

Consultations with PRC Stakeholders on Road to 2030: ADB's New Strategy Note-to-File

A. Introduction

1. A mission led by Indu Bhushan (Director General, SPD) consulted various stakeholders in PRC during 14–16 June 2016.¹ The purpose of the mission was to seek stakeholders' views and perspectives on ADB's vision, strategic priorities, positioning, and value addition under the new strategy leading to 2030. The list of officials and stakeholders consulted is attached.

B. Main Inputs from PRC Stakeholders

2. PRC's high-level government officials and representatives from state-owned enterprises, civil society, think tanks, and development partners highlighted the country's progress and development challenges. They recognized that despite PRC's sustained high economic growth and a dramatic reduction in poverty, the country continues to face complex challenges for which it still needs external support. Moreover, high growth itself has led to a new set of development issues ranging from threats to environmental sustainability to difficult adjustments required for the transition to a "new normal". Institutional capacity weaknesses and data issues continue to inhibit informed policy development.

3. In this background, officials emphasized the need for a sustained and continued partnership with ADB to help PRC overcome the country's challenges. They welcomed the review of ADB's graduation policy and possible revisions in the policy to help ADB maintain a robust partnership with middle-income countries under the new strategy. At the same time, they noted that in partnership with ADB, PRC can play an increasingly pivotal role in promoting regional cooperation and integration that can benefit the entire Asia-Pacific region. Officials noted that the ADB-PRC partnership was firmly rooted in the principle of mutual interest and that each side needed the other in these transformational times for the region. Without PRC's participation, they added, ADB's impact and influence in the region will be diminished.

4. Stakeholders agreed that the preparation of a new strategy was a timely initiative as ADB needs to appropriately position itself in the dynamic and changing environment of the Asia-Pacific region. They suggested key investment and reform areas for ADB's support under the new strategy. A summary of the main inputs and perspectives emerging from the consultations is as follows.

a) ADB's new vision

- ADB's current vision is narrowly focused on poverty reduction and should be made broader to respond to the challenging development landscape for the next 15 years. The vision statement should include considerations of inclusive growth and sustainable development to be consistent with the SDGs.

¹ SPD team members included Safdar Parvez, Principal Planning and Policy Economist, and Jane Barcenas-Bisuña, Strategy and Policy Officer, SPPI. Jiro Tominaga, Principal Evaluation Specialist, IED; Xinning Jia, Deputy Country Director; and Irene Bain, Social Sector Specialist, PRCM also joined the consultations. The mission thanks PRCM for the excellent arrangements and great support and acknowledges valuable perspectives shared by PRCM staff on the new strategy.

b) ADB's role, strategic priorities and value addition

- PRC can increasingly design and finance basic infrastructure investments by itself. Going forward, ADB should focus on more complex and quality infrastructure projects that have catalytic effects on the environment and pollution control and introduce new and clean technologies. In meetings with state-owned enterprises (SOEs), including China Rail Corporation and China Energy Conservation and Environmental Protection Group, the mission was apprised of the very large investment and reform needs of these SOEs and their desire to work with and tap ADB's support.
- As PRC transitions to a new normal, ADB's support should help address key challenges, including eliminating remaining poverty; improving environment and containing climate change; addressing social issues such as social protection, elderly care, health, and skills and education; and balancing rural and urban development. ADB should transition from pursuing individual project approaches to developing system-wide solutions for urban development and other integrated development challenges.
- The mission found keen enthusiasm among officials on PRC's regional cooperation initiatives, such as the *One Belt, One Road* initiative. They felt that ADB's expertise in RCI was unique and could be of indispensable value to such initiatives.
- More than the financing element, PRC values the knowledge content and international best practice that are embedded in ADB's operations and the demonstration effect of such operations. ADB should intensify knowledge cooperation with PRC through technical assistance, engagement in policy dialogues, knowledge-sharing, training, and capacity building. It should establish niche areas for itself in the knowledge arena. Moreover, ADB should act as a conduit to support knowledge transfer from PRC to other Asian countries through south-south cooperation.

c) Policies, business processes and products

- ADB should increase the use of country systems in its PRC operations. The use of policy-based and results-based lending modalities that rely on country systems are much appreciated. More support for PPPs is needed. ADB's internal procedures for project financing should be streamlined and staff capacity and expertise improved.
- ADB should be careful in adopting differentiated (higher) pricing for DMCs with per-capita incomes above the graduation threshold.² Ministry of Finance questioned the likely marginal revenue impact of differentiated pricing on ADB's balance sheet compared to the PRC's already significant resource transfer to ADB for the ADF replenishment. NDRC noted that ADB pricing should remain competitive given the increasingly diverse sources of financing available to PRC. Further discussions will be needed to convince officials on this issue after ADB has worked out more details on the proposal to introduce differentiated pricing.

² The possibility of differentiated pricing was first raised in meetings between PRC officials and an SPD mission in 2014 on consultations for ADB's approach to upper-middle income countries.

d) Partnerships

- The Asian Infrastructure Investment Bank (AIIB) will be a constructive and not a disruptive force for the development community. The initial AIIB model to work through cofinancing arrangements with other institutions in the lead, including ADB, will set important examples of cooperation at the project level. Staff coming into AIIB from other MDBs will also bring in their contacts from these institutions and will help build a cooperative spirit between AIIB and these institutions. There is no limit to what ADB and AIIB can achieve together. Strong management support and direction from both banks is required for this purpose.
- All development partners welcome ADB's continued engagement with PRC and consider that it has an important role to play in the country. None of the partners consulted appear to have immediate plans to graduate PRC from their assistance, although the forms of their engagement are evolving over time. Local partners and civil society organizations would like ADB to consider innovative ways to engage and involve them in its assistance programs.

C. Next Steps

5. The insightful inputs received from the consultations will be further consolidated and disseminated online through the ADB website. The perspectives gained from the mission will be taken into account in preparing the new strategy.

List of Persons Consulted

Senior Government Officials

1. Wang Dong, Director General, Department of Foreign Capital and Overseas Investment, National Development and Reform Commission (NDRC)
2. Cheng Zhijun, Deputy Director General, Department of International Economic and Financial Cooperation, Ministry of Finance (MOF)
3. Feng Baoshan, Director, Foreign Loan Division, Foreign Capital and Overseas Investment Department (NDRC)
4. Yao Licheng, Director, International Financial Institution Division II, Department of International Economic and Financial Cooperation, MOF

Representatives from State-owned Enterprises

1. Zhou Lanwei, Deputy Director, Planning and Statistics Department, China Railway Corporation (CRC)
2. Deng Jingchun, Officer, Comprehensive Division, CRC
3. An Yi, Vice President, China Energy Conservation and Environmental Protection Group (CECEP)
4. Zhang Jun, Deputy Director, Cooperation and Development Department, CECEP
5. Yang Bin, Capital Operation Department, CECEP
6. Han Wei, Deputy General Manager, CECEP Finance Co., Ltd.
7. He Jing, Account Manager, Business Development Department, Comprehensive Service Section, CECEP Finance Co., Ltd.
8. Li Xiaozhen, Deputy Director, Low Carbon Development Research Center, CECEP Consulting Co., Ltd.
9. Huo Zhonghe, General Manager, CECEP Consulting Co., Ltd.
10. Liu Hongyan, Vice General Manager, Planning Department, CECEP Capital Holdings Co., Ltd.
11. Li Jiafeng, Manager, Comprehensive Service Section, Business Development Department, CECEP Finance Co., Ltd.

Development Partners

1. Joachim Von Amsberg, Vice President, Asian Infrastructure Investment Bank
2. Chris Brown, Team Leader, China Policy Dialogues Support Facility, European Union
3. Simon Andrews, Country Manager – China, Korea and Mongolia, International Finance Corporation
4. Sun Yinhong, Country Program Officer, International Fund for Agricultural Development Country Program, Beijing
5. Parissara (GAI) LIEWKEAT, Programme Analyst, International Labor Organization, Country Office for China and Mongolia
6. Ulrike Lassmann, Director, KfW Office, Beijing
7. Agi Veres, Country Director, United Nations Development Programme, China
8. Robert Parua, Education Programme Specialist, United Nations Educational Scientific and Cultural Organization
9. Guo Ruixiang, National Programme Coordinator, United Nation Women, China

National Think-Tanks

1. Gong Sen, Director General, Research Fellow, Institute of Public Administration and Human Resources, Development Research Center of the State Council of PRC
2. Wang Yi, Director General, Institute of Policy and Management, Chinese Academy of Sciences
3. Tang Min, Counselor of the State Council, Adjunct Professor, Peking University National School of Development

Representatives from Civil Society Organizations

1. He Dongquan, Vice President, Program, Energy Foundation Beijing Office
2. Wu Chunling, Deputy Managing Director, Environmental Defense Fund China Program
3. Steven Lei Zeng, China Country Director, Institute for Sustainable Communities
4. Mona Yew, China Program Deputy Director, China DSM and Energy Efficiency Project Director, Natural Resources Defense Council
5. Handuo Cai, Manager, Research, The Climate Group
6. Li Lilai, Country Director, World Resources Institute, China