and financial viability, participation by women, and social mobilization.
- (ii) Analyze existing and potential roles and cooperation mechanisms linking local government and related entities, villagers and grassroots organizations, NGOs, and other actors in rural development in pilot areas of Yunnan and Hebei, as well as in Yilong County of Sichuan and other relevant cases. Recommend clearly delineated roles between NGOs, government entities, and other actors for the Yunnan and Hebei pilot tests, based on comparative advantages.
- (iii) As justified, work with the IA and other experts to develop mechanisms for selecting and engaging NGOs and similar entities to provide support, and prepare materials to support selection procedures, periodic reporting, etc.
- (iv) Based on investigation and consultation with key proponents and potential beneficiaries, analyze constraints for the new Village Poverty Reduction Cooperative (VPRC) model and propose possible new modalities. Identify related challenges, risks, and other issues, with implications for the pilot test and potential expansion with ADB and/or private sector investment. Identify NGOs, academic institutions, and other entities that might support VPRCs, including assessing their capacities, local roots, and potential internal constraints.
- (v) Propose workable protocols for fund management, accounting and reporting, and work with the experts to design monitoring and evaluation methods for resource inputs and financial flows under the pilot test.
- (vi) In later stages of the pilot test, support assessment of financial resource needs and identification of new funding modalities to support replication and institutionalization, including possible improvements to enhance efficiency. Help identify proposals for (a) realigning and clarifying the roles of relevant agencies and entities; (b) development of mechanisms that promote financial and human resources, and actions to address institutional issues; and (c) supportive new legislation, coordination mechanisms, and funding modalities. Drawing on the pilot test and institutional analyses, propose concrete policy and institutional reforms and new mechanisms to promote replication of successful models.

10. **Capacity Building Specialist** (national consultant; 5 person-months). Based on a detailed work plan agreed with the EA, IA, and ADB, the specialist's principle division of labor will tentatively focus on the design and implementation of a systematic strategy for multimodal and continuous capacity building, with detailed tasks that include the following.

- (i) Conduct a detailed human resource needs assessment for relevant government and nongovernment entities, including identifying gaps and key obstacles in attitudes, information flows, and technical capacities.
- (ii) Based on the assessment in (i), propose to ADB and the IA a capacity-building framework that ensures that programs include active learning, experiential methodologies (e.g., case studies and follow-up tasks) and multiple tools (e.g.,

- face-to-face training and print-based resources). Refinements to the framework are to be made based on periodic evaluation of skill gaps.
- (iii) Based on an agreed framework design, develop core materials and identify other needed resources.
 - (iv) Identify key proponents and design and conduct training of trainers to support capacity building for local officials, villagers, selected NGOs, etc.
 - (v) For major activities, propose participant selection criteria and learning objectives to ADB and the IA, as well as a post-activity sub-program (e.g. practicum for learning-by-doing) to ensure mastery and retention.
 - (vi) Support post-pilot test expansion, including developing guidelines and flexible resource kits to support post-TA replication.

11. **Specialist on Rural Grassroots Monitoring and Evaluation** (national consultant; 4 person-months). Based on a detailed work plan agreed with the EA, IA, and ADB, the specialist's principle tasks will focus on the design and oversight of a systematic monitoring and evaluation (M&E) strategy, including undertaking the following.

- (i) Propose a detailed design for the M&E strategy (including identifying indicators and M&E tools and techniques) capable of capturing processes (e.g., government and NGO functions) and pilot test outcomes, to provide clear evidence to inform decisions on possible expansion of financial investment, broader replication, and the related policy dialogue.
- (ii) Within the overall M&E framework, and in close consultation with NGOs, local governments, and communities, design and oversee implementation of a detailed baseline assessment and subsequent survey methods and instruments. In addition to his/her own field-work, the specialist will oversee selection of, training for, and inputs by a corps of local information collectors.
- (iii) Take the lead in analyzing M&E findings, assessing both processes and impact, and prepare relevant reports.
- (iv) Assist the IA in organizing midterm and final pilot assessment workshops and/or site investigations.

12. **Advisor on Rural Finance and Grassroots Innovation** (international consultant; 1.5 person-months). The advisor will draw on international experience and best practice in guiding and working with other experts and the IA. Based on a detailed work plan agreed with the EA, IA, and ADB, the advisor's role will indicatively include the following.

- (i) Provide advice on the design of the baseline study and other aspects of the M&E strategy, and support in analyzing and identifying the implications, in terms of the viability for expanded investment and for policy reform.
- (ii) Contribute to the design of the needs assessment and capacity building framework, as well as materials development, including identifying relevant existing materials that could be for incorporated. Take direct responsibility for specific modules in those areas where the advisor has demonstrated expertise
- (iii) Identify international models and mechanisms for mobilizing volunteers and other civil society contributions into relevant grassroots initiatives.
- (iv) Provide international comparative analysis for incorporation into additional group work and final reports and recommendations.

The advisor may also be requested to provide focused inputs, drawing on international experience, for other subcomponents.

D. Final Reports

13. Near the conclusion of each subcomponent, the experts will provide inputs to and assist the subcomponent IA in submitting to the EA and ADB the TA's noted core outputs, including

- (i) a final report (including an executive summary in English and Chinese) outlining the key methodology, processes, and results: (a) for policy-related subcomponents, the report should assess and provide concrete recommendations for priority policy issues; (b) for capacity-building subcomponents, it should identify the key rationale and gaps addressed, processes, and outcomes, and should attach resource materials to support related future activities. The report should also outline how key findings will be used, and the experts and IA should develop a strategy for disseminating key findings and recommendations, including via media exposure; and
- (ii) English and Chinese versions of a concise (roughly 10 page) "focused synopsis" monograph, targeted at mid-level officials in relevant ministries and (secondarily) the broader stakeholder community. The focused synopsis should be a self-contained monograph that briefly notes the subcomponent background (e.g., in a short preface), but principally focuses on distilling key issues (e.g., gaps in policy, operational mechanisms, and/or implementation capacities) and recommendations (e.g., proposed reforms and/or operational mechanisms to support more effective policy, or actionable lessons learned from capacity-building approaches and recommendations for future programs). These should be supported by salient evidence or examples from the PRC context and (as appropriate) international cases.

14. The IA will provide an annotated outline of the focused synopsis for review by the EA and ADB prior to detailed formulation, and the EA and ADB may also request tripartite meetings with the IAs as appropriate. The EA and/or ADB may also request the experts to provide inputs to support policy notes targeted at senior Government levels, such as internal policy memos or policy notes published as part of ADB's *Observations and Suggestions* series.

OVERVIEW OF INDICATIVE INITIAL SUBCOMPONENTS

1. The following subcomponents have indicatively been identified for initial funding,¹ with the main rationale and core objectives noted below.

Table A3.1: Component 1: Sectoral Policy Studies and Capacity Building
(executed by MOF)

Subcomponent and Basic Rationale	Subcomponent Objective
<p>1.1 Dissemination of ADB TA Best Practice (\$40,000; IA is MOF's TA Division in dialogue with ADB)</p> <p>Much of the TA provided over the more than two decades of PRC-ADB cooperation has had a significant impact on promotion of innovation and achievement of national development objectives. Lessons from recent and ongoing TA (particularly advisory TA) should be broadly and effectively disseminated to PRC stakeholders to magnify their impact and inform more effective future TA operations. This will build on past Government-ADB cooperation in the 2004 "ADB TA Award"; a similar subcomponent is tentatively scheduled for 2008 as well.</p>	<p>New mechanisms developed for effective and targeted dissemination of key lessons and success from TA-based cooperation, with recommendations for future knowledge products.</p>
<p>1.2 Study on Beijing-Hebei Water Resource Compensation Mechanisms and Approaches (\$50,000; IA is the Hebei Province Development and Reform Commission Academy of Macroeconomic Research, under guidance from MOF and Hebei Bureau of Finance)</p> <p>ADB cooperation with Hebei under TA for the Hebei Provincial Development Strategy was instrumental in identifying existence of a "Beijing-Tianjin poverty belt" and other problems. In particular, growing demand for water and other natural resources in Beijing has adversely impacted environmental and socioeconomic conditions in Hebei, including agricultural development (e.g., restrictions on land use and irrigation) and poverty reduction. There are presently no mechanisms for cross-province or center-province compensation to offset adverse impacts such as those borne by Hebei.</p>	<p>Theoretical and operational framework developed and consensus built supporting specific recommendations for viable compensation systems and mechanisms for water resource use and related measures.</p>
<p>1.3 Scale-up and Policy Framework for Supporting Left-behind Children (\$50,000; IA is the Sichuan Province Working Commission on Children and Women)</p> <p>Widespread rural out-migration for employment in the PRC, combined with restrictions on household relocation, has caused a phenomenon of LBC on a globally unprecedented scale and scope: 22.9 million PRC children are estimated to be left behind by one or more parents migrating for external employment (often in distant urban areas). In many poorer rural localities, LBC account for on the order of half of all school-age children. Despite increasing recognition of the social implications, few solutions have been put forth to date. ADB has supported QCWF in Sichuan in an innovative pilot test on education and care for LBC, through the mechanism of the PRC's first China Development Marketplace. With guidance and support from the provincial government, the cooperation and strong commitment shown by QCWF and the local government has helped advance a "Qingshen model", which features effective collaboration to address cross-cutting issues, involving QCWF and a range of local government bureaus, schools, and communities. This has attracted government and media attention, and there are</p>	<p>Pilot test extended throughout Qingshen County, mechanisms for cross-sectoral cooperation sharpened and demonstrated effective, and policy paper submitted identifying concrete and viable recommendations for replication in Sichuan Province and other areas of the PRC.</p>

¹ Additional subcomponents may be added to both components after TA approval, if jointly agreed.

Subcomponent and Basic Rationale	Subcomponent Objective
prospects to replicate and scale-up a refined model to address the problem in other rural areas.	

ADB=Asian Development Bank; IA=implementing agency; LBC=left-behind children; MOF=Ministry of Finance; PRC=People's Republic of China; QCWF=Qingshen County Women's Federation.

Source: Asian Development Bank, based on discussion with the executing agencies.

Table A3.2: Component 2: Support for Innovations in Poverty Reduction
(executed by LGOP)

Subcomponent and Basic Rationale	Subcomponent Objective
2.1 Model Development and Pilot Testing of Village Poverty Reduction Cooperatives in Yunnan and Hebei (\$150,000; IA is the Foreign Capital Project Management Center of LGOP)	
<p>Despite impressive gains in poverty reduction, further progress towards pro-poor rural development is seriously constrained by inadequate and inequitable access to credit in rural areas of the PRC. This undermines the national strategy of development-based poverty alleviation via promotion of comprehensive village development, agro-industries and other "dragonhead" industries, and capacity development to enhance poor villagers' employment opportunities and incomes.</p> <p>At the same time, joint site investigations by LGOP and Yunnan counterparts, Shanghai Government, and ADB indicate substantial untapped potential to accelerate sustainable poverty reduction^a and local development by addressing credit constraints and mobilizing villagers into a new form of cooperative: the VPRC. A parallel mission to Hebei by LGOP, Beijing Government, and ADB demonstrated similar opportunities. The VPRC model can (i) build on LGOP's successful experiences with pilot testing of similar structures in Yilong County of Sichuan and other areas; (ii) draw on cooperation by LGOP, ADB, and other partners in Jiangxi in pilot testing NGO-government partnerships in village-level poverty alleviation, and (iii) draw on international experience.</p>	<p>New model for VPRC functioning, with demonstrated efficacy, sustainability, and equity in extending credit and other cooperative functions to poor and semi-poor rural households, promoting harmonious development in target villages.</p> <p>The impact of existing government funds could be greatly magnified in the medium term by an influx of wholesale credit from ADB and/or the private sector, if (i) the model is well-designed, (ii) implementation capacities are built among government and nongovernment partners, and (iii) financial viability is demonstrated via scientific monitoring and evaluation.</p>
2.2 Pilot Testing and Plan Design for Mobilizing PRC Poverty Reduction Volunteers (\$50,000; IA is LGOP's Department of International Cooperation and Social Mobilization)	
<p>LGOP is making important efforts to tap the potential of civil society in national poverty reduction efforts, including through cooperation with ADB under pioneering TA on NGO-Government Partnerships in Village-level Poverty Alleviation. Individual volunteers currently represent a key but untapped resource, including, for example, large numbers of able-bodied recent retirees who are in many cases willing to utilize their human resources to benefit the poor. A key constraint is the lack of a system and mechanisms, including those that can link volunteers to grassroots programs, and supportive institutions, both centrally and at potential recipient localities.</p>	<p>Establishment of a framework for a poverty reduction volunteer organization and development of an action plan proposal for mobilizing volunteers developed, linking volunteers into the existing poverty alleviation system.</p>
2.3 Technical Design for a Poverty Alleviation and Public Goods Information Web-based Network (\$50,000; IA is LGOP's Training Center - Information Center)	
<p>Corporate social responsibility and other charitable contribution by individuals is still in the nascent stages of development in the PRC. A key gap is simply the bidirectional flow of information, and transparent mechanisms to link potential support to needy areas and population groups.</p>	<p>Technical design drafted, with preliminary pilot testing, of an Internet-based system to disseminate information on poverty-related needs in poor localities and provide new mechanisms for encouraging</p>

Subcomponent and Basic Rationale	Subcomponent Objective
	citizens, civil society groups, and the private sector to match support to such needs.
2.4 Research on Models for Technology-based Poverty Alleviation in Different Ecological Zones (\$30,000; IA is LGOP Department of Planning and Finance)	
Recent research has suggested important disparities in the characteristics of poverty and its linkages to the ecological situation in different parts of the PRC. However the precise relationships, and in particular the potential for appropriate industry-related solutions as part of broader poverty alleviation programs, is not well understood.	Clearer identification of poverty characteristics and potential modes for industry-based poverty alleviation in six ecological zones in the PRC's Western and Central Regions, including compilation of case studies and concrete recommendations for technology-based poverty alleviation during the 11th FYP period.

ADB=Asian Development Bank; FYP=Five-year Plan; IA=implementing agency; NGO=nongovernment organization; LGOP=State Council Leading Group Office of Poverty Alleviation and Development; PRC=People's Republic of China; VPRC=village poverty reduction cooperative.

^a In late 2006, an estimated 2.33 million rural Yunnan residents lived below the PRC's austere absolute poverty line (equal to more than 10% of the PRC's official poor), with another 4.54 million below the official low-income threshold, both of which are well below the international \$1/day standard. A full 48.4% of ethnic minorities in border areas live below the PRC's absolute poverty and low-income thresholds.

Source: Asian Development Bank, based on discussion with the executing agencies.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank (ADB) Financing^a	
1. Consultants and Other Experts ^b	
a. Remuneration and Per Diem	
i. International Experts	120.0
ii. Domestic Experts	212.0
b. International and Local Travel	48.0
c. Communications and Miscellaneous Administration ^c	27.0
2. Workshops and Meetings	115.0
3. Research Materials and Small Surveys and Pilot Tests	140.0
4. Report Publication and Dissemination	70.0
5. Equipment ^d	30.0
6. Miscellaneous Support Costs	50.0
7. Contingencies	88.0
Subtotal (A)	900.0
B. Poverty Reduction Cooperation Fund Financing^e	
1. Domestic Consultants and Other Experts ^b	
a. Remuneration and Per Diem	28.0
b. Local Travel	2.0
c. Communications and Miscellaneous Administration ^d	3.0
2. Workshops and Meetings	25.0
3. Contingencies	7.0
Subtotal (B)	65.0
C. Government of the PRC Financing^f	
1. Office Accommodation and Transport	60.0
2. Remuneration and Per Diem of Counterpart Staff	150.0
3. Others	40.0
Subtotal (C)	250.0
Total	1,215.0

PRC = People's Republic of China.

^a Financed by ADB's technical assistance funding program.

^b Includes resource persons and task-specific experts (e.g., for review and/or focused inputs to draft studies, etc.).

^c Includes translation and/or interpretation and other supportive inputs.

^d Minor equipment to support desk research and/or field investigations, to be approved by ADB. At project completion, equipment will become the property of the relevant executing agency or an entity which they identify.

^e Administered by ADB, and earmarked for Component 2 (poverty reduction).

^f Estimated amounts divided evenly across Ministry of Finance and State Council Leading Group Office of Poverty Alleviation and Development.

Source: ADB estimates.