



Technical Assistance Consultants' Inception Report

Project number: 47040-001
July 2014

People's Republic of China: Fiscal Policy Reform and Management Output 1 Balancing Urban and Rural Development (Financed by ADB's Technical Assistance Special Funds-Other Sources)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 May 2012)

Currency Unit	–	Yuan(CNY)
CNY 1.00	=	\$ 0.1627
\$ 1.00	=6.1461	\$ 6.1461

ABBREVIATIONS

ADB	–	Asian Development Bank
CCP	–	Chinese Communist Party
DMF	–	Design and Monitoring Framework
EA	–	Executing Agency
IA	–	Implementing Agency
PRC	–	People's Republic of China
TA	–	Technical assistance

NOTE

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

I. INTRODUCTION

1. The technical assistance (TA) project -People's Republic of China: Fiscal Reform and Management -was approved in April 2014. The project will focus on a fiscal policy framework which balances the urban-rural development. It will explore a better integration of the fiscal policy with the population, public service and agriculture policies, so as to diminish the urban-rural gap in living standards gradually. The project will deploy in four main areas—the relationship between the fiscal system and the rural land-population policies and the impact of that relationship on the urban-rural development, the evolution of the fiscal governance mechanisms at the township level in the new millennium, the fiscal demand and investment mechanism of rural public infrastructure construction and public service delivery, and the supporting fiscal policy for “socialization” of rural public service delivery. The TA will produce new ideas to optimize the current fiscal policies. The ideas may involve how to define the administrative authority of government agencies at different levels, how to reform the tax system and stabilize the tax burden, how to improve budget transparency, how to establish modern fiscal institutions and how to motivate both the central and the local public servants. Based on these new ideas, the TA may bring forward a fiscal policy framework, together with its administrative system and action strategies to balance the urban-rural development.

2. The executing agency (EA) is the International Department of the Ministry of Finance of the People's Republic of China (PRC). The implementing agency (IA) is the Office of Rural Comprehensive Reform under State Council of the PRC. The TA is to be completed on 30 September 2015.

3. The key issues in this report have been discussed with EA and IA on the project inception workshops. The report reflects the current status of the TA implementation and identifies some of the key challenges to successful project implementation. The report represents the latest modifications on the project design and its theoretical foundation. The revised design and monitoring framework (DMF), an updated TA cost estimation and financial plan, an implementation schedule can be found in Appendix 1, 2, and 3.

II. ISSUES

A. Urban and rural areas as a whole and integrated development

4. As a developing agricultural country, China is at a critical point of social and economic structural transformation and is confronted with various challenges. The most prominent three ones are the underdevelopment of agriculture, the retardation of rural community, and the slow growth of farmers' income (these three challenges are often referred as “Three Rural Issues” in Chinese). In order to solve these tough problems, in 2013 on the Third Plenary Session of the 18th Central Committee, Chinese Communist Party (CCP) emphasized to establish a new urban-rural relationship, which was featured with “industry promoting agriculture, city leading countryside, reciprocity between urban workers and farmers, and urban and rural areas integrated as a whole”, so that the rural residents could have equal access to the process of modernization and equally share the fruits. It was also urged to build a new agricultural management system and grant more property rights to the farmers. Similarly, balanced distribution of public resources and fair trade of productive elements between the rural and the urban areas were promoted, and a healthy development of urbanization/townization was desired.

5. Historically, the evolution of urban-rural relationship in China can be divided into three periods. In the first period, development of the urban area was given a priority and the agricultural development was to support the industrial development. In the second period, the rural area took the lead of economic reforms, and the agricultural development was to facilitate

the industrial development. Until recently, in the third period, the urban and the rural development have been taken as a whole and the industrial development is to boost the agricultural development. For decades, the rural and urban areas have undergone an uneven development, which has resulted in wide gaps between the urban and rural development.

6. Currently, the gap is widening. In 2013, the annual income of urban residents was 3 times as much as that of rural residents. On average, an urban resident gained CNY 18059 (CNY 26955 VS.CNY 8896) more than his rural counterpart, and that number does not include the urban residents' public welfares in housing, education, healthcare, and social securities. The level of public service in rural areas is generally low, and the quality is greatly inferior. The farmers' livelihood issues have become a relatively prominent obstacle to the sustainable development of rural community and a potential threat to the social stability as well. Therefore, China must take the economic and social development of the urban and the rural areas as a whole, and take new types of agricultural-industrial and urban-rural relationships as a major strategy to accelerate the modernization. It must plan industrialization, townization and agricultural modernization as a whole, speed up the establishment of the long-term mechanism by which the industry could promote the agriculture development, and the urban area could spur the rural areas.

7. On the Sixteenth National Congress of Chinese Communist Party, CCP stated that "coordinating the urban and rural economic development, building modern agriculture and increasing farmers' income are significant tasks to achieve the well-off society". After that, CCP Central Committee and the State Council issued several "Documents" concerning "farmers' income", "agricultural and rural development", dedicated to break through the urban-rural dual structure and crack the "three rural" issues. Great changes have taken place in the financial support system for agriculture. For instance, in the year of 2012, the governmental expenditure for rural issues approximated CNY 3 trillion. Besides, 120 million children in the rural areas enjoyed free textbooks and free tuition as a result of new policy initiatives. About 13 million rural families gained special subsidies and 26 million rural school children obtained nutritional supplements. The funds for new rural cooperative medical service reached CNY 233 billion and covered 98 percent of rural residents. Besides, 53 million rural residents benefited from the minimum livelihood guarantee system, and 120 million rural residents received a pension protection.

8. At the same time, local governments are actively adjusting their developmental modes and strategies, and are exploring local ways to break through the urban-rural dual structure and achieve a balanced urban-rural development. Though they may differ in detailed practices there is still something in common. First, they all strive for a new development pattern-an integrated urban-rural development. Second, they all work on equalization of basic public services delivery. Third, they all focus on shaking off the systems and mechanisms hampering the urban-rural integration. Fourth, they all take regional pilot as a basic tactic. Fifth, they all promote townization as the starting point of urban-rural integration. Last but not the least, they all increase financial investment and policy support as the driving and safeguarding forces for the aforementioned initiatives.

B. China fiscal system and fiscal management

9. Currently, China practices a revenue-sharing financial management system. In 2013, the gross national revenue was CNY 12.91 trillion, of which the central fiscal revenue was CNY 6.01 trillion, and the local financial revenue was CNY 6.90 trillion. The year on year growth rate of the gross national revenue declined by 3 percent, while the rigid financial expenditures on people's

livelihood have been on steady increase. It is obvious that the contradiction between fiscal revenue and public expenditure has become acute.

10. The urban-rural dual structure is a common problem in developing countries. In recent years, the Chinese government has taken a series of measures to alleviate its negative effect, including abolishing agricultural tax, direct subsidies to farmers, free compulsory education, the new rural cooperative healthcare program among many others. Nevertheless, great urban-rural disparity still exists and is likely to exacerbate, which has become the biggest obstacle to a healthy, speedy, and sustainable development of China's economy and the equal sharing of social wellbeing among all citizens. To take the urban and rural development as a whole, the following problems in the financial system must be addressed: (1) tax burden between the urban and the rural areas is unequal, (2) social security policy between the urban and the rural areas is inconsistent, (3) county and township level governments suffer from acute financial difficulties, (4) pro-agriculture funds come down from complex sources and the funds management is decentralized and ineffective, (5) pro-agriculture fiscal expenditures have mainly been invested into agricultural infrastructure, and efficient rural public service delivery is still scant, (6) pro-agriculture financial policies are inconsistent, (7) accountability system of the pro-agriculture financial investment is still to be established. All these indicate that, the unbalanced urban-rural development concerns not only fiscal investment but also fiscal distribution. The problems are essentially rooted in the public finance system. As the Third Plenary Session of the 18th Central Committee, CCP pointed out in November 2013 that public finance was the foundation and pillar of national governance, and establishment of a modern public finance system was required.

11. To achieve a coordinated urban-rural development, reforms of the current public finance system are imperative. The reforms will increase the governments', esp. the local ones' revenue, and lead to a balanced distribution of the financial resources between the urban and the rural areas. Still, policy innovations will be made to revitalize rural resources and stimulate the inherent vitality of rural community.

C. Urban-rural coordination and financial support

12. The urban-rural relationship in China has changed a lot ever since the new millennium. However, the rural area still lags behind the urban area in development. How to break the urban-rural dual structure, how to achieve the economic and social integration of urban and rural areas, and how to allow all citizens equal access to basic public services? These are questions urging for answers.

13. To coordinate the urban-rural development and to promote equalization of the basic public services and infrastructures, vast amounts of financial investment are needed. In recent years, the Chinese government has continuously increased its investments into public services. As a result, the conditions of basic public services delivery have been greatly improved together with the service quality. Next, a financial investment mechanism is to be set up to secure a stable growth of public spending on social services and infrastructure, so that the growth rate is not lower than that of the national gross fiscal expenditure.

14. There are two major challenges the Chinese government has to deal with. First, to provide its huge population (1.3 billion) with an equal access to basic public services, including compulsory education, employment service, old-age pension, basic health care and affordable housing. Second, to secure sustainable pro-agriculture funds and effective management of the funds to promote the rural public infrastructure in the adverse condition of declining revenue growth rate and increasing government expenditures.

15. The uneven development and resources allocation in urban and rural china should not be ascribed to the marketplace. In fact, human interventions and irrational institutions have refrained free flow and rational allocation of resources (labor, technology and capital etc.). Therefore, the key to a healthy development of the country is to further promote market reforms and let the market play the basic role in resources allocation. Presently, the financial investment system reform is necessitated to facilitate a fair allocation of the public resources between the urban and the rural areas. At the same time, reforms of the financial distribution system should be promoted to accelerate the integration and equalization of the urban and the rural financial investment systems.

16. These reforms are closely interconnected with policies in other fields. As two fundamental rural policies, the Land and population policies impact significantly on an integrated urban-rural development. Therefore, to better understand the functions and limits of the public finance system, and to better identify the future direction of financial investment, we need assess comprehensively these polices' relationship with the public finance system and their impacts on urban-rural development.

17. Currently, 70 per cents of the public expenditure take place at the local levels (namely at the provincial, municipal, county and township levels). Of which more than 55 percent is dispensed by governments lower than the provincial level. Township is the lowest level of local governance in rural China; it is also the basic unit of rural public financial investment and public administration. Therefore, financial conditions of the township governments and its governing mechanism have direct impacts on agricultural productions, farmers' life and the progress of rural community. Besides, the rural finance is more actively response to the gross-root public demand. Accordingly, how the township financial system and its operating mechanisms change, and how the township financial management system evolves are very important parts of public finance management and constitute core issues of streamlined management and improved performance.

18. The rural infrastructure and basic public service are the precondition of decent rural life and agricultural production. However, great urban-rural gaps still exists there. These gaps are the main representation of an uneven urban-rural development. It is imperative to detect how big the gaps are before any wise decisions of narrowing the gaps are made. It is also imperative to design new financial investment and supporting policies to encourage various social forces to invest into the rural infrastructure .Besides, it is necessary to define the financial responsibility of the governments at different levels and in different regions. These three things are not only important safeguards of agricultural productivity and farmers' increased incomes, they are also the knots and nuts of the financial system reform leading to a balanced urban-rural development.

19. The "socialized" social service system provides necessary support and services for the agricultural production. It is also a prerequisite for agricultural advancement and agricultural products quality improvement. China has established a diversified social service delivery system. Useful explorations have been made on different mechanisms of service delivery, including non-profit one sponsored by governmental agencies, for-profit one driven by market forces, and cooperatives of farmers. To match with these explorations, a supporting financial policy system has been initially set up. Next, stresses should be put on agricultural technology promotion and quality control of agricultural products (including animal and plant diseases prevention and control, and agricultural products and food safety regulation). To support these, effective financial policies should be designed according to the unique features and requirements of the various types of service.

20. In general, though the urban-rural dual structure is under the influences of the economic, political, social, cultural and historical factors, it is more of a result of the institutional arrangement by

the government. Put it in another way, the public financial investment and policy supports determine to a large extent how much can local peoples' livelihood be improved and how much the goal of a coordinated and sustainable regional development be achieved. Therefore, we deem these are the basic approaches to the basic public services equalization: better combination of the fiscal policy and the monetary policy, land, population policy; rational distribution of public financial resources; increased financial input in rural and underdeveloped areas, and a mechanism securing sufficient public spending on basic public service and infrastructures.

D. Fiscal reform and future direction

21. Thirty years have passed since China's financial and tax system was launched in 1978. A public finance system adaptive to the socialist market economy has been preliminarily established. And series of institutional innovations have brought out a new tax system together with its operating mechanism, which have to some extent alleviated the negative effects of the urban-rural dual system and market failure. In the next step, China will further improve its public finance system, clearly define the financial responsibility of governments at all levels. It will improve the transfer and payment system, and increase expenditures on items concerning people's livelihood, such as education, employment, health care, social security, and housing. It will also set up a financial policy framework, together with the administrative system and action strategies to achieve a balanced development of the urban and the rural areas.

22. First, it is the common obligation of governments at all levels to guarantee sufficient financial input for the integrated urban-rural development. The principle of "financial-power-matches—administrative-authority" should be adopted to define the different shares of financial responsibility of governments at different levels. A new financial sharing mechanism will be set up through which the central and the local governments will each take reasonable proportion of responsibility on the basis of sub-categories of public services. Consequently, public financial investment activities will be normalized, institutionalized and legalized.

23. An integrated development of the whole country necessitates not only an equal distribution of the added funds and resources, it also asks for an elimination of the entrenched urban-rural difference and establishment of a new financing mechanism which can equalize the public service delivery among different parts of the country. The focus is to adjust the structure of the financial input, to be specific, to abandon the urban priority and divert more resources into rural areas and areas with financial difficulties. Furthermore, basic public services benefiting the majority of people should be the focus of financial investment, while non-service spending should be cut down. Demands for different categories of service in different regions will be estimated, so will be the financial gap to meet these demands. On this ground, public transfers can be made in a fair, just, normalized, and transparent manner. Great attention should be paid to adjust, check up and normalize the ear-marked transfer payments, and those ear-marked public service payments to the mid-west rural regions should be increased

24. The growth rate of government revenue will inevitably drop meanwhile rigid government expenditures are increasing. Under such circumstances, if we want to build up a financial policy framework and administrative system to balance the urban-rural development, we need to release the economic vitality of civil society, mobilize social capital, stimulate market activity, and establish supporting measures to mitigate income disparity and improve peoples' livelihood.

25. From the perspective of top-level design and overall planning, the TA's work will center on the public finance system reform. We will examine the four elements of the system, namely, the revenue, the expenditure, the management and the institution. Three major subjects will be

discussed in detail-- equalization of basic public service, rural infrastructure and public service delivery system in the rural area.

III. STATUS OF IMPLEMENTATION

26. **Engagement.** The EA and IA have actively guided TA implementation. They have visited other government agencies and provided feedback on key issues raised during implementation. The TA team has received generous encouragement and support throughout their work.

27. **Timeliness.** The start-up of the TA was delayed because of recruiting new consultants. The inception workshop was held on 1st April 2014, approximately 6 months later than original plan. In order to complete the TA on time, the schedule for implementation will be compressed (a detailed explanation can be found below) - that is to say, consultants will complete the TA within one year and a half.

28. **Deliverables.** Up till now, research work and policy dialogue has been spread out to a full range. After signing the contract with the Asian Development Bank, the consultant team has organized six different workshops. The first workshop on March 23rd was on the theme of “Research Design and Division of Work”, the second one on April 17th was on the theme of “Field Investigation Plan and Methodology”, the third and fourth workshops were on “investigation Outline and Questionnaire Design”, taken place on April 24th and May 4th respectively. On the fifth workshop on June 7th, questionnaires about township, village and farmers’ condition were discussed and revised by consultants. Finally, on June 23rd, the consultants discussed about details of the questionnaire survey. Then, each consultant held separate meetings with their investigators (recruited in the CCNU, mainly PhD and master students), gave them necessary training and suggestions about proper conducts of the survey before they left for field investigation in various provinces, including Henan, Hubei, Guizhou and Yunnan. Multiple government agencies have been contacted and visited, including the Office of Rural Comprehensive Reform under State Council of the PRC, the Ministry of Civil Affairs, the Forestry Department (Office), the Office of Rural Comprehensive Reform at various localities, the Cultural Department (Office) at various localities, and many township governments. Currently, deliverables include a copy of investigation design, a list of the investigated places and investigators, a set of questions (Questionnaire about township Condition, Questionnaire about Village Condition, and Questionnaire to Farmers) and records of previous workshops.

29. **Team composition.** The team composition largely remains as the original TA design. Yet we have to make the following adjustments to secure a smooth and timely completion of the project.

- a) replacing Prof. Jiquan Xiang with Prof. Licai Wu. The original team leader, Prof. Jiquan Xiang, was found to suffer from a severe lung cancer and could no longer stand high-intensive field investigation. He strongly recommended Prof Licai Wu as the new team leader to ensure a timely launching of the TA project in an efficient and harmonious cooperation manner.
- b) replacing Prof. Weidong Cheng with Prof. Fenghua Zhou. To meet the needs of actual research work and the project schedule, and considering their respective expertise and experiences, Prof Fenghua Zhou took the place of Prof. Weidong Chen as public policy expert. The replacement was discussed with EA and IA and has got approval from both parties.
- c) A new public finance expert and a research assistant were added into the team. To secure the timely completion of this heavy workload, a public finance expert Prof.

Qichun Zhang and a research assistant Dr. Qing Yuan were added to the consultant team.

30. **Budget.** The original TA budget was \$ 275,000 equivalent, of which \$ 210,000 was fixed budget for consultants, reports, publication, workshops and other related labor costs. In the formal contract signed on March 28th 2014, the ADB suggested to complete the project in one year and cut down the budget to \$ 118,301. Since most of the original TA tasks are to be finished in one and a half years according to the new design, it is reasonable to set the budget as \$ 149,215 (details can be found in Attachment 2). As of 7 July 2014, no ADB funds had been granted.

IV. TECHNICAL ASSISTANCE DESIGN

A. Rationale

31. **Relevance.** The TA has high empirical significance. As it has been pointed out, the Chinese government is facing major financial pressure in balancing the urban-rural development. Therefore, the government has strong motivation to find new ways to strengthen its tax system, to adjust orientation of public spending, and to optimize the financial management system. This motivation has been further strengthened by the slogan of “building modern public finance system” advanced in the Third Plenary Session of the 18th Central Committee, CCP.

32. **Alignment with other research projects.** Since approval of the TA, the consultant team has undertaken several other research projects highly related to the TA, including “Beautiful Village: The Fiscal Support and Policy Guidance” (committed by the Office of Rural Comprehensive Reform under State Council of the PRC), “Development of Urban-rural Community Service System: From 2015 to 2020” (committed by the Grassroots Authority and Community Building Division, Ministry of Civil Affairs , PRC) and “A Preliminary Research on National Public Cultural Service during 13th Five Year Plan”. The consultant team has also reached agreements with two municipal authorities (Suizhou city and Huangshi city in Hubei province) to collaboratively research and experiment with new approaches of building beautiful village and local governance. These activities will obviously help the consultant team maintain close cooperation with central and local governments, and make substantial policy dialogue possible. All these are good foundation for the smooth implementation of the TA. At the same time, the consultant team has also been advised of other ADB supported TA addressing similar issues and will establish a close cooperation with relevant teams so as to develop synergies and avoid duplication.

B. Challenges to success

33. **Assumptions and risks.** The TA’s DMF summarizes the key assumptions underlying the TA design and the key risks to TA success. Of these assumptions and risks, the paramount one is timely access to reliable information. Some of the information required by the TA is of a sensitive nature and is not suitable for public release. The team has made efforts to limit the need for such information. Maximum use will be made of publicly available information.

33. No additional risks to success have been identified.

C. Recommended Adjustments

35. **Outcome.** Revision of the TA outcome and its performance targets/indicators is not required.

36. **Outputs.** Revision of the TA outputs and associated performance targets/indicators is not required.

37. **Activities.** Revision to the TA activities and associated performance targets/indicators is not required. The timelines of each activity will, however, need to be extended.

V. IMPLEMENTATION SCHEDULE

38. In the revised implementation schedule, the TA is to be completed by the end of 2015, which remains the same as the original schedule. However, since the start-up was later than originally planned, the intermediate timelines have been adjusted accordingly.

UPDATED DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Improved fiscal policy and management framework for balanced development with accountability	By the end of 2015, at least two reform proposals are to be prepared by the TA and discussed at high level dialogue events ; At least two reform proposal prepared by the TA are to be adopted in government statement or policy document	Government announcements and websites Consultation with EA and IA,	Assumptions Central and local governments welcome fiscal reforms within scope of their responsibility. Risks Complementary reforms are required but cannot be implemented on a timely basis
Outputs 1. Sub-report 1: The fiscal management system and its reform in rural China in the New Millennium 2. Sub-report 2: The financial need and input mechanism for infrastructure and public service in rural area (2013-2020) 3. Sub-report 3: The land, population and fiscal policy in Chinese rural area and its influence to urban-rural development 4. Sub-report 4: An analysis on establishing new rural social service system and supportive fiscal policy 5. General report: The fiscal policy for	Inception report submitted by June 2014 Preliminary field investigation conducted in typical areas and cases by June 2014 Inception workshops held by August 2014 International study tour for consultants by September 2014 Sub-report 1 and 2 completed by December 2014, Midterm workshop held by December 2014, midterm report submitted by February 2015,	ADB website Government announcement Symposiums with local government agencies Interviews with local officials and residents Official documents, reports and statistics Analysis of the questionnaires	Assumptions Information required for analytical work can be acquired on a timely basis Risks Local government or other actors do not cooperate with consultants The cooperation among EA, IA and consultant team is ineffective.

<p>promoting balanced urban-rural development: policy framework, institutional innovation and action strategy</p> <p>6. Knowledge products produced and disseminated</p>	<p>Completion of questionnaire survey in 10 provinces by February 2015</p> <p>participation into an international workshop by March 2015,</p>		
Activities with Milestones			Inputs
<p>Output 1</p> <p>1.1 Assemble the TA team and set a detailed work plan by May 2014,</p> <p>1.2 Draft a detailed inception report and submit to ADB by June 2014,</p> <p>1.3 Review the current Chinese fiscal system, estimate fiscal policy reform and complete a preliminary research plan and key points by July 2014,</p> <p>1.4 Hold a workshop to reach consensus around key research issues by August 2014,.</p> <p>Output 2</p> <p>2.1 Complete review of evolutions of town-village's fiscal system and its operating mechanism by December 2014,</p> <p>2.2 Complete analysis on key fiscal issues at the village level, including effects of the "village's finance controlled by township government" policy, and the interrelationship between village financial disclosure and villagers' self-governance by December 2014,.</p> <p>2.3 Complete appraisal of the current rural financial input mechanism and bring out proposals for future reforms by December 2014,</p> <p>Output 3</p> <p>3.1 Complete estimation of the financial demands of major rural infrastructure and equalization of public service by December 2014,</p> <p>3.2 Propose policy recommendations on the basis of output 3.1 by December 2014,</p> <p>Output 4</p> <p>4.1 Complete assessment of the running rural land system's impact on local finance and urban-rural development by February 2015,</p> <p>4.2 Complete estimation of the running population policy's impact on urban-rural development, and produce fiscal advices to promote free migration by February 2015</p> <p>4.3 Complete analysis of the fiscal policy's role, limits in urban-rural development and identify main fields of future fiscal investment by February 2015</p> <p>Output 5</p> <p>5.1 Complete the review of the social service system and the fiscal supportive policy in rural China by February 2015</p> <p>5.2 Complete the estimation of the financial need of building a socialized agricultural service system by February 2015</p> <p>5.3 Propose practical fiscal policy suggestions to establish agricultural technology promotion system, rural animal and plant disease control system and agricultural product quality and food security system by February 2015</p> <p>Output 6</p> <p>6.1 have an international study tour and submit an inspection report by</p>			<p>ABD: \$149,215 Technical Assistance Special Fund (TASF– other sources)</p> <p>The government will provide counterpart support in the form of counterpart staff, office, office supplies, domestic transportation, and other in-kind contributions</p> <p>42 person-months of national consultancy</p>

September 2014 6.2 hold a midterm workshop to share outputs and determine what to do next by December 2014 6.3 present final drafts of all the sub-reports in an international dialogue event, and learn comments on the sub-reports by March 2015 6.4 Finalize the knowledge products resulted from activities 2, 3, 5 and 6; and provide those knowledge to government 6.5 Complete the final report that includes all sub-reports and an executive summary of the findings	
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ADB = Asian Development Bank,
 TA = technical assistance.
 Source: Asian Development Bank.

UPDATED COST ESTIMATES AND FINANCING PLAN
(\$'000, as of 15th May 2012)

	Original Budget^b (for two years)	First revised^c (for one year)	Final budget^d (for one and a half years)
Asian Development Bank^a			
1. Consultants	170.00	83.391	114.125
a. Remuneration and per diem	145.00	57,271	88,095
i. International consultants	0.00		
ii. National consultants	145.00	57,271	88,095
b. Travel (including local and international travel)	15.00	16,120	16,120
c. Reports, translation, and communications	10.00	10,000	10,000
2. Training, seminars, conferences, & study tours	85.00	0.00	0.00
a. Inception workshop, training seminar, & interim workshop	30.00		
b. Study tour	50.00	35,000	35,000
c. Final workshop	5.00		
d. Publication and dissemination	0.00		
3. Miscellaneous management and support costs	5.00		
4. Contingencies	15.00		0.00
Total	275.00	118,391	149,215

^a Financed by the Asian Development Bank's Technical Assistance Special Funds (TASF— other sources).

^b See the TA report *People's Republic of China: Fiscal Policy Reform and Management* (ADB provided, May 2013)

^c See *FOR RARTIAL LUMPSUM CONTRACT* (PAYMENT SCHEDULE CONTRACT NO.108511-S52325)

^d Estimated by consultant agency

REVISED IMPLEMENTATION SCHEDULE

NO	Activity	2014 (month)										2015 (month)								
		4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	
1.	Communicate with relevant government agencies and collect information																			
1.1	Assemble the TA team and set a detailed work plan																			
1.2	Complete questionnaire and outline, form a preliminary research proposal																			
1.3	Draft a detailed inception report and submit to ADB																			
1.4	Review the evolution of Chinese fiscal system																			
1.5	Field investigation in 4 provinces																			
1.6	inception workshop and present study plan and key point																			
1.7	International study tour																			
1.8	Questionnaire in large scale																			
2	Draft report of the fiscal management system and reforms in rural China																			
2.1	Review of the fiscal system at the township level																			
2.2	Analysis of key fiscal issues at the village level																			
2.3	Appraisal of the current rural financial input mechanism and proposals for future reforms																			
3	Draft report of financial demands of major rural infrastructure and public service equalization																			
3.1	Estimation of financial need of major rural infrastructure and equalization of public service																			
3.2	Policy recommendations for equalized infrastructure and public service																			
4	Midterm workshop to share outputs																			
5	Draft report of rural land system																			
5.1	Estimate the rural land system's impact on public finance and urban-rural development																			
5.2	Estimate population policy's impact on urban-rural development, and fiscal demands of free migration																			
5.3	Clarify fiscal policy's role and limits in urban-rural development and identify main fields of future fiscal investment																			
6	Draft report of fiscal supportive policy for socialized agricultural service system																			
6.1	Review the evolution of socialized public service delivery in China and relevant fiscal supportive policies																			
6.2	Estimate the financial need of a socialized rural social service delivery system																			
6.3	Propose practical fiscal policy suggestions to establish key social service systems																			
7	Complete and publicly present the knowledge product																			
7.1	Present the sub-reports in an international dialogue event																			
7.2	Finalize knowledge products and submit to the government																			
7.3	Complete the final report																			