



Completion Report

Project Number: 47040-001
Technical Assistance Number: 8452
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People's Republic of China: Fiscal Policy Reform and Management

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TA No., Country and Name			Amount Approved: \$ 600,000.00	
TA 8452-PRC: Fiscal Policy Reform and Management			Revised Amount: not applicable	
Executing Agencies: International Department, Ministry of Finance		Source of Funding: ADB's Technical Assistance Special Fund (TASF-other sources)	Amount Undisbursed: \$190,294.48	Amount Utilized: \$409,705.52
TA Approval Date:	TA Signing Date:	Fielding of First Consultant:	TA Completion Date Original: 30 November 2015	Actual: 30 November 2015
18 September 2013	14 October 2013	21 March 2014	Account Closing Date Original: 30 November 2015	Actual: 27 May 2016
Description The Twelfth Five-Year Plan of the People's Republic of China (PRC) 2011–2015 set out wide-ranging fiscal policy and management reforms. ^a These reforms will help improve accountability and public service delivery, streamline administration, and increase delegation of authority to lower levels of government. Mechanisms for conducting checks and balances on the exercise of authority will also be improved. Fiscal policy and management reforms will need to be extended to township and village-level governments if rural incomes and agricultural productivity are to be raised, and the provision of basic public services is to be improved in rural areas. Some local budgets are segmented and prepared using outdated procedures. Gaps in the analysis and understanding of the fiscal operations of township and local governments hinder the implementation of needed reforms. Improved government financial reporting is also needed to increase the understanding of the distribution and use of government resources as well as fiscal transparency, thereby, strengthening governance. The technical assistance (TA) was to support fiscal policy and management reform initiatives for township and village-level governments, and initiatives to strengthen governance. The TA was designed in response to the request of the PRC government and was included in the Country Operations Business Plan 2013–2015.				
Expected Impact, Outcome and Outputs The expected impact of the TA was strengthened fiscal policy and management system. Performance was measured by requiring at least two reform proposals, prepared under the TA, be presented to the Ministry of Finance (MOF) by the end of 2017. The expected outcome was improved fiscal policy and management framework to promote balanced rural-urban development and accountability. Performance was measured by discussions at high-level events regarding the reform proposals prepared by the TA, and reference to these proposals in government statements or policy documents by the end of 2015. The outcome was to be achieved by delivery of three outputs: (i) fiscal policy and management initiatives for township and village-level governments that reduce the rural–urban imbalance; (ii) policy and legislative initiatives for strengthened government financial reporting; and (iii) targeted, widely accessible knowledge products. The Department of International Economic and Financial Cooperation of MOF was the executing agency. The Office of the Working Party for Rural Comprehensive Reform of the State Council was the implementing agency.				
Delivery of Inputs and Conduct of Activities The TA provided a total of 23 person-months of services from national consultants. All consultants were engaged in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (2013, as amended from time to time). The original TA completion date of 30 November 2015 was met. Around 32% of the TA funds were not used (\$190,294.48) due to savings from consultant contracts and a higher than expected cost sharing of the IA to cover workshops and other costs. The TA held various workshops and field visits within the PRC. For output 1, the implementing agency completed a study tour to Japan and Republic of Korea, which focused on how reforms, construction and development in rural areas could impact PRC's agricultural modernization. Under output 2, the implementing agency completed a study tour to the US, which focused on accrual-basis government financial statement training. The TA met all project requirements. The consultants provided high quality reports that were delivered on schedule. The performance of the consultants was highly satisfactory as assessed by ADB and counterpart agencies. They completed their tasks effectively. The performance of the executing agency, implementing agencies, and ADB was also satisfactory. ADB fielded regular review missions and worked closely with the implementing agencies.				
Evaluation of Outputs and Achievement of Outcome All outputs were delivered. They were well accepted by the executing and implementing agencies. Key deliverables under output 1 were reports on: Reform of Rural Land System; Governance Mechanism and Reform of PRC Rural Finance in New Century; Financial Requirement and Investment Mechanism of PRC Rural Public Infrastructure and Basic Public Service; and Development of New Socialized Services System for Agriculture and Financial Support Policy in PRC. Output 1 also produced reform proposals on (i) the financial support and policy guidance for the				

construction of Beautiful Towns and Villages, and (ii) The 13th Five-Year Plan on the Construction of Urban and Rural Community Service System.

In addition, a survey was conducted on rural service disparities in 102 counties and 121 villages in 15 provinces.^d Three towns were chosen as pilot sites for the detailed examination of what would be required to achieve the same level of social services in rural areas as in urban areas. A regional survey was also conducted in Henan, Hubei, and Guizhou provinces as well as in Beijing with the lead provincial reform groups to test the effectiveness of proposed policy reforms. In-depth reviews of relevant laws and regulations were also undertaken, including the urban and rural community services system, and the rural land reform system. Output 1 contributed to the refinement of key policies and development plans relating to public service, urban and rural community construction, beautiful towns and villages and the construction of public cultural service system.

Key deliverables under output 2 were: (i) Research Report on the Preparation of Government Financial Reports, which will help improve the financial reporting of a government agency; (ii) Preparation Methods and the Implementation Guide on Government Financial Reporting and the Overall Demand on the Government Financial Reporting Information System, which will serve as an important reference for future information system development, and (iii) Government Financial Reporting Training Materials. All the outputs provided by the consulting team during the planning stage helped improve the planning process and are highly relevant to the government public finance reform and sustainability. This successful attempt of the tentative preparation of government financial reports across the country has brought forth innovative thinking to governments at all levels in terms of public finance management, and effective support for public finance reform at the township and village-levels.

The work carried out under output 2 addressed the priorities in the government's public finance work plan.^b It also helped MOF synchronized the process of formulating the annual implementation plan with the preparation of government financial reports, government accounting reform, and government financial reporting analysis and application. The outputs provided frameworks that helped guide the preparation of several regulations and guidelines on government financial reporting; specifically, accounting standards that dealt with the financial consolidation of entities and the administration of public sector units and universities.

Deliverables under Output 3 included a publication *on Emerging Issues in Finance Sector Inclusion, Deepening, and Development in the People's Republic of China*,^c and high-level papers about the project published in high-level academic journals in the PRC.

The TA's outputs and outcome helped strengthened fiscal policy and management system in the PRC. Several reform proposals generated by the TA had been presented to MOF, which were subsequently adopted. The TA achieved its designed outcome, where key reform proposals were discussed at high-level events and referred to in government statements or policy documents.

Overall Assessment and Rating

The TA is rated as successful. The TA's analysis of public finance and financial management reforms was of a high standard, and effective in informing policy dialogue. The TA provided the PRC a readily accessible source of pragmatic and relevant advice that allowed it to respond quickly to public finance and financial management reforms initiated by the central government. The results are likely to be sustainable given the government's strong support and ownership of this reform program.

Major Lessons

The effectiveness of the TA was improved by close alignment with government reform programs. The effectiveness of reform-oriented TA was also enhanced by providing flexibility during implementation to ensure that TA resources could accommodate government priorities and respond to evolving demands in the PRC.

Recommendations and Follow-Up Actions

The policy and advisory support provided for public finance and financial management reforms in the PRC need to be followed-up, and ADB's assistance for implementation may be needed to ensure sustainability and deepen the knowledge generated by the ADB support in these areas.

^a Government of the People's Republic of China. 2010. *Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic of China, 2011-2015*. Beijing.

^b The executing agency has processed the annual implementation plan in relation to the government financial reports, the government accounting reform, and the government financing reporting analysis and application.

^c <https://www.adb.org/publications/emerging-issues-finance-sector-inclusion-deepening-and-development-peoples-republic-china>.

^d The financial autonomy, democratic governance and rural public goods supply-questionnaire survey analysis on 15 provinces, 102 counties and 121 villages was published in Social Science Research No. 1, 2015. Research on basic cultural needs of the masses and regional and group differences-based on questionnaire survey of 20 provinces and 80 counties (districts) was published in Social Scientist No. 8, 2014.