



Technical Assistance Report

Project Number: 42127-01
Policy and Advisory Technical Assistance (PATA)
July 2009

People's Republic of China: Facility for Policy Reform and Capacity Building III

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 29 June 2009)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1463
\$1.00	=	CNY6.8338

ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
FYP	–	five-year plan
IA	–	implementing agency
GDP	–	gross domestic product
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
PRC	–	People's Republic of China
PRCM	–	PRC Resident Mission
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Policy and advisory technical assistance (PATA)
Targeting classification	–	General intervention
Sector (subsector)	–	Public sector management (economic and public affairs management)
Themes (subthemes)	–	Economic growth (promoting macroeconomic stability); social development (human development); capacity development (client relations, network, and partnership development)
Location impact	–	Rural (high), urban (medium), national (high), and regional (medium)

NOTE

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

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I. INTRODUCTION

1 During the Country Programming Mission (10–12 December 2008) held in Manila, the Government of the People's Republic of China (PRC) confirmed its request to the Asian Development Bank (ADB) for a new “facility-type” technical assistance (TA) project for the period from 2009–2012. Beginning in 2004, ADB has provided several facility-type TA projects to provide flexible and timely knowledge products and services to the Government to respond effectively to emerging policies and capacity development needs.¹ The first facility-type TA was rated as successful and its outputs were used in formulating emerging policies and strengthening government capacity.² ADB's responsiveness to government requests for policy advice will be critical over the next few years, when the Government will (i) prepare the 12th Five-Year Plan (FYP) (2011–2015), (ii) formulate policy measures and reforms to mitigate the adverse effects of the economic slowdown, and (iii) support the rebalancing of its growth strategy. TA fact-finding took place in April and May 2009, and agreement was reached with the executing agency (EA)—the Ministry of Finance (MOF)—on the impact, outcome, scope, and implementation arrangements. Inclusion of the TA in the 2009 pipeline was confirmed during the June 2009 Country Program Midterm Review Mission. The design and monitoring framework is in Appendix 1.³

II. ISSUES

2 Despite the considerable progress the PRC has made in terms of overall economic growth, critical gaps and imbalances remain, including between economic and social development, rural and urban areas, and western and coastal regions. The current global economic crisis has further exacerbated these imbalances, which could pose an obstacle to achievement of social harmony. The key development constraints to be addressed include (i) low productivity growth, particularly in rural areas and remote regions; (ii) inadequate provision of social services and social protection, particularly in rural areas, remote regions, and among the poor and vulnerable groups; and (iii) weak institutions and capacity as well as constrained knowledge among responsible government agencies. Lessons from previous facility TA projects suggest that effective project implementation arrangements require both (i) specific selection criteria that serve to focus support on small-scale, short-term subprojects that complement long-term, systematic efforts; and (ii) coordination and cooperation among the EA, implementing agencies (IAs), and ADB.

3 The Government continues to have a critical need for assistance relating to policy recommendations and capacity building, to enable it to quickly and effectively formulate and execute policies to mitigate adverse impacts on its citizens—and vulnerable groups in particular—during the economic slowdown. The implementation period of the proposed TA will coincide with the period during which the Government formulates the policy directions for the 12th FYP. The proposed TA will strengthen the strategic partnership and cooperation between the PRC and ADB on the country's development agenda, based on the PRC's needs and ADB's strengths. Cooperation under the proposed TA will contribute to achieving the goals of the

¹ ADB. 2004. *Technical Assistance to the People's Republic of China for the Facility for Policy Reform*. Manila (TA 4365-PRC); ADB. 2006. *Technical Assistance to the People's Republic of China for the Facility for Reform Support and Capacity Building*. Manila (TA 4790-PRC); ADB. 2007. *Technical Assistance to the People's Republic of China for the Facility for Policy Reform and Poverty Reduction*. Manila (TA 4933-PRC); and ADB. 2007. *Technical Assistance for Supporting Strategic Knowledge Products and Research Networking*. Manila (TA 6428-REG).

² ADB. 2006. *Technical Assistance Completion Report: Facility for Policy Reform in the People's Republic of China*. Manila.

³ The TA first appeared in the business opportunities section of ADB's website on 16 May 2009.

Government's development agenda and ADB's long-term strategic framework 2008–2020 (Strategy 2020),⁴ which incorporate the same strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration.

4 The proposed TA will maintain and build on the implementation arrangements of existing TA projects⁵ by (i) institutionalizing periodic meetings between ADB and the EA to discuss project implementation progress and constraints, and (ii) setting clear criteria for selecting subprojects. The proposed TA aims to equip the Government with policy inputs, tools, and a forum to respond quickly and effectively to new and emerging development challenges.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

5. The impact of the TA will be effective policy and strategy formulation and enhanced capacity of relevant government agencies based on the PRC's FYP framework. The outcome is the adoption by relevant government agencies of policy reforms, regulations, and new ideas and practices that are introduced or recommended under the TA, based on the PRC's FYP framework. The impact and outcome are expected to be realized through frequent dialogue and close cooperation between ADB and the EA, IAs, and key stakeholders.

B. Methodology and Key Activities

6. The key outputs of the TA will be (i) at least 10 studies (one for each policy-related subproject) assessing and providing concrete recommendations for priority policy issues; (ii) at least three activity reports (one for each capacity-building subproject) (a) outlining the key rationale, gaps addressed, processes, and outcomes; and (b), attaching a resource material kit to support replication of similar and/or follow-up capacity-building activities; and (iii) bilingual synopses (one for each subproject) distilling (a) the key issues (e.g., gaps in policy, operational mechanisms, and implementation capacities) and (b) recommendations (e.g., proposed reforms and/or operational mechanisms to support more effective policy, or lessons from capacity-building approaches and recommendations for future programs).

7. 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 subprojects during TA implementation. Subprojects will be selected jointly by the Government and ADB to provide timely support to emerging government reform and capacity-building priorities, in areas (i) where ADB's involvement is expected to have substantial impact on development, refinement, and/or operationalization of national policy; and (ii) that are consistent with ADB's PRC Country Partnership Strategy (CPS) for 2008–2010⁶ and its updates, and complementary to ADB lending and TA operations. Policy-related activities may include formulation and/or amendment of policies, laws, and regulations; and design or refinement of institutional structures, operational procedures, and capacity-building mechanisms. This flexibility will enable the EA and ADB to both address new emerging development issues and supplement other ADB operations (nonlending and lending products) in a timely manner. The TA also allows for interventions in various sectors in addressing the PRC's evolving key development constraints. ADB can respond to and address the Government's emerging needs

⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

⁵ The existing TAs include the four ongoing facility-type TAs mentioned in footnote 1, except TA 4365-PRC.

⁶ ADB. 2008. *Country Partnership Strategy (2008–2010): People's Republic of China*. Manila.

through frequent consultation and the use of flexible mechanisms to govern proposal submission and consideration.

8. The criteria for prioritizing policy-related subprojects include that the subproject: (i) supports priority government policy reforms and is consistent with the CPS for 2008–2010;⁷ (ii) is related to preparation of the 12th FYP, particularly in the areas that address key development constraints (para. 2, above); (iii) is considered an emerging, urgent, and high-priority issue where ADB has considerable potential to provide value addition; and (iv) shows evidence of strong PRC ownership, such that a small amount of strategic ADB assistance will help advance or realize important reforms and/or leverage the outcome and impact of existing projects. The criteria seek to strengthen the development impact resulting from achievement by the PRC of the strategic goal of building a harmonious and moderately prosperous society through a combination of sustainable economic growth, inclusive social development, and capacity development. Priority will be given to capacity-building subprojects that support cooperation between the PRC and ADB in addressing the key development constraints highlighted in para. 2.

9. Activities will be divided into two categories—policy advice and capacity building—overseen by the EA, in close consultation and coordination with the IAs, ADB, and relevant stakeholders.

10. **Policy Advice.** The TA subprojects will allow selected central and provincial government agencies to be provided with policy advice on priority development issues in different sectors and subjects including (i) the preparation of the 12th FYP, (ii) social sector reform (especially with respect to health and education), and (iii) other priority sectors agreed jointly by the Government and ADB. Activities will include research studies, policy dialogue and stakeholder consultation through meetings, workshops, and conferences. The indicative allotment for this output category is \$900,000. The following seven subprojects, with a total budget of \$450,000, have been indicatively identified for initial funding as outlined in Appendix 2.

- (i) Assessment of Application of the Labor Contract Law to Informal Sector Employment (\$50,000);
- (ii) Internal Audit Roles and Best Practices (\$100,000);
- (iii) Quality Supervision and Control of Health Reform Projects (\$50,000);
- (iv) Water-Environment Modeling and Quality Monitoring in Yuqiao Reservoir of Tianjin (\$100,000);
- (v) Application of International Best Practices of Social Welfare Reforms to Social Assistance Policy in the PRC (\$50,000);
- (vi) Fiscal Policy for Rural Environmental Protection in Liaoning Province (\$50,000); and
- (vii) Evaluation of Models for Urban Medical and Health Institutions to Support Township Hospitals in Hebei Province (\$50,000).

11. **Capacity Building.** The TA subprojects will allow the development and management capacity of selected central and provincial government agencies to be strengthened through organizational diagnostics, capacity assessments, training program implementation, workshops, conferences, and knowledge management interventions. The indicative allotment for this output category is \$300,000, and three subprojects have been identified for initial funding, for the

⁷ In addition to the CPS priorities, the broad themes of knowledge products and services agreed between ADB and the Government include macroeconomic management, energy and environment, poverty reduction, and interprovincial cooperation.

dissemination of ADB TA best practices in selected themes or sectors through annual conferences (in 2009, 2010, and 2011) on experience sharing. The total cost estimate for activities related to the three conferences is \$150,000, with an estimated budget of \$50,000 for each conference.

12. Additional subprojects (beyond those initially identified) are expected to be included under the proposed TA throughout the 3-year implementation period, using the selection criteria specified in para. 8. ADB and the EA will hold four meetings per year to update the list of subprojects and core outputs; subsequent to each meeting, the two parties will record agreements reached during the meeting, attaching (i) an updated subproject list with detailed project designs and specific terms of reference for additional subprojects, and (ii) reports on implementation progress for all TA subprojects. The country director of ADB's PRC Resident Mission (PRCM) will review and endorse the agreements between ADB and the EA.

13. ADB and the Government will jointly select the additional subprojects, with each component indicatively including a final subproject to produce a concise synthesis monograph in both print and electronic format to systematically compile and support dissemination of key achievements, lessons, and policy implications. Subprojects will typically include conferences to discuss and build consensus on key issues, capacity-building seminars, and/or other workshops involving participants from government agencies, the private sector, NGOs, and/or international agencies. These workshops, along with distribution of key subproject outputs (para. 6) in hardcopy and via the internet, will serve to disseminate information and subproject findings.

C. Cost and Financing

14. The total cost of the TA is estimated at \$1,620,000 equivalent, of which ADB will provide \$1,200,000 equivalent on a grant basis from ADB's Technical Assistance Special Fund (TASF-others). The Government will contribute \$420,000 equivalent in-kind for office space, counterpart staff, and miscellaneous services. The cost estimates and financing plan are in Appendix 3. Estimated budgets for indicative initial subprojects are noted above (paras. 10–11). Subsequent subprojects will be subject to a maximum of \$100,000 unless this ceiling is waived by the EA and ADB; the latter may also agree to adjust subproject budgets where justified in special cases and acceptable to the IA.

15. The cost estimate is based on engaging expert inputs equivalent to a total of 14 person-months of international expert inputs and 70 person-months of national expert inputs (see outline terms of reference for consultants in Appendix 4). At least 20 individual consultants, of which at least three are international consultants, will be recruited to take up tasks under the ten initial subprojects. Detailed outline terms of reference for the individual consultants will be developed in close consultation with the EA, IAs, relevant sector experts from ADB, and responsible ADB staff from Central Operations Service Office. TA support for workshops may include costs related to the venue, equipment rental, translation, printing and copying, food and non-alcoholic beverages, transportation, lodging, logistics and administrative support, and other agreed expenditures with prior agreement from ADB. Subprojects may also fund surveys, field investigations, and the purchase of required resource materials, based on cost estimates agreed by ADB. In line with standard ADB procedures, the TA will not support IA management fees, overhead, or related costs such as staff salaries and allowances and the use of IA resources (such as office accommodation), which will be provided as part of the counterpart contribution.

D. Implementation Arrangements

16. The TA will be implemented from September 2009 to August 2012. MOF will be the EA, with responsibility for oversight and coordination of subproject activities. To ensure strong coordination, ADB and the EA will meet quarterly or as needed to review progress and discuss additional subproject candidates.

17. Throughout the 3-year implementation period, ADB and the EA will continuously accept subproject proposals from government organizations, various institutions, NGOs, and, in special cases, a unit within the EA or ADB. Based on the proposed TA design and selection criteria, ADB and the EA will jointly agree on subprojects to be included in the TA, and on the responsible IAs. The PRCM will conduct internal consultations and discussions with relevant ADB experts in EARD and other knowledge departments to assess the urgency of subproject proposals, and their complementary quality to ongoing and planned ADB operations in the PRC. For each agreed subproject, the IA will assume responsibility for ensuring coordination and the quality and timeliness of output delivery. It will identify one focal point to provide working-level inputs throughout the subproject, including (i) liaising with the EA, ADB, and additional key actors and decision-makers to support implementation and policy dialogue; (ii) identifying, proposing to ADB and the EA, and coordinating with the external subproject experts needed for activities, specific written inputs, and a review of key draft reports; and (iii) based on discussions with the experts, proposing to the EA and ADB any needed changes in subproject scope or approaches.

18. ADB staff will monitor, and in some cases directly contribute to, TA progress and outputs, and will conduct policy discussions with relevant Government agencies. ADB's PRCM will administer the TA, with counterparts from ADB Headquarters providing contributions to and/or management of some subprojects, based on their technical strengths and complementarity to other ADB programs.

19. In dialogue with the EA and/or relevant IA, ADB will recruit consultants as individual consultants, in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). ADB will recruit national (70 person-months equivalent) and international (14 person-months equivalent) experts to provide inputs as formal consultants, short-term resource persons, and task-specific experts. The terms of reference, including the duration and expected results, will be endorsed by ADB. Additional resource persons and task-specific experts will carry out specific tasks (e.g., case-study papers, workshop presentations, review of draft reports, etc.). All procurement under the TA will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). The proceeds of the TA will be disbursed in line with ADB's *Technical Assistance Disbursement Handbook*.⁸ To facilitate implementation, ADB may establish an advance facility for the EA and IAs as needed, and/or utilize direct payment (e.g., for workshop venues).

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,200,000 on a grant basis to the Government of the People's Republic of China for Facility for the Policy Reform and Capacity Building III, and hereby reports this action to the Board.

⁸ ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>Impact Effective policy and strategy formulation and enhanced capacity of relevant government agencies, based on the PRC's FYP framework</p>	<p>Development targets including achieving the Millennium Development Goals by 2015, particularly those targets on which relatively slower progress has been achieved to date, including:</p> <ul style="list-style-type: none"> (i) achieve full and productive employment and decent work for all, including women and young people, by 2015; (ii) achieve universal access to reproductive health care by 2015; and (iii) eliminate gender disparities at all levels of education by 2015. 	<p>Government annual work reports</p> <p>Policy pronouncements Institutional reforms</p> <p>Media reporting</p> <p>Legislation</p> <p>Feedback from civil society, donor community and academe</p>	<p>Assumption Policy and new directions are effectively implemented by all of the relevant government agencies at both central and local levels</p>
<p>Outcome Adoption by relevant government agencies of policy reforms, regulations, and new ideas that are introduced or recommended under the TA, based on the PRC's FYP framework</p>	<p>At least four related policy notes circulated to state council agencies and/or senior leaders during the TA implementation period (2009–2012)</p> <p>Evidence of improved capacity and broader replication of capacity-building approaches during TA implementation period (2009–2012)</p> <p>Policy guidelines and recommendations are adopted by the central and local governments in the 12th FYP (2011–2015) by 2011</p>	<p>Government documents and statements on policy directions; media reports; and ADB internal reports and documents</p> <p>Issuance of ADB <i>Observations and Suggestions</i> policy notes and other internal or external documents</p> <p>Dialogue and cooperation with EA and other agencies</p>	<p>Assumptions Policy recommendations are of high quality and implementation is feasible</p> <p>Subproject proposals were reviewed and selected by neutral, visionary government authorities</p> <p>Risks Quality of policy research may be compromised by the urgent need to formulate proposals and competitive submission by different government agencies</p> <p>Parallel implementation of subprojects across multiple IAs becomes fractured and uncoordinated</p>
<p>Outputs 1. Policy Advice: The central and selected provincial governments are informed by policy advice on priority development issues in different sectors and subjects, including (i) the preparation of the 12th FYP, (ii) rural development, (iii) social sector reform (especially regarding health</p>	<p>At least ten studies (one for each subproject) that assess and provide concrete recommendations for priority policy issues</p> <p>A minimum of five policy reports that comprehensively assess policy issues and propose policy recommendations</p>	<p>Periodic TA progress reports</p> <p>Periodic accomplishment reports from specialists who supervise subproject implementation</p> <p>Minutes of joint meetings between the Government and ADB</p>	<p>Assumptions Support from all relevant stakeholders</p> <p>The data and information needed for government agencies to identify high-priority needs are accessible</p> <p>Risk IAs new to cooperation with ADB may have difficulty</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
and education), and (iv) other priority sectors agreed jointly by the Government and ADB	At least one consultative workshop on 12th FYP preparation	Memoranda of understanding signed between Government and ADB for additional subprojects	complying with ADB requirements
<p>2. Capacity Building: The development and management capacity of selected central and provincial government agencies is strengthened through organizational diagnostics, capacity assessments, training program implementation, workshops, conferences, and knowledge management interventions.</p>	<p>At least three activity reports (one for each subproject)</p> <p>A total of at least four activity reports and four bilingual synopses, which disseminate key findings to government and other stakeholders</p> <p>Annual conferences on experience sharing and dissemination of ADB TA best practices in selected themes or sectors, supported by assessments that identify the best performing ADB TA EAs</p> <p>At least one workshop on ADB procedures for existing and potential IAs</p>		
<p>Activities with Milestone</p> <p>In addition to initial subprojects included at appraisal, periodic meetings between ADB and the EA (MOF) will be held to update the list of subprojects and core outputs. The first meeting will be held immediately following TA approval to finalize arrangements and timetables for first-round activities. Progress in implementing the approved subprojects will be tracked. Additional subprojects will be jointly considered at the ADB-EA meetings.</p> <p>Output 1: Policy Advice</p> <p>1.1 At least five policy research studies with initial subprojects focusing on subjects related to poverty reduction, economic reform, regional cooperation and 12th FYP preparation to be implemented by LGOP, NDRC, and other government agencies</p> <p>1.2 At least one consultative workshop on preparation of the 12th FYP, held by the end of 2010</p> <p>Output 2: Capacity Building</p> <p>2.1 Annual conferences on experience sharing and dissemination of ADB TA best practices in selected themes or sectors, held during the October–November period of 2009, 2010 and 2011, supported by assessments that identify the best performing EAs of ADB TA projects in selected themes or sectors</p> <p>2.2 At least one workshop on ADB procedures for existing or potential IAs</p> <p>2.3 Other capacity-building activities jointly endorsed by the EA and ADB, including organizational diagnostics, capacity assessments, training program implementation, and knowledge management interventions</p> <p>2.4 An activity report for each capacity-building subproject, finalized no later than 6 months after the completion of the activity</p>			<p>Inputs</p> <p>ADB: \$1,200,000 from TASF-others</p> <p>Government: \$420,000 (mostly in-kind)</p> <p>Others: additional in-kind inputs from beneficiaries, civil society, NGOs, and other stakeholders to specific subprojects</p>

ADB = Asian Development Bank, EA = executing agency, FYP = five-year plan, IA = implementing agency, LGOP = State Council Leading Group Office of Poverty Alleviation and Development, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, NGO = nongovernment organization, PRC = People's Republic of China, TA = technical assistance.

OVERVIEW OF INDICATIVE INITIAL SUBPROJECTS

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

Table A3: Rationales and Objectives of Indicative Initial Subprojects

A. Output 1: Policy Advice

Subproject and Basic Rationale	Subproject Objective
<p>1.1 Assessment of Application of the Labor Contract Law to Informal Sector Employment (\$50,000; the implementing agency (IA) is the Ministry of Human Resources and Social Security)</p>	
<p>Laborers employed in the informal sector are referred to as "informal" or "flexible" employees. Informal employees include people engaged in community-based services, city public administration, domestic household services, logistics for enterprises and institutions, and individual enterprises. In recent years, forms of employment in the People's Republic of China (PRC) have become more diversified and flexible, with many informal employees who work in various industries and face a range of problems and difficulties. The rights and interests of most informal employees are frequently infringed. Implementation of the Labor Contract Law has led to an increase in the number of labor dispute cases. This is particularly the case since the international financial crisis commenced in late 2008, which led to the bankruptcy and closure of a number of micro and small enterprises. Many enterprises have been facing management difficulties, which has affected the rights and interests of the informal employee. This subproject proposes to investigate the outstanding problems faced by informal employees, and to provide policy recommendations to protect the rights and interests of informal employees.</p>	<p>The main objective is to research the situation and problems associated with implementation of the Labor Contract Law, as related to informal sector employment. The study will address employees in the informal sector to further improve labor policies and measures to protect their labor rights.</p>
<p>1.2 Internal Audit Roles and Best Practices (\$100,000; IA is the China Institute of Internal Audit)</p>	
<p>There is a considerable gap between internal audit practices in the PRC and international standards. Internal audit is essential for an organization to strengthen corporate governance and enhance performance. The current global financial crisis is caused to a large extent by weak corporate governance governing internal management, administrative supervision, internal control and risk management. This subproject proposes to learn about international internal audit best practices and provide suggestions to promote the internal audit function in organizations in the PRC.</p>	<p>This subproject will (i) compare the corporate governance model and roles of internal audit in corporate governance in organizations in Asia; (ii) provide policy advice based on findings from investigating internal audit work in Asia, including in the PRC; (iii) recommend ways to improve internal audit practices based on the investigation of best practice cases; and (iv) provide internal audit departments and auditors effective training materials and work samples.</p>
<p>1.3 Quality Supervision and Control of Health Reform Projects (\$50,000; IA is the Foreign Loan Office of Ministry of Health)</p>	
<p>The Government is increasing its investment in the health sector to address the need for reforms in the medical and health system. Most of those investments are implemented as projects</p>	<p>The objective is to investigate and provide recommendations on how to improve quality supervision and</p>

Subproject and Basic Rationale	Subproject Objective
<p>that are governed by weak quality supervision and control systems, which puts the effectiveness of those investments and reforms at risk. A research study on quality supervision and control for health projects is urgently needed, as little relevant research has been undertaken on this issue to date.</p>	<p>control systems of medical and health system reform projects in the PRC.</p>
<p>1.4 Water-Environment Modeling and Quality Monitoring in Yuqiao Reservoir of Tianjin (\$100,000; IA is the Bureau of Water Resource in Tianjin)</p>	
<p>The water quality in Yu Qiao reservoir has declined in recent years, when assessed against national surface water quality standards. In the summer of 2008, blue algae thrived, reaching a concentration of 27.73 million algae cells per liter. Both Tianjin City and Tianjin Binhai New Area are now threatened by blue algae blooms, but no alternative water source is available to dilute the bloom if this occurs. The water quality has been monitored since the summer of 2008, but no reliable tools are available to analyze pollution and algae bloom trends and guide management measures.</p>	<p>The objective of this subproject is to develop and establish a model to predict water quality and the effect of algae blooms on Yu Qiao reservoir. The model will enable management departments to predict water quality problems, analyze the associated risks, and prepare management measures.</p>
<p>1.5 Application of International Best Practices of Social Welfare Reforms to Social Assistance Policy in the PRC (\$50,000; IA is the Ministry of Civil Affairs)</p>	
<p>This subproject builds on the previous study under technical assistance (TA) 4933^a subproject 1.4 (operational mechanisms for rural <i>dibao</i>^b and medical financial assistance). The previous study has collected valuable information on the operation of rural social assistance programs, identified problems facing civil affairs, produced guidelines for program administration, and proposed recommendations for policy improvements. The study contributed greatly to the understanding and improvement of the PRC's social assistance programs in rural areas. However, the previous study focused mainly on improving the administration and functioning of the programs within the framework of the PRC's current policies. There has been limited reference to international practices, which can help the PRC further improve its social assistance policies.</p>	<p>The objectives of the subproject are to (i) understand the practices and outcomes of selected international social assistance programs, and (ii) investigate and identify necessary and sufficient conditions for successful implementation of a social welfare system in the PRC, based on the international best practices.</p>
<p>1.6 Fiscal Policy for Rural Environmental Protection in Liaoning Province (\$50,000; IA is Liaoning Provincial Bureau of Finance)</p>	
<p>In recent years, governments at all levels in Liaoning Province have increased their support for environmental protection. However, there is still a need to issue effective fiscal measures for rural environmental protection. In recent years pollution in Liaoning Province has expanded from urban areas to the countryside. The deterioration of the rural Liaoning environment has been caused by rural industrial activities, domestic animal breeding, rural domestic pollution, and excessive use of chemical fertilizers. The problem has become increasingly serious, and is affecting the environment of the entire province. Rural pollution problems have increasingly impaired the water quality of the Liao River. The Liao river system is one of the seven domestic water systems. The water quality of the Liao River is currently degraded (falling in category V of the PRC's water quality standards). This has seriously impacted the drinking water quality and health of millions of citizens, and affected the biodiversity and ecosystem functions of the Bohai Sea.</p>	<p>The study will identify the root causes of rural environmental pollution, and recommend appropriate fiscal policies and financial support to protect the rural environment of Liaoning Province.</p>

Subproject and Basic Rationale	Subproject Objective
1.7 Evaluation of Models for Urban Medical and Health Institutions to Support Township Hospitals in Hebei Province (\$50,000; IA is Hebei Provincial Health Bureau).	
<p>Following the government strategy to reduce the inequality of health services among urban and rural residents, Hebei Province introduced a series of policies to improve equity between urban and rural health services. The policies include rural cooperative medical care, health service institution building in rural areas, and support from urban medical and health institutions to their rural counterparts. At present, seven small-scale pilot models have been applied to provide assistance from urban medical and health institutions to those in rural areas.</p> <p>The 1,972 township hospitals in Hebei have played a key role in providing rural grassroots health services. Health infrastructure has been strengthened, but the quality and capacity of grassroots practitioners remains weak and in need of strengthening; this can be accomplished through broader application of successful pilot models for supporting rural health care through assistance from urban medical and health institutions.</p>	<p>The study will (i) evaluate effectiveness, suitability and relevance of the seven piloted models, both individually and in an integrated manner; (ii) summarize experience from the pilot program; and (iii) provide policy suggestions to give appropriate support and assistance to township hospitals to improve the capacity and quality of grassroots hospital professionals through replication and expansion of effective support models at a larger scale.</p>

B. Output 2: Capacity Building

Subproject and Basic Rationale	Subproject Objective
2.1 The 2009 Dissemination of Asian Development Bank (ADB) TA Best Practice (\$50,000; IA is the Ministry of Finance (MOF) TA Division in dialogue with ADB)	
<p>Over more than two decades of cooperation between ADB and the PRC, many TA projects have served to significantly promote innovation and the achievement of national development objectives. Lessons from recent and ongoing TA (particularly policy advisory and capacity-building TA) should be broadly and effectively disseminated to PRC stakeholders to magnify their impact and inform more effective TA operations in the future. This will build on past cooperation between the PRC and ADB in the "ADB TA Award" for selected sector or theme, and a similar subproject will tentatively also be included in 2010 and 2011.</p>	<p>The subproject will develop new mechanisms for effective and targeted dissemination of key lessons and success stories in TA-based cooperation, with recommendations for future knowledge products.</p>
2.2 The 2010 Dissemination of ADB TA Best Practice (\$50,000; IA is the MOF TA Division in dialogue with ADB)	
<p>Same as subproject 2.1, for a different sector or theme. To be undertaken in 2010.</p>	<p>Same as subproject 2.1.</p>
2.3 The 2011 Dissemination of ADB TA Best Practice (\$50,000; IA is the MOF TA Division in dialogue with ADB)	
<p>Same as subproject 2.1, for a different sector or theme. To be undertaken in 2011.</p>	<p>Same as subproject 2.1.</p>

^a ADB. 2007. *Technical Assistance to the People's Republic of China for the Facility for Policy Reform and Poverty Reduction*. Manila (TA 4933-PRC).

^b *Dibao* is also known as subsistence level social welfare system.

Sources: Bureau of Water Resource in Tianjin, China Institute of Internal Audit, Hebei Provincial Health Bureau, Liaoning Provincial Bureau of Finance Ministry of Civil Affairs, Ministry of Finance, Ministry of Health, and Ministry of Human Resources and Social Security.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants ^b	
a. Remuneration and Per Diem	
i. International Consultants	210.0
ii. National Consultants	230.0
b. International and Local Travel	95.0
c. Reports and Communications ^c	45.0
2. Equipment ^d	40.0
3. Training, Seminars, and Conferences	180.0
4. Surveys ^e	130.0
5. Miscellaneous Administration and Support Costs ^f	150.0
6. Contingencies	120.0
Subtotal (A)	1,200.0
B. Government Financing	
1. Office Accommodation and Transport	100.0
2. Remuneration and Per Diem of Counterpart Staff	250.0
3. Others	70.0
Subtotal (B)	420.0
Total	1,620.0

^a Financed by the Asian Development Bank's technical assistance funding program (Technical Assistance Special Fund—Others).

^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 proposed to ADB, which may include laptop computers, printers, fax machines, scanners, copy machines, and other office consumables. At project completion, equipment will become the property of the executing agency or an entity which it identifies.

^e Includes research materials, small surveys, and pilot tests.

^f Includes report publication and dissemination.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The Asian Development Bank (ADB) technical assistance (TA) for the Facility for Policy Reform and Capacity Building III will use an estimated 70 person-months of national and 14 person-months of international expert inputs to support research, workshops, and other agreed subproject activities. The inputs will be provided by formal consultants—recruited as individuals by ADB—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 the implications of various courses of action. The nature of the needed expertise and inputs will be determined on a case-by-case basis for each activity or subproject identified and approved jointly by the executing agency (EA)—the Ministry of Finance (MOF)—and ADB.

2. ADB will recruit consultants as individuals in accordance with its *Guidelines on the Use of Consultants* (2007, as amended from time to time). The implementing agencies (IAs) will be responsible for proposing terms of reference to the EA and ADB for consideration. An equivalent of 84 person-months of national and international expert inputs by consultants and resources persons will be engaged under the ADB TA to support the research, workshops, and other agreed subproject activities. The areas of expertise of the engaged consultants must be consistent with the scope of this TA, and related to: (i) preparation of the 12th Five-Year Plan (FYP); (ii) the Government's emerging, urgent, and high-priority issues; (iii) increased leverage for existing projects and/or policy priorities within the framework of ADB's the People's Republic of China (PRC) Country Partnership Strategy (CPS) for 2008–2010⁹ and its updates and (iv) relevant capacity-building activities for government officials. Experts will serve to introduce international best practice; provide in-depth local knowledge; and advise on policy options, challenges, and the implications of various courses of actions. The experts may be independent consultants, or recruited from consulting firms, research institutes, think tanks, academic institutions, government research arms, and nongovernment organizations.

A. Short-Term Resource Persons (estimated at 4 person-months, international and national)

3. Unless otherwise agreed by the EA and ADB, short-term resource persons or experts entitled to receive honoraria or payments will be identified from responsible external 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 others' research; 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–urban migration, social services in rural areas, and pro-poor fiscal reform).

B. Indicative Responsibilities for Formal Consultants

4. The IAs 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 subproject. External experts will report to and work under the guidance of the IA and the EA, and will provide the inputs generally outlined below and any other specific tasks the EA and ADB may reasonably request. For each subproject, concise progress reports will analyze

⁹ ADB. 2008. *Country Partnership Strategy (2008–2010): People's Republic of China*. Manila.

key issues encountered and proposed next steps, including updated work plans detailing inputs of the IA and the external experts.

5. **Subproject Task Coordinator** (estimated at 34 person-months, national). Each subproject will typically have one consultant who will serve as the subproject 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 stakeholders to ensure smooth implementation and policy dialogue, coordinating across subproject experts, and facilitating overall implementation. 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 subproject. Specific tasks include

- (i) liaising with relevant focal points for other national and internationally-supported initiatives, ensuring communication and dovetailing of efforts across agencies and/or organizations and administrative levels;
- (ii) assisting the IA to formulate a comprehensive and concrete action plan, considering existing local and international models relevant to the subproject context; supporting plan achievement, and facilitate communication and information sharing;
- (iii) providing concise updates (quarterly, as issues emerge, and/or in conjunction with major milestones) to the EA and ADB. These should report progress, emerging lessons, and identify challenges and propose resolutions; and
- (iv) providing agreed technical inputs based on an agreed division of labor reflected in the action plan.

6. The indicative tasks for policy-related subprojects (estimated at 34 person-months, international and national experts) 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, survey sampling, etc.);
- (iii) provide research and analytical inputs (e.g., background research, policy papers, 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 operationalization mechanisms. International experts in particular should provide advice and other inputs regarding reform frameworks and processes that is based on international comparative analysis and relevant evidence, for incorporation into group work, policy forums and other activities, and final recommendations; and
- (v) directly contribute to policy dialogue, and support dissemination to key government decision-makers and other stakeholders.

7. The indicative tasks for capacity-building subprojects (estimated at 12 person-months, international and national experts) will 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 should provide advice and support adoption of best-practice international capacity-building models and techniques; and
- (iii) develop materials to support to capacity building, including introduction of

international best practice with relevance to the PRC context. To ensure efficacy, materials should emphasize applied competencies and the use of participatory, active learning approaches, ranging from participatory face-to-face training to learning-by-doing.

C. Indicative Terms of Reference for Experts in Subprojects

8. Indicative tasks of consultants engaged for policy reform subprojects include

- (i) assisting the EA and ADB with tools to assess and prioritize research projects focusing on strategic development issues consistent with the Government's needs and emerging development issues, particularly in the areas of poverty reduction and the preparation for the 12th FYP;
- (ii) undertaking specific research, as required in the specific terms of reference prepared by relevant IAs and endorsed by EA and ADB;
- (iii) providing practical recommendations on the Government's immediate policy options to address development constraints, taking into consideration information from the experience-sharing and best-practice dissemination activities;
- (iv) creating study reports and synopses in the format required by the TA (e.g., policy research studies, policy notes, project implementation assessments, good-practice studies, and sector and thematic reports);
- (v) organizing translations of the TA outputs and other knowledge products into Chinese, as required;
- (vi) preparing background information and documents for the meetings between ADB and EA, and provide assistance, as requested, to respective IAs and STCs; and
- (vii) supervising the administrative functions of research support personnel, such as compiling information, collecting data relevant to the research studies and providing other support to the research consultants, EA, and relevant ADB staff.

9. Indicative tasks of consultants engaged for capacity-building subprojects are based on a detailed work plan agreed with the EA, IA, and ADB. The consultants will focus on designing and implementing a systematic strategy for continuous capacity building; detailed tasks will include the following:

- (i) conduct a detailed human resource needs assessment for relevant government and nongovernment entities, including identifying gaps and key obstacles in aptitudes, attitudes, information flows, and technical capacity;
- (ii) based on the assessment in (i), propose to ADB and the IA a capacity-building framework that ensures that programs include active learning, experience-based methodologies that involve case studies and follow-up tasks, and multiple tools including face-to-face training and print-based resources. Refine the framework as needed based on periodic evaluation of skill gaps;
- (iii) identify key proponents and design and conduct training-of-trainers to support capacity building for central and local government officials, as well as the beneficiaries (e.g., villagers) as required,
- (iv) propose and organize high-level conferences, seminars, workshops, focus groups, training, and other meetings through the use of independent experts when needed; and
- (v) organize and conduct the following activities: (a) effectively disseminate the findings of studies or best-practice cases, (b) establish an effective policy dialogue among stakeholders, (c) undertake consultations regarding the policy directions and development strategy under the context of the preparation of the 12th FYP, and (d)

train and build the capacity of government agencies that may assume EA responsibilities for ADB TA projects.

D. Final Reports

10. Prior to the conclusion of each subproject, the experts will provide inputs for and assist the subproject IA in submitting to the EA and ADB the core outputs described in para. 10 of the main text, including

- (i) a final report outlining the key methodology, processes, and results of the policy or capacity-building subproject. 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, targeting mid-level officials in relevant ministries and the broader stakeholder community. The focused synopsis should be a self-contained monograph that briefly notes the subproject background, but focuses on key subproject issues (e.g., policy gaps, operational mechanisms, and/or implementation capacities) 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). These should be supported by salient evidence or examples from the PRC context and international cases as appropriate.

11. 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 IAs as appropriate. The EA and/or ADB may also request that the experts provide inputs to support policy notes targeted at senior government officials, such as internal policy memos or ADB policy notes (i.e., *Observations and Suggestions*).