

ASIAN DEVELOPMENT BANK

TAR:PRC 37001

TECHNICAL ASSISTANCE

TO THE

PEOPLE'S REPUBLIC OF CHINA

FOR

SUPPORT FOR REFORMS IN COMPULSORY EDUCATION FINANCING

July 2004

CURRENCY EQUIVALENTS

(as of 01 July 2004)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.121
\$1.00	=	CNY 8.2766

ABBREVIATIONS

ADB	–	Asian Development Bank
CEF	–	compulsory education finance
M&E	–	monitoring and evaluation
MOE	–	Ministry of Education
MOE-DF	–	Ministry of Education Department of Finance
MOF	–	Ministry of Finance
PRC	–	People's Republic of China
TA	–	technical assistance
TAFSA	–	technical assistance framework agreement

TA CLASSIFICATION

Poverty Classification	–	Poverty intervention
Sector	–	Education
Subsector	–	Basic Education
Thematic	–	Inclusive social development

NOTES

- (i) The fiscal year (FY) of the Government coincides with the calendar year.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. During the Asian Development Bank (ADB) country programming mission to the People's Republic of China (PRC) in July 2003, the Government requested advisory technical assistance (TA) in the area of compulsory education finance (CEF), subsequently confirmed for inclusion in the 2004 TA program. Support to the Ministry of Education (MOE) on CEF reforms will be vital to sustaining and advancing progress in universalizing compulsory education (comprising 9 years of primary and lower secondary schooling), linked to the second Millennium Development Goal,¹ and to achieving broader national economic and social development goals. MOE views systematic CEF reform as key to improving education quality and system efficiency.

2. Discussions with representatives from MOE, the Ministry of Finance (MOF),² and other relevant national and international organizations during the Fact-Finding Mission on 17–26 March 2004 confirmed the timeliness of TA to support policy and institutional reforms in CEF and formulation of viable mechanisms for implementation; these will be central to promoting improved education quality, access, and equity. Subsequent discussions firmed up agreement with the Government on the TA's goal, objective, scope, implementation arrangements, cost and financing, and outline consultant terms of reference.³ The TA framework is in Appendix 1.

II. ISSUES

3. Broad international evidence demonstrates that primary and lower secondary education yield high economic returns, including higher individual earnings in the workforce and substantial benefits for local and national economic development. This is particularly true in less developed countries and areas. Recent estimates for the PRC's Western Region indicate that the economic returns and poverty reduction impact from public investments in education substantially exceed those for other investments studied.⁴ More broadly, basic education (defined here to include primary and lower secondary schooling, and nonformal education for literacy and numeracy skills) plays a critical role by allowing citizens to respond to a changing socioeconomic environment and to participate in, and contribute productively to, the PRC's economic and social development. Basic education, particularly for females, also has far-reaching intergenerational effects by influencing sanitation, nutrition and health, fertility decisions, and investment in children's human capital and well-being.

4. The PRC has made significant progress in extending education coverage since enacting comprehensive education finance reforms in 1985, which decentralized the main responsibilities for rural education to townships and villages and encouraged diversified resource mobilization, and the 1986 Compulsory Education Law, which stated that all children should receive 9 years of education. However, major challenges remain. In particular, disadvantaged communities are least able to mobilize and manage resources to provide quality education; disparities in per-student expenditure have grown fastest at the primary level.^{5,6} Exacerbated by weak planning and management and inadequate funding for teacher salaries and learning materials, cost burdens on poor households and low education quality in poor areas are key factors depressing

¹ This states that, by 2015, all boys and girls should complete a full course of primary schooling. The third goal aims to eliminate gender disparities in primary and secondary education, preferably by 2005.

² Within MOF, the Education Division of the Department of Education, Culture, and Science oversees CEF issues.

³ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 28 January 2004.

⁴ International Food Policy Research Institute. 2002. *Growth, Inequality, and Poverty in Rural China: The Role of Public Investments*. Washington, DC.

⁵ Tsang, Mun. 2001. *Intergovernmental Grants and the Financing of Compulsory Education in China*. New York: Columbia University documents widening disparities and calls for systematic use of inter-governmental transfers.

⁶ Lin, Justin Y., Ran Tao, Mingxing Liu, and Qi Zhang. 2002. *Urban and Rural Household Taxation in China: Measurement and Stylized Facts*. Beijing: Peking University estimates that the share of total income spent on education is 5-6 percentage points higher in rural areas, reflecting highly subsidized education in urban areas.

enrolment and learning outcomes.⁷ Poverty disproportionately threatens education prospects for girls, who lag in enrolment in rural areas and comprise roughly 80% of the PRC's dropouts.

5. In view of these challenges, the Government has renewed its commitment to providing education for all, reflected in an action plan released in April 2003, and to achieving the "two basics": universalization of literacy and of 9-year compulsory education. Special emphasis has been given to the Western Region, where 372 counties had not yet universalized compulsory education by the end of the 2002-2003 school year, with 60 counties failing to provide full primary education and 260 still battling against illiteracy among the young and middle-aged. In September 2003, the minister of education set three goals for rural education reform, to (i) realize the "two basics" in the Western Region; (ii) improve quality and reduce dropouts in rural lower secondary schools; and (iii) cultivate rural schools into bases for poverty reduction through compulsory, vocational, and adult education. Simultaneously, the State Council Decision on Strengthening Rural Education underscored a commitment to ensure access to quality education. It called for (i) expanding and systematizing transfer payments, particularly from province-level governments, directly to counties, which took on lead responsibility for rural education management under the 2001 reforms; (ii) increasing transparency and accountability; and (iii) introducing exemptions from miscellaneous fees and textbook charges and dormitory fee subsidies, initially focusing on poor families in central and western PRC.

6. The TA will assist the PRC to enhance and better track the allocation of CEF resources, to improve efficiency and equity. This is essential to meet the needs of rural communities, minority populations, poor urban migrants, and other disadvantaged groups. This support is timely, in view of broader shifts affecting revenue collection and budgetary responsibilities across administrative levels, most notably (i) the initiation of a tax-for-fee reform in 2002, abolishing surtaxes for rural education, township pooling funds, and informal charges; and (ii) plans announced in March 2004 to eliminate most special agricultural taxes and phase out regular agriculture taxes by 2009. These create both opportunities and challenges for CEF.

7. The TA will build on research and programs by domestic and international agencies, typically focused on specific facets of CEF. Incorporating dialogue with MOE and other stakeholders to identify key challenges and constraints, the TA will help develop a unified framework, with a concrete action plan for implementing priority reforms. Support for CEF reform is consistent with (i) increased emphasis given to balanced social development at the Second Session of the Tenth National People's Congress in March 2004; and (ii) the first pillar of ADB's PRC country strategy and program (2003–2007) on reducing inequalities, within the overall aim of promoting pro-poor economic growth by enabling the poor to have greater access to opportunities and benefits of economic prosperity. This assistance also builds on a series of ADB TAs supporting PRC education in the mid-1990s,⁸ and ongoing TA⁹ to explore strategies for innovative use of information and communication technology to improve basic education quality and access in poor communities. Together, these provide a foundation for ADB's future involvement in PRC education.

⁷ World Bank. 2002. *China National Development and Sub-National Finance: A Review of Provincial Expenditures*. Washington, DC.

⁸ Including (i) ADB. 1993. *Technical Assistance to the People's Republic of China for Policy and Planning Support for Education for All in Hebei Province*. Manila; (ii) ADB. 1994. *Technical Assistance to the People's Republic of China for Institutional Strengthening of the State Education Commission*. Manila; (iii) ADB. 1994. *Technical Assistance to the People's Republic of China for Middle School Teacher Training in Qinghai Province*. Manila; and (iv) ADB. 1995. *Technical Assistance to the People's Republic of China for Strengthening the Department of Ethnic Minority Education*. Manila.

⁹ ADB. 2002. *Technical Assistance to the People's Republic of China for Improving Basic Education in Underdeveloped Areas through Information and Communication Technology*. Manila.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

8. The long-term goal of the TA is to put in place effective financing policies, strategies, and mechanisms to ensure universal access to quality primary and lower secondary education, thereby promoting equitable social and economic development. The TA's overall purpose is to formulate and build consensus on viable strategies to enhance the level and allocation of resources financing compulsory education in the PRC. A particular focus will be placed on equity; the timeliness and stability of resource delivery to schools; and impact on children's participation in education, teaching and learning processes, and learning outcomes.

9. Based on thorough analysis of needs and gaps in financial resources and capacities for implementing compulsory education, assessment of international models and lessons learned, and discussion with key stakeholders, the TA's specific objectives are to

- (i) develop specific mechanisms across administrative levels to increase financial inputs, while alleviating burdens on poor families and addressing other resource-related obstacles to children's full participation in education;
- (ii) formulate concrete measures to rationalize and systematize education budgeting and expenditure allocation across administrative levels; geographic regions; urban-rural areas; and primary, lower secondary, and other levels of education; and
- (iii) identify and propose systematic interventions to address priority gaps in intra- and inter-agency decision-making processes and human resource capacities in CEF planning and implementation at various administrative levels.

10. These will be reflected in a comprehensive framework and action plan in the final report, which will set out clear priorities and identify financial and human resources needed.

11. To achieve these objectives, TA outputs will include the following analytical reports, which are detailed in Appendix 2:

- (i) a background report on the macro-level context surrounding CEF;
- (ii) a research report documenting and identifying findings of a study on micro-level investigation on local models for funding primary and lower secondary education;
- (iii) a major interim report on CEF funding and allocation, incorporating findings from two policy studies covering (a) funding responsibilities, and (b) allocation of government and nongovernment funding; and
- (iv) a final report on recommendations for reforming CEF in the PRC, incorporating findings of a third policy study, covering CEF implementation and outcomes, and consensus reached on a framework and action plan.

12. In line with the overall action plan and reflected in an annex to the final report, the fifth deliverable will be a working model—demonstrated and refined through a pilot test (para. 13)—for monitoring and evaluation (M&E) of CEF inputs, administration, and outcomes at different administrative levels.

B. Methodology and Key Activities

13. Under the TA's research and analytical studies component, consultants will work with MOE and other central and local agencies in carrying out macro- and micro-level investigations and the three policy studies, culminating in the reports described in para. 11 and Appendix 2. Workshops integrated into the research process will support information sharing, consensus-building, and refinement of draft research outputs; this will include major review workshops for the draft interim report (timed with the midterm review mission) and draft final report, which will

draw representatives from MOE, MOF, the National Development and Reform Commission, and other relevant domestic and international agencies. Following completion of the macro-level study, a more extensive micro-level investigation will focus on (i) 1–2 counties in a poor Western Region province or autonomous region that are nationally designated as key working counties for poverty alleviation, (ii) 1–2 additional target counties in a moderate-income central province, and (iii) 1 comparator county in an eastern province. Analysis will include local CEF resources, decision-making and administration down to the school level, and impacts on education quality, access, and cost burdens, particularly for poor households. Findings from macro- and micro-level studies will feed into the three policy studies.

14. Implemented during the latter half of the TA, the second component consists of a focused pilot study on M&E to track CEF planning, inputs, and outcomes. The pilot study will draw on baseline information collected under the micro-level study, to allow tracking of education outcomes alongside planning and resource movements in target counties and at higher levels. Consultants' draft design for the pilot test will be reviewed at a workshop during the midterm review. Subsequent, mostly local seminars will help to refine the pilot test's implementation strategy, build needed capacities among participating personnel in target localities, and evaluate pilot performance. Findings and capacities built will support continued implementation and scale up of M&E mechanisms after TA completion.

C. Cost and Financing

15. The total cost of the TA is estimated at \$640,000 equivalent, of which \$200,000 is the foreign exchange cost and \$440,000 equivalent is the local currency cost. The Government has requested that ADB finance \$500,000 equivalent, covering the entire foreign exchange cost and \$300,000 equivalent of the local currency cost. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining local currency cost, equivalent to \$140,000, through the provision of office accommodation venues for training and various meetings, counterpart staff and allowances, communication and administrative support (including support for workshops and seminars), support for activities under the M&E pilot, and post-pilot-test implementation. Detailed cost estimates and the financing plan are in Appendix 3.

D. Implementation Arrangements

16. The TA will be implemented from August 2004 to July 2006. The Ministry of Education Department of Finance (MOE-DF) will be the TA Executing Agency, with the Comprehensive Division overseeing day-to-day implementation, including (i) coordinating consultant selection processes and supervising consultant performance; (ii) conducting administrative tasks and ensuring timely provision of Government inputs noted below; and (iii) acting as MOE liaison for the consultants and ADB, including facilitating access to relevant education data, nonrestricted policy documents, communication channels, and other information resources needed for TA implementation. The Comprehensive Division will also take lead responsibility in organizing and implementing a small roundtable meeting early in the TA to review the draft report covering the macro-level context, a final conference at the TA's end, and other activities as agreed by ADB.¹⁰ To ensure timely provision of related goods and services, an advance payment facility will be established, in accordance with ADB's *Guidelines for Disbursement of Technical Assistance Grants*, and subject to terms laid out in the letter establishing the facility.

17. The Government and ADB agree to include this TA as one of the projects selected under the Pilot Study for Delegation of Consultant Recruitment and Supervision under Technical

¹⁰ MOE-DF proposals for workshops and other activities may identify resource persons to augment consultant inputs.

Assistance to Executing Agencies (Pilot Study)¹¹ approved by ADB. In particular, the Government agrees to follow the implementation procedures outlined in the Pilot Study Board paper and such other detailed procedures and practices as ADB may require from time to time. The Government acknowledges that the terms and conditions of the Technical Assistance Framework Agreement (TAFAs) between the Government and ADB dated 23 December 1996 apply to this TA. For the purposes of Section 3.01 of the TAFAs, ADB agrees to delegate consultant selection and supervision for firms or individuals under this TA to the Government. The TA Letter of Agreement to be issued for this TA under the TAFAs will reflect this arrangement. As provided in the TAFAs, consultants engaged and supervised by the Government under this TA will, *inter alia*, have the status of experts performing missions for ADB and will be entitled to the privileges and exemptions conferred upon such experts under the *Agreement Establishing the Asian Development Bank*. MOE-DF will seek ADB approval before any proposed material deviations from agreed consultant inputs.¹²

18. MOE will select and engage (i) one individual domestic consultant¹³ (3 person-months) to provide early background research leading to the report on the macro-level context surrounding CEF; and (ii) a consultant firm or agency, which will mobilize and coordinate a team of consultants totaling 7.5 person-months of international and 34 person-months of domestic consultant services. The selection and engagement of the latter will use the simplified technical proposal format under the quality and cost-based selection method in accordance with ADB's *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*; proposals may indicate either the international or domestic policy adviser as overall team leader. As set out in the Pilot Study Board paper, ADB's review of firm-based consultant selection will generally follow procedures used in ADB loans. The outline terms of reference for consultant inputs are in Appendix 4.

19. In addition to stakeholder participation in formal workshops, the consultants will conduct regular dialogue and information sharing with domestic and international agencies throughout TA implementation, to ensure (i) the accuracy and relevance of TA findings and strategic and technical recommendations, (ii) complementarity of efforts with other initiatives, (iii) ability to respond to an evolving context surrounding CEF, and (iv) consensus behind final recommendations to ensure their actualization. MOE-DF and ADB will jointly review major drafts of reports (prepared in English and Chinese), and finalized reports will be disseminated to decision-makers and other key stakeholders to maximize their impact.

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 \$500,000 on a grant basis to the Government of the People's Republic of China for Support for Reforms In Compulsory Education Financing, and hereby reports this action to the Board.

¹¹ ADB. 2003. *A Pilot Study for Delegation of Consultant Recruitment and Supervision under Technical Assistance to Executing Agencies*. Manila.

¹² This refers to any variation that would (i) involve changes in, or replacement of, experts or changes in remuneration rates; and/or (ii) result in a cost impact—by way of reallocation or otherwise—of not less than \$10,000; and/or (iii) result in a change in TA objective or scope or in the terms of reference of the consultant or personnel.

¹³ Recruitment of the analyst on CEF context will be subject to ADB concurrence on the final shortlist

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Effective financing policies, strategies, and mechanisms put in place to ensure universal access to quality primary and lower secondary education, promoting equitable social and economic development.</p>	<ul style="list-style-type: none"> • By 2015, all children in the People's Republic of China (PRC) complete 6 years of quality primary schooling (vs. 98.6% enrolment in 2002); rise in lower secondary enrolment from 90% to 95%; • Increased system equity, including 85% of Western Region population covered by compulsory education by 2007; • Greater internal and external efficiency: e.g., rise in survival rate to grade 5 (98% in 2000) and illiteracy rate in young and middle-aged falls 	<p>Tracking of policy reform and budgetary and education figures (e.g., net enrolment, repetition, transition rates into and out of lower secondary schools) by the Ministry of Education (MOE) and other stakeholders; MOE use of new tools for monitoring and evaluation (M&E) of compulsory education finance (CEF) to be institutionalized after pilot test under the technical assistance (TA).</p>	
<p>Purpose</p> <p>Create viable strategies to enhance the level and allocation of resources for compulsory education in the PRC, ensuring equity; timely and stable resource flows to schools; and improved participation of children in education, teaching and learning processes, and final outcomes</p> <ul style="list-style-type: none"> • specific mechanisms at various levels to increase financial inputs and decrease burdens on poor families and lessen other resource-related obstacles; 	<p>Reform framework and action plan guide increased, more efficient financing (e.g., MOE target of 4% share of gross domestic product spent on education, from 2.9% in 2000). These include clear definition of roles and a sustainable, pro-equity balance across administrative levels, geographic regions and urban-rural areas, types of schools, etc.; research papers drafted and reviewed by workshops: (i) on macro-level study in October 2004; (ii) on</p>	<p>Consultant progress reports and workshop review of draft research reports draft; multi-stakeholder dialogue; consultants and the Asian Development Bank (ADB) observe national policy dialogue and media coverage.</p>	<p>Assumes credibility of consultant findings and that the Government maintains high priority on education, and is committed to increasing financial support levels and enacting needed reform.</p> <p>Risk of breakdown of collaboration and dialogue across agencies and initiatives; difficulty of comparing improved versus past statistics.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<ul style="list-style-type: none"> • recommendations to rationalize and systematize education budgeting and expenditure allocation; and • an action plan to address priority gaps in capacities for planning and implementing CEF across levels. 	<p>micro-level survey in March 2005; (iii) on policy studies 1-2 at midterm review in June 2005; and (iii) on semi-final recommendations report and draft M&E annex in December 2005. Final overall report finalized in March 2006, with broad support behind framework and multi-faceted action plan.</p>		
<p>Outputs</p> <p>Component 1: Studies</p> <ul style="list-style-type: none"> • Report on the macro-level context surrounding CEF, spanning reforms in education finance and management, and other major policies, programs, and macro-level initiatives; • Report on micro-level investigation on local models for funding primary and lower secondary education, analyzing funding inputs, expenditure allocation, and broad impacts, with a focus on equity issues; • Final report on recommendations for reforming CEF in the PRC, including three policy studies on key topics and an annex on M&E. <p>Component 2: M&E Pilot Test Focused pilot test of micro-level elements of</p>	<p>Draft report reviewed by workshop in October and finalized in November 2004.</p> <p>Strong micro-level evidence on links between equity, efficiency, and quality; draft report finalized in March 2005 after review by workshop</p> <p>Report embodies consensus on framework and action plan; workshops (see Activities) review drafts of three policy studies and annex; report finalized in March 2006.</p> <p>Stakeholders identify M&E priorities and review outline system design at mid-TA</p>	<p>Consultant progress reports and MOE Department of Finance (MOE-DF) and ADB joint review of draft research reports; external review of draft findings in multi-stakeholder workshops; less formal inter-partner dialogue.</p>	<p>Assumes consultant coordination (internally and with Government and other partners) and timely, high quality outputs. Risk of breakdown of collaboration and dialogue. Difficulty of accessing information</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
new M&E system to capture CEF planning, resource inputs, and educational outcomes.	workshop; pilot activities begun in September 2005; scaled-up M&E system launched by MOE in April 2006.		
<p>Activities and Inputs</p> <p>Component 1: Studies</p> <p>Component 2: M&E Pilot Test</p>	<p>Consultants—totaling 7.5 person-months international and 34 person-months domestic—work with MOE-DF to effectively implement TA; some allowance for task-specific resource persons.</p> <p>MOE-DF holds workshops:</p> <ul style="list-style-type: none"> • review of macro-level context study in October 2004; and • final conference in April 2006. <p>Consultants lead research workshops to review drafts:</p> <ul style="list-style-type: none"> • micro-level survey study in March 2005; • policy studies 1-2 (plus early dialogue on M&E) at mid-TA workshop in June 2005; • third policy study in October 2005; • final report (including M&E annex) at December 2005 symposium. <p>Consultant design finalized after discussion at TA mid-term review; core materials developed and activities (including needed capacity building) begun in September 2005.</p>	<p>Consultant progress reports; work plans submitted and agreed (ADB concurrence on substantive changes); ADB discussion with MOE-DF and stakeholders</p>	<p>Assumes selection of consultants with right skill mix; maintained dialogue and coordination of MOE-DF and ADB at start-up and throughout TA.</p>

ADB=Asian Development Bank, CEF=compulsory education financing, M&E=monitoring and evaluation, MOE=Ministry of Education, MOE-DF= Ministry of Education Department of Finance, PRC=People's Republic of China, TA=technical assistance

OUTLINE OF MAJOR REPORTS

1. TA deliverables will include four analytical reports.
 - (i) As an early input to subsequent work, a report will be presented on the macro-level context surrounding compulsory education finance (CEF), which will (a) outline key relevant reforms, policies and programs, and other macro-level initiatives inside and outside the education sector (e.g., reforms of rural taxation and education management, the national compulsory education program, etc.); and (b) assess their implications for CEF and management.
 - (ii) Guided by findings of this macro-level analysis and outside research, a research report will document and identify findings of a study on micro-level investigation on local models for funding primary and lower secondary education, including analysis of at least three facets: (a) sources and levels of funding; (b) decision-making, planning, and administration related to allocation of expenditures for local education; and (c) impact on education quality (see para. 3[vi]), access, and household burdens, with a particular focus on poor areas and disadvantaged members within communities.¹ The study design will allow the impact of CEF-related variables to be differentiated from other factors.
 - (iii) An interim report on CEF funding and allocation will include domestic and international case studies, other analysis, and tentative recommendations (for refinement in the final report) covering policy and legislative aspects, as well as institutional change and capacity building needed to ensure effective CEF decision-making and implementation. This will be based on two policy studies on (a) funding responsibilities—based on the current division of compulsory education funding burdens, assessment of capacities for sustainable financing by governments at various levels, and analysis of the role of household and other nongovernment sources; and (b) allocation of government and nongovernment funding to meet needs across schools in different geographic regions, urban-rural areas, and primary, lower secondary and other sub-sectors of education; and
 - (iv) The main output of the technical assistance (TA) will be a final report on recommendations for reforming CEF in the People's Republic of China (PRC), incorporating findings of a third policy study (on CEF implementation and outcomes) and consensus reached on a framework and action plan.

2. The final report will be the TA's paramount output, providing a comprehensive assessment of CEF in the PRC and identifying key gaps and inefficiencies. Analysis will feed into (and provide a strong justification for) proposed reforms, and the report will set down a reform framework outlining clear priorities, with an action plan giving concrete recommendations, including specific implementation mechanisms. In addition to synthesizing findings of macro- and micro-level research under the TA and from other sources, the final report will integrate findings of a third policy study on CEF implementation and outcomes. This study will investigate the relationship between funding (including distributional and management aspects), education access and quality, and students' educational outcomes. Research and recommendations will focus on (i) efficiency and equity in the use of public resources to achieve compulsory education targets; and (ii) institutions, decision-making processes, and human capacities² in implementing CEF, as determinants of efficiency and equity. A monitoring and

¹ Grassroots-level data collection and analysis will principally focus on rural areas, especially in the Western Region, but will provide some coverage of migrant populations and the urban poor.

² The report will identify priority capacity building needs, and formulate interventions for inclusion in the action plan.

evaluation (M&E) annex to the final report will propose a design for an M&E system to track CEF planning, resource inputs, and education outcomes, based on (i) findings from the research noted in para. 1, and (ii) pilot testing of micro-level elements of the system.

3. To complete this work, the consultants will identify and compile data needed, including a system of key quantitative indicators and qualitative measures, spanning areas such as

- (i) per-student costs of education by urban/rural location, level of school, etc.;
- (ii) trends in CEF resource inputs alongside national and local economic growth;
- (iii) financing sources such as fees, local and national government budgets, various types of fiscal transfers, etc.;
- (iv) disaggregated analysis of resource allocation across various dimensions (e.g., school levels, urban-rural schools, regions, etc.);
- (v) breakdowns of expenditures by type (e.g., teacher salaries, teaching and learning materials, facilities, etc.);
- (vi) education quality, including measures of education processes (e.g., classroom practice and availability of teaching and learning materials) and outcomes (e.g., test scores); and
- (vii) efficiency and equity in education inputs, including the links between resources and compulsory education enrollment, dropout and repetition, and completion rates, gender balance, average class size, student-teacher ratio, and learning outcomes and external efficiency.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	148.0	0.0	148.0
ii. Domestic Consultants	0.0	146.8	146.8
b. International and Local Travel	25.0	7.0	32.0
c. Reports and Communications	2.0	3.0	5.0
d. Studies and Surveys	1.0	22.0	23.0
e. Research-Oriented Workshops	4.0	25.0	29.0
f. Monitoring and Evaluation Pilot Study			
i. Seminars and Other Meetings	0.0	25.0	25.0
ii. Materials for Training and Implementation	0.0	8.0	8.0
g. Miscellaneous Administration and Support	0.0	14.0	14.0
2. Initial and Final Workshops ^b	0.0	15.2	15.2
3. Equipment ^{b, c}	6.0	2.0	8.0
4. Miscellaneous Administration and Support ^b	0.0	12.0	12.0
5. Contingencies	14.0	20.0	34.0
Subtotal (A)	200.0	300.0	500.0
B. Government Financing			
1. Office Accommodation and Venues for Meetings and Training	0.0	30.0	30.0
2. Counterpart Staff and Allowances	0.0	48.0	48.0
3. Communication and Administrative Support	0.0	30.0	30.0
4. Pilot and Post-Pilot Activities	0.0	32.0	32.0
Subtotal (B)	0.0	140.0	140.0
Total	200.0	440.0	640.0

^a Financed by Asian Development Bank's technical assistance (TA) funding program.

^b Expenditures for activities implemented by the Ministry of Education Department of Finance.

^c For use in trainings under the monitoring and evaluation pilot study and other TA activities; includes two computers, one liquid crystal display projector, one combined printer/scanner, and stock of consumable supplies.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Implementation of Asian Development Bank (ADB) technical assistance (TA) to the Ministry of Education (MOE) of the People's Republic of China (PRC) on support for reforms in compulsory education finance (CEF) will require expert inputs by (i) one domestic consultant, recruited as an individual; and (ii) a consultancy firm or agency, which will mobilize and coordinate a team of consultants. Consultants will provide policy and institutional advice as needed, and take lead responsibility for timely delivery of high quality TA outputs,¹ other duties outlined in the following paragraphs, and any specific tasks as may be reasonably requested by the MOE Department of Finance (MOE-DF) and/or ADB.

A. Individual Consultant (domestic; 3 person-months)

2. **CEF Context Analyst.** Early in the TA, the analyst will identify major initiatives related to CEF in the PRC, to identify possible complementarities and conduct macro-level analysis to support subsequent TA research. Based on a broad review of existing research, dialogue with relevant departments of MOE and other domestic and international agencies, and in-depth situation analysis, the analyst's central output will be a report on the macro-level context surrounding CEF. Specific responsibilities will include the following:

- (i) Focusing on the national level, but with some coverage of provincial and lower administrative levels, compile information on and analyze (a) the impact of the "tax-for-fee reform" and "rural education management system reform," and identify other factors affecting implementation of CEF initiatives and mediating their final impact; (b) decision-making processes governing budgeting for compulsory education and the allocation of resources across various dimensions (e.g., administrative levels; geographic regions and urban-rural areas; and primary, lower secondary, and other subsectors of education); and (c) resource mobilization and allocation mechanisms.
- (ii) As the culmination of this analysis, draft a report on the macro-level context surrounding CEF, outlining (a) the implications of recent and proposed reforms in education finance and management, (b) other major policies and programs within the education sector, and (c) other relevant macro-level initiatives outside the education sector.
- (iii) Assist MOE-DF in planning and carrying out a small-scale workshop to review findings of the report. Based on feedback and discussion with MOE-DF and ADB, finalize the study report within 2 weeks of the workshop.
- (iv) Submit a concise activity report to MOE-DF and ADB within 6 weeks of fielding, and update this at assignment completion. Provide full documentation of the research process (including source materials) to the firm-based consultant team after their fielding. To supplement the report, complete any follow-up work (about 1 week of inputs) as may be requested by the team leader or expert on CEF institutions and implementation mechanisms.

B. Consultant Firm

3. Principal expert inputs under the TA will be provided by a team of two international and six domestic consultants, mobilized and coordinated by a consultant firm or agency. The firm or agency will nominate either the international or domestic policy adviser as the overall team leader, based on strong qualifications in (i) team leadership and coordination of multifaceted team inputs under projects of a similar nature; (ii) familiarity with the PRC context (including the overall education system and education finance policy), and project-based experience in

¹ Major drafts and final versions of reports should be prepared in English and Chinese.

education finance in the PRC and/or contextually similar countries; and (iii) experience working in internationally-assisted projects, and familiarity with procedures of ADB or similar international organizations. Coordinating efforts of the team, the team leader will:

- (i) assume overall responsibility for ensuring (a) implementation of the TA according to the terms of reference, provisions of the consultancy contract, and any subsequent instructions/guidance that may be provided by MOE-DF and/or ADB; and (b) the timeliness and quality of the consulting team's outputs;
- (ii) coordinate with the CEF context analyst in providing needed follow-up work;
- (iii) submit to MOE-DF and ADB a commencement report within 3 weeks of fielding, including a work plan detailing each team members' inputs (updated periodically as needed); and ensure a clear delineation of responsibilities among team members and national and local government counterparts in preparation, implementation, and follow-up work for workshops, seminars, and other TA activities;
- (iv) take responsibility for coordination, finalization, and timely submission of other written reports, including drafts of all key research reports and quarterly reports for provision to MOE-DF and ADB.

4. Under the team leader's overall guidance, team members will conduct activities under agreed work plans² based on this terms of reference. In addition to providing general advice on policy and reforms, they will collectively carry out the micro-level investigation, three major policy studies, research and pilot testing on monitoring and evaluation (M&E) systems, other workshops and dialogue involving relevant stakeholders, and other relevant activities. An indicative breakdown of team members' responsibilities is outlined in the following paragraphs.

1. International Consultants

5. **Policy Adviser on Education Finance** (5.5 person-months, including an estimated 55 days during 3 visits to the PRC). In view of comparative analysis of relevant international policy models, programs, and lessons learned, as well as thorough assessment of the PRC context, the policy adviser will provide broad technical guidance to the consultant team, focusing on identifying shortfalls in CEF in the PRC, and formulating contextually relevant solutions and viable mechanisms. Specific responsibilities will include the following:

- (i) Provide comparative analysis on key facets of CEF, with an emphasis on relevance to the PRC context.
- (ii) At the start of the assignment, draft guidelines for, or advise the team leader on (depending on designation of the team leader position), CEF analysis and work toward the TA's outputs, based on international project experience.
- (iii) Early in the assignment, work with policy adviser on public budgeting and expenditure for education to prepare detailed plans for implementing the TA, including a proposal of thematic content, organization, and methodology of surveys, studies, workshops and seminars, and other activities needed to complete the TA outputs. Identify key data and information on various aspects of CEF needed during the course of the TA, including working with the specialist on CEF information systems and M&E and other team members to select key indicators.
- (iv) In view of international experience and models, and in collaboration with the team, evaluate (a) relevant policies, laws, regulations, and other directives; (b) efficacy in their implementation; and (c) underlying institutional and capacity issues. This will

² Work plans will be agreed with MOE-DF; proposed deviations from the agreed terms of reference that substantively affect consultant roles, TA outputs or budgeting will be subject to ADB approval.

include investigation of current CEF modalities at central and sub-national levels in the PRC (e.g., earmarked and general transfer payments, projects, etc.) and consideration of broader factors (e.g., implications of the “tax-for-fee” reform, phase-out of agricultural taxes, etc.).

- (v) Advise MOE and other agencies regarding new legislation and policies needed to enhance CEF and its impact on education equity, quality, and efficiency.
- (vi) In policy study two, work with the expert on CEF institutions and implementation mechanisms to identify key shortfalls in planning and management of public fund allocation for compulsory education, and propose priority improvements.
- (vii) In dialogue with team members, Government counterparts in MOE and other relevant agencies, local bureaus, and international and domestic organizations, guide the expert on CEF institutions and implementation mechanisms and specialist on human resource development for CEF in work to identify gaps and propose concrete and systematic interventions to address priority gaps in intra- and inter-agency decision-making processes and human resource capacities in CEF planning and implementation at various administrative levels. Prepare guidelines and assist in the final design of (a) the micro-level investigation, and (b) M&E pilot and planning for its extension beyond the TA.

6. Expert on CEF Institutions and Implementation Mechanisms (2.0 person-months, including an estimated 20 days during two visits to the PRC). Specific responsibilities will include the following:

- (i) In dialogue with the team leader and other consultants, review the report on macro-level CEF context, and guide the CEF context analyst in follow-up work.
- (ii) Analyze and prepare relevant background materials on relevant policies and related implementation mechanisms, as well as institutional aspects, based on comparative international models and experience.
- (iii) Analyze CEF decision-making and implementation structures in the PRC. Work with the policy advisers and specialist on human resource development for CEF under policy study two to identify key shortfalls in planning and managing public fund allocation for compulsory education. Propose priority improvements. Provide related inputs to design of the micro-level study and M&E pilot test.
- (iv) Compile and analyze lessons from international experience in resource mobilization, allocation, and utilization, including impacts on equity in access, quality, and system efficiency in the provision of compulsory education.
- (v) Provide concrete recommendations for resource allocation, including (a) a system of clear criteria in order to make allocation more transparent, efficient, and equitable; and (b) priority improvements in implementation.

2. Domestic Consultants

7. Policy Adviser on Public Budgeting and Expenditure for Education (8 person-months, including an estimated 25 days in the field). The policy adviser will input comprehensive expertise in rationalizing and improving public budgeting for basic education, and expenditure responsibilities and processes, planning, allocative decision-making, and intergovernment transfers at national and local levels. Specific responsibilities will include the following:

- (i) Work with the policy adviser on education finance to prepare detailed plans for implementing the TA, including the proposal of thematic content, organization, and methodology of surveys, studies, workshops and seminars, and other activities needed to complete the TA outputs. Facilitate implementation, including coordination with Government counterparts.

- (ii) Work closely with the analyst on resource needs for basic education to analyze and prepare relevant background materials on financing and cost aspects under the TA scope of study. This will include identification of key issues for study, investigation design and implementation, data compilation and interpretation, and discussion of major policy implications.
- (iii) Comprehensively analyze trends in public CEF inputs, disaggregating across various dimensions (e.g., budgetary and nonbudgetary, expenditure categories, types of schools, location, etc.). Assess public expenditures for education for primary and lower secondary education in comparison to higher levels, and identify modes to improve access, quality, and efficiency in compulsory education.
- (iv) Investigate the combined impact of macro-level reforms and other shifts and micro-level factors (e.g., local variations in the structure of fee collection) on education access, quality, and efficiency.
- (v) Propose steps to increase efficiency and equity in resource use by rationalizing and better targeting public expenditures, as well as sound administration.
- (vi) Lead or participate in fieldwork as needed, including under the micro-level survey and M&E pilot test.

8. **Analyst of Resource Needs for Basic Education** (4.5 person-months, including an estimated 15 days in the field). Specific responsibilities will include the following:

- (i) Work closely with the policy adviser on public budgeting and expenditure for education to analyze and prepare relevant background materials on financing and cost aspects under the TA scope of study (para. 10[ii]).
- (ii) Conduct a disaggregated assessment of evolving CEF resource needs in the PRC, in view of economic and demographic shifts, migration, and other shifts.
- (iii) Compare resource needs and current funding levels for compulsory education across various dimensions (urban-rural, western-eastern, minority areas, levels of schools, etc.). Assess the differential impact of the "tax-for-fee reform," "rural education management system reform," and other macro-level shifts on the ability to meet resource needs across these dimensions.
- (iv) Work with the team to identify viable mechanisms to better meet resource needs where most urgently needed.

9. **Micro-Level Survey Specialist** (5.5 person-months, including an estimated 35 days in the field). Specific responsibilities will include the following:

- (i) Work with the specialist on CEF information systems and M&E and other consultants to design and assemble a database on various aspects of CEF.
- (ii) Work under guidance of the two advisers to design the micro-level study, including identifying target information, resources needed, coordination mechanisms and local government inputs, and overall approaches.
- (iii) Take lead responsibility for overseeing surveys in target areas and other work to (a) provide needed information on households, communities, teachers and head teachers, school conditions, etc.; (b) investigate the true cost of education at the local level and the burden on households (including financial and opportunity costs); and (c) analyze internal efficiency (e.g., grade completion) and external efficiency (e.g., relevance of education for life skills and better workforce outcomes).
- (iv) Work with the specialist on CEF equity and innovation to assess the determinants of household demand for education, willingness and ability to pay, and impact of various fees and other cost-recovery mechanisms on education among disadvantaged groups (e.g., girls, ethnic minorities, and poor migrants).
- (v) Support design and implementation of the M&E pilot test.

10. **Specialist on CEF Equity and Innovation** (5 person-months, including an estimated 15 days in the field). Specific responsibilities will include the following:

- (i) Work with the micro-level survey specialist in analysis noted in para. 12(iv).
- (ii) Conduct a broad situation analysis comparing education conditions by region, level of poverty and local economic development, and across other dimensions.
- (iii) Analyze recent use of pro-equity mechanisms, including earmarked transfers and grants (e.g., county-level, school-level, etc.), scholarships and other targeted financial assistance to students, etc. Assess their efficacy and efficiency in narrowing resource gaps and improving education quality and learner outcomes.
- (iv) Explore ways to mobilize nongovernment resources, ranging from local community inputs to school-to-school partnerships to international donations.
- (v) Review the experience of various models for nongovernment resource mobilization in compulsory education and other levels of education in the PRC.
- (vi) Assess the scope for private provision of compulsory education under various modes, taking into account implications for equity.
- (vii) Provide related content for inclusion in the framework and action plan, including thorough justifications, mechanisms, and resource estimates.

11. **Specialist on Human Resource Development for CEF** (4 person-months, including an estimated 20 days in the field). Specific responsibilities will include the following:

- (i) Conduct a multi-method investigation to assess existing capacities and identify key gaps impeding effective decision-making and implementation of CEF at the national through local levels.
- (ii) Work with the international consultants and the team to (a) identify means to address high priority gaps, ranging from training to institutional reforms; and (b) propose concrete and systematic capacity building interventions, including estimation of resources needed, for inclusion in the overall action plan.
- (iii) Work with the specialist on CEF information systems and M&E and the team in designing and implementing the M&E pilot study. Identify key staff in various bureaus for inclusion in the pilot study, assessing their skill set, and design and carry out focused training and support to ensure their effective participation.

12. **Specialist on CEF Information Systems and M&E** (4 person-months, including an estimated 35 days in the field). Specific responsibilities will include the following:

- (i) Assess existing data sources, data management, and information systems for CEF.
- (ii) Identify and propose resolutions to constraints to effective use of information in decision-making (e.g., data accuracy and capacities for collection and analysis).
- (iii) Work with the micro-level survey specialist and the team to design and compile a database for use in TA analysis, including key indicators.
- (iv) In close dialogue with the policy advisers and other team members, MOE, MOF, the National Development and Reform Commission, and other relevant agencies and local bureaus, provide technical recommendations (including identifying appropriate indicators) on an improved M&E system for tracking CEF planning, inputs, and outcomes.
- (v) Help design and take lead responsibility for implementation and data analysis for the M&E pilot study aimed at demonstrating and refining micro-level aspects of this M&E system in target localities.
- (vi) Help the team conduct statistical and/or econometric analysis of data from the micro-level study or other research efforts, as needed.