



# Technical Assistance Report

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Project Number: 44097-012  
Capacity Development Technical Assistance (CDTA)  
December 2010

## People's Republic of China: Capacity Building for Enhanced Partnership and Development Impact

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 25 November 2010)

|               |   |            |
|---------------|---|------------|
| Currency Unit | – | yuan (CNY) |
| CNY1.00       | = | \$0.15007  |
| \$1.00        | = | CNY6.64355 |

## ABBREVIATIONS

|     |   |                            |
|-----|---|----------------------------|
| ADB | – | Asian Development Bank     |
| MOF | – | Ministry of Finance        |
| PRC | – | People's Republic of China |
| TA  | – | technical assistance       |

## TECHNICAL ASSISTANCE CLASSIFICATION

|                          |   |  |
|--------------------------|---|--|
| Type                     | – | Capacity development technical assistance (CDTA)   |
| Targeting classification | – | General intervention   |
| Sectors                  | – | Multisector (agriculture and natural resources; education; energy; finance; health and social protection; public sector management; transport, and information and communication technology; water supply and other municipal infrastructure and services) |
| Themes (subthemes)       | – | <b>Governance</b> (public administration [national, decentralized and regional]), capacity development (institutional development, organizational development)   |
| Location impact          | – | National (high)  |

## NOTE

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

|                         |   |
|-------------------------|---|
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## I. INTRODUCTION

1. During the December 2009 country programming mission, consultations between the government of the People's Republic of China (PRC) and the Asian Development Bank (ADB) highlighted the need to provide support for capacity development to enhance the development impact of ADB operations in the country. The government asked ADB to provide technical assistance (TA) to help build capacity of client agencies in the country. Subsequent discussions were held with the government on the impact, outcome, outputs, implementation arrangements, cost, and financing arrangements of the TA. The design and monitoring framework is in Appendix 1.

## II. ISSUES

2. ADB started its PRC operations in 1986. ADB has been a trusted partner and extended assistance of over \$23.0 billion for lending and nonlending operations. Currently, 68 loans and 98 TA projects are under implementation, and 39 loans are proposed for approval in the next 3 years (2010–2012). ADB support has been well focused and closely aligned with the country's development priorities. As the PRC has progressed, the development needs have changed and ADB operations are being realigned both in sectoral and geographic contexts. ADB is diversifying its operations into the areas of climate change, agriculture and rural development, sustainable urban development, sustainable transport, and microfinance. Geographically, ADB operations are moving from eastern and central parts of the country to the poorer and more remote western regions. Also, most executing and implementing agencies for ADB projects are now provincial and local government entities as compared with central ministries and agencies in the past. This shift in ADB operations has its challenges relating to institutional, organizational, and individual capacity.

3. In addition, ADB has taken a number of steps to make its operations more responsive and flexible to client needs. Beginning in January 2010, ADB implemented streamlined business processes to make its loan delivery processes more efficient (reduced response time and better quality) and reduce transaction costs. However, to achieve the full benefits of these processes, domestic approval procedures must be streamlined—capacity is a key issue. ADB's Safeguards Policy Statement (2009) for streamlined safeguard due diligence became effective on 20 January 2010. However, with ADB diversifying its operations geographically with multiple components in many new and complex areas and less-experienced executing and implementing agencies, safeguard due diligence is challenging and needs proper capacity-building support. To meet these diverse development needs, ADB is introducing different financing modalities such as the multitranche financing facility, nonsovereign lending, complementary financing, and guarantees in its PRC operations, all requiring increased client awareness.

4. In 2009, ADB signed a memorandum of agreement with the Ministry of Finance (MOF) for the pilot delegation of TA administration to executing agencies (EAs)<sup>1</sup>. Nine TA projects were agreed for delegation in 2010 and assessments were conducted to determine the capacity of the EAs to administer them. The assessment determined that capacity building support in ADB policies and procedures is required for these EAs for the successful implementation of the delegated projects.

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<sup>1</sup> In the long term, the strategy of ADB is to shift from direct TA administration by ADB to ADB oversight of TA administered by executing agencies and other entities. (*ADB.2009.Policy on Increasing the Impact of the Asian Development Bank's Technical Assistance Program. Manila [Section 51]*).

5. ADB has one of its largest portfolio's in the PRC. The size of the portfolio is not expected to change, but the number of projects is likely to increase. Overall, the PRC portfolio has been performing well, but shortcomings include delays in loan start-up activities, project implementation, and disbursement processing. Discussions with the government and stakeholders during the country portfolio review missions revealed that delays in project implementation are largely caused by lack of familiarity with ADB requirements and guidelines. Improving the knowledge, skills, and experience of executing and implementing agency staff through regular training, and streamlining project implementation procedures are identified as critical for better portfolio performance.

6. ADB is also formulating a new country partnership strategy for the PRC, in line with the country's 12th Five Year Plan. The strategy is expected to focus on less-developed central and western regions and provide assistance in the areas of climate change, agriculture and rural development, sustainable urban development, sustainable transport, and microfinance. Such a geographic and sectoral change in ADB strategy and programs will create challenges for project design and implementation for complex projects spanning multiple sectors and/or subsectors, location of project sites in remote parts of the western regions of the country, and multiagency coordination. These challenges, coupled with inadequate staff capacity in many of the new executing agencies and local implementing agencies in small cities or counties, could impede the smooth implementation of projects.

7. Capacity development is one of ADB's thematic priorities of Strategy 2020 aimed at enhancing the effectiveness, efficiency, and sustainability of ADB interventions.<sup>2</sup> Strengthened country capacity will contribute to the achievement of better public sector performance. Capacity development is particularly important as ADB-financed projects are increasingly moving to poorer western provinces where problems of weak financial management, institutional capacity, and corporate governance are more acute.

8. Therefore, to address the capacity development needs of the PRC, the TA will support human resource development, institutional development, and organizational development through a wide range of institutional, organizational, and individual capacity-building activities. The TA will seek to (i) equip individuals with understanding, skills, knowledge, and training to enable them to perform effectively; (ii) help enable organizations, institutions, and agencies at all levels and in all sectors to enhance their capacities; and (iii) assist in establishing better management structures and processes within the agencies and between different agencies and sectors (public, private, and community). The TA will provide cost-effective unified capacity development support, which will reduce the need for ad-hoc actions and reduce transaction costs. The TA will supplement current efforts<sup>3</sup> to strengthen institutional capacities of executing and implementing agencies for better project management by delivering training programs to these agencies, facilitating knowledge transfer, and showcasing good practices.

9. The TA will strengthen institutional capacity by properly defining the roles and responsibilities of government entities, particularly provincial governments, executing and implementing agencies, and other project stakeholders throughout the project cycle (comprising project identification, formulation and design, approval, implementation, and monitoring and evaluation), including those concerned with safeguard policies, thematic priorities, and sector policies. The TA will also help in identifying issues and making recommendations for aligning

<sup>2</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

<sup>3</sup> ADB. 2007. *Technical Assistance to the People's Republic of China for Operational Capacity Building and Value Addition*. Manila.

the government's approval procedures for project development and administrative framework for project implementation with ADB's project cycle.

10. The TA will systematically train executing and implementing agencies to strengthen their capacity to design, manage, implement, monitor, and operate ADB-financed projects. The TA will promote knowledge sharing by identifying project success stories and showcasing best examples of value additions, which will help promote transfer and dissemination of knowledge, technology, best practices, and reform initiatives for possible replication and spillover influences in other projects, provinces, and entities.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Impact and Outcome**

11. The impact of the TA will be increased development impact of ADB assistance to the PRC. The achievement of this impact will be demonstrated through improved country portfolio performance and higher client satisfaction. The TA outcome will be enhanced human resource development, and institutional and organizational capacity of client agencies. Success in achieving the outcome will be measured by reduced loan processing time, improved project implementation, increased use of new ADB lending modalities, and successful implementation of nine delegated TA projects. The TA assumes that ADB will enhance its involvement to support development activities in the PRC under the government's 12th Five Year Plan.

#### **B. Methodology and Key Activities**

12. The TA will carry out capacity building programs and activities to enhance client agencies' awareness of and skills in (i) all aspects of project design, appraisal, and implementation; (ii) operating procedures under ADB's streamlined business processes; (iii) implementation and monitoring of safeguard action plans under ongoing projects financed by ADB including those being processed; (iv) administration and implementation of delegated TA activities; and (v) new ADB initiatives (online system under eOperations, knowledge partnerships, and new areas of operations, e.g., technical and vocational education). The TA will promote horizontal learning and knowledge exchange, identify capacity development needs, select target beneficiaries and participants, and promote enhanced partnerships through capacity building activities.

13. Key activities include assessing training needs; developing suitable training programs; conducting training workshops, training visits, and knowledge exchange programs; distributing training materials; and conducting client surveys. Training under the TA will include project planning and design, procurement, consulting services, disbursements, social and environmental safeguards, performance monitoring, financial management, project management, and anticorruption. Targeted participants may include directors, managers, and key project management staff of executing and implementing agencies; as well as officials from line ministries, provincial finance departments, and provincial development and reform commissions.

#### **C. Cost and Financing**

14. The total cost of the TA is estimated at \$1.8 million equivalent; ADB will provide \$1.5 million equivalent. The TA will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF–Others). The government will provide an in-kind contribution of

\$0.3 million equivalent, through the provision of counterpart staff, office space and utilities, transport, and other support activities, including access to data. The cost estimates and financing plan are in Appendix 2.

#### **D. Implementation Arrangements**

15. MOF, as the executing agency, will be responsible for supervising and monitoring TA activities. A steering committee—comprising representatives of relevant departments of MOF and ADB—will be set up to oversee implementation, and provide guidance and direction to the consultants. The composition of the steering committee will be finalized at TA inception. In addition, MOF will appoint a project coordinator who will supervise and coordinate day-to-day TA activities, including monitoring of progress, resolving problems, arranging meetings, and liaising with concerned government agencies. To facilitate the work of the consultants and ensure that MOF benefits from their experience, MOF will provide adequate counterpart staff with relevant work experience during TA implementation. The steering committee will provide guidance for the organization of programs, workshops, seminars, selection of participants, and other TA activities. A TA coordinator may be recruited to support TA implementation, be responsible for daily coordination of various TA activities, preparation of quarterly TA progress reports, and liaison with MOF and ADB.

16. The TA will be implemented from January 2011 to December 2013. It will require about 8 person-months of international and about 55 person-months of national consulting services to carry out the terms of reference (Appendix 3). The international and national consultants will have expertise in (i) training and capacity building, (ii) institutional development, (iii) project management, (iv) procurement and consulting services, (v) disbursement, (vi) social development, (vii) resettlement, (viii) environment, and (ix) audit and financial management. TA and workshop coordinators may be appointed after discussions with the steering committee. The steering committee will discuss and finalize the required expertise and detailed terms of reference for specific assignments, including duration and expected results. Additional international and national resource persons and short-term task-specific experts will be recruited to carry out well-defined tasks (e.g., case study papers, workshop presentations, participation in workshops, and review of draft reports).

17. All consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The consultants will be recruited on an individual basis since varied expertise will be required for the short-term engagement, the main requirements of the assignments are for individual qualifications and experience, and the assignments are more on individual basis. A firm could have difficulty providing multidisciplinary expertise over the 3-year implementation period as required by the TA. The TA and workshop coordinators will be responsible for team coordination and leadership work. Given the nature of the TA and to facilitate preparation and implementation of the training and workshops, ADB may establish an advance payment facility as needed and/or utilize direct payment to workshop sponsors and workshop venues.

18. Procurement of equipment, supplies, and materials by consultants under the TA will follow ADB's Procurement Guidelines (2010, as amended from time to time). Disbursements under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended time to time). The equipment will be turned over to MOF after TA completion.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis to the Government of the People's Republic of China for Capacity Building for Enhanced Partnership and Development Impact, and hereby reports this action to the Board.

### DESIGN AND MONITORING FRAMEWORK

| Design Summary  | Performance Targets and Indicators with Baselines   | Data Sources and Reporting Mechanisms                 | Assumptions and Risks   |
|---|---|---|---|
| <b>Impact</b><br>Increased development impact of ADB assistance to the PRC  | Country portfolio performance improved by 2020<br><br>Client satisfaction increased (90%) by 2015   | ADB operations data<br><br>Client survey and feedback | <b>Assumption</b><br>ADB enhances its involvement in development activities for the PRC's 12th Five Year Plan   |
| <b>Outcome</b><br>Enhanced human resource development, and institutional and organizational capacity of client agencies in the PRC  | Loan processing time reduced from 26 months in 2008 to 12 months by 2013<br><br>Project implementation improved by 2013<br><br>Use of new ADB lending modalities increased by 2013 compared with 2008–2010<br><br>Nine delegated TA projects successfully implemented by 2013 | ADB operations data<br><br>TA completion report       | <b>Assumptions</b><br>The government is committed to developing capacity of client agencies.<br><br>Capacity building programs and activities are well organized. |
| <b>Outputs</b><br>Capacity building programs and activities to enhance client agencies' awareness and skills are completed.   | Ten training programs completed by 2013<br><br>Six workshops organized by 2013<br><br>Four training visits and/or knowledge exchange programs conducted by 2013<br><br>Training materials prepared and distributed by 2013  | Quarterly progress report<br><br>TA progress reports  | <b>Assumption</b><br>Various stakeholders support and actively participate  |
| <b>Activities with Milestones</b><br>1. Training programs are completed by October 2013.<br>2. Training workshops are organized by September 2013.<br>3. Training visits and knowledge exchange programs are completed by October 2013.<br>4. All materials are prepared and distributed by December 2013.<br>5. Client survey is completed by December 2015. |   |   | <b>Inputs</b><br>ADB: \$1.5 million (TASF–Others)<br>Government: \$0.3 million (in-kind)  |

ADB = Asian Development Bank, PRC = People's Republic of China, TA = technical assistance, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank.



**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

| Item   | Total<br>Cost   |
|--|-----------------|
| <b>A. Asian Development Bank<sup>a</sup></b>           |                 |
| 1. Consultants   |                 |
| a. Remuneration and per diem                           |                 |
| i. International consultants                           | 160.00          |
| ii. National consultants                               | 330.00          |
| b. International and local travel                      | 150.00          |
| c. Reports and communications                          | 50.00           |
| 2. Equipment <sup>b</sup>                              | 60.00           |
| 3. Training, seminars, and conferences <sup>c</sup>    | 500.00          |
| 4. Miscellaneous administration and support costs      | 40.00           |
| 5. Contingencies                                       | 210.00          |
| <b>Subtotal (A)</b>                                    | <b>1,500.00</b> |
| <b>B. Government of the People's Republic of China</b> |                 |
| 1. Office accommodation and transport                  | 100.00          |
| 2. Remuneration and per diem of counterpart staff      | 140.00          |
| 3. Others  | 60.00           |
| <b>Subtotal (B)</b>                                    | <b>300.00</b>   |
| <b>Total</b>   | <b>1,800.00</b> |

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF–Others).

<sup>b</sup> Minor equipment, such as computers, copy machines, and other office equipment, to be approved by the Asian Development Bank will be turned over to the executing agency at project completion.

<sup>c</sup> Includes national or regional training workshops, seminars, workshops for training of trainers, capacity development and training programs for the executing and implementing agencies.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will require 63 person-months of international and national consulting services. The Asian Development Bank (ADB) will select and engage consultants on an individual basis in accordance with its Guidelines on the Use of Consultants (2010, as amended from time to time). Additional international and national resource persons and task-specific experts will be engaged to carry out well-defined tasks (e.g., case study papers, workshop presentations, participation in workshops, review of draft reports).

2. **TA coordinator.** The coordinator will

- (i) work as team leader and with other consultants in coordinating with the Ministry of Finance (MOF) and ADB;
- (ii) liaise with MOF and other relevant government agencies on implementation details for the TA;
- (iii) prepare quarterly TA progress reports, in coordination with other consultants;
- (iv) back up other national consultants by providing data and background information support;
- (v) organize steering committee meetings to review working reports and final project reports; and
- (vi) prepare a consolidated TA completion report.

3. **Workshop coordinator.** The expert will

- (i) coordinate, design, plan, and conduct national, regional, and local workshops and meetings;
- (ii) examine the most appropriate methods of seeking feedback and consensus of participants; and
- (iii) document inputs and provide participants and decision makers with feedback on workshop outcomes.

4. **Institutional and capacity development expert.** The expert will

- (i) review the implementation arrangements of ADB-financed lending and non-lending projects in the People's Republic of China in each sector;
- (ii) examine the participation of executing and implementing agencies in all stages of the project cycle;
- (iii) assess the effectiveness and efficiency of those implementation arrangements;
- (iv) identify major constraints and issues that impede smooth project implementation, and recommend options for mitigating the constraints;
- (v) assess capacity development needs; and propose a strategy, methodology, and requirements for developing the capacity for the proposed implementation arrangements and the time frame for undertaking such capacity development;
- (vi) assess the capacity development needs for the administration and implementation of delegated TAs and develop suitable capacity building programs;
- (vii) review current government and ADB approval procedures, and propose ways to improve coordination of the two sets of procedures; and
- (viii) prepare a report on streamlining project implementation procedures, including well-defined functions, roles, and responsibilities of different government entities; alignment of government approval procedures and ADB project cycles; as well as implementation arrangements and a capacity development strategy and requirements.

5. The following consultants will be hired on a need basis: project management expert, procurement and consulting services expert, disbursement expert, social development expert, resettlement expert, environment expert, and audit and financial management expert. The following generic terms of reference are proposed for these experts and may be suitably amended to suit the specific requirements.

6. **Project management expert.** The expert will

- (i) review the constraints and issues in managing ADB-financed projects and assess the training needs of the executing and implementing agencies for project management;
- (ii) design training programs on project management for executing and implementing agencies;
- (iii) prepare training materials, covering project design and monitoring framework, project performance report, and project monitoring and evaluation, as well as introduction to tools for project management; and
- (iv) deliver presentations at workshops.

7. **Procurement and consulting services expert.** The expert will

- (i) review current procurement practices in ADB-financed projects and assess the training needs of the executing and implementing agencies on procurement and contract administration (including procurement of civil works, goods, and consulting services);
- (ii) design training programs on procurement for executing and implementing agencies;
- (iii) prepare training materials, covering procurement planning, packaging, advertising, bidding and evaluation, contract awards, contract administration, and anticorruption policy and measures in ADB procurement and consultant selection; and
- (iv) deliver presentations at workshops.

8. **Disbursement expert.** The expert will

- (i) assess the training needs of the executing and implementing agencies of ADB-financed projects on disbursements;
- (ii) design training programs on disbursements for executing and implementing agencies;
- (iii) prepare training materials, covering disbursements projection, withdrawal applications with various methods of payment, account management, and use of the imprest account; and
- (iv) deliver presentations at workshops.

9. **Social development expert.** The expert will

- (i) review current practice in ADB-financed projects and assess training needs of the executing and implementing agencies on social assessment;
- (ii) design training programs on social assessment for executing and implementing agencies;
- (iii) prepare training materials covering social assessment, gender, and ethnic minority development plan, in light of ADB's Safeguard Policy Statement (2009); and
- (iv) deliver presentations at workshops.

10. **Resettlement expert.** The expert will

- (i) review the constraints and issues in managing resettlement in ADB-financed projects and assess the training needs of the executing and implementing agencies on resettlement;
- (ii) design training programs on resettlement management for executing and implementing agencies;
- (iii) prepare training materials, covering the resettlement policies of ADB and the government; particularly resettlement planning, implementation, and monitoring; and
- (iv) deliver presentations at workshops.

11. **Environment expert.** The expert will

- (i) review the environmental constraints and issues in managing ADB-financed projects and assess the training needs of the executing and implementing agencies on environment management;
- (ii) design training programs on environment management for executing and implementing agencies;
- (iii) prepare training materials covering environment policies and guidelines of ADB and the government; and
- (iv) deliver presentations at workshops.

12. **Audit and financial management expert.** The expert will

- (i) review the constraints and issues in financial management of ADB-financed projects and assess the training needs of the executing and implementing agencies on financial management;
- (ii) design training programs on financial management for executing and implementing agencies;
- (iii) prepare training materials covering audit and financial management policies and guidelines of ADB and the government, compliance with financial covenants, financial planning and projection, and financial management; and
- (iv) deliver presentations at the workshops.

13. **Other experts who may receive honoraria or payments.** Additional resource people and task-specific experts will be engaged to carry out well-defined tasks, including preparation of case study papers, workshop presentations, participation in workshops, and review of draft reports and training materials.