



## Completion Report

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Project Number: 47072-001  
Technical Assistance Number: 8711  
February 2018

# People's Republic of China: Promoting Foreign Investment to Support Agricultural Modernization

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TA Number, Country, and Name:			Amount Approved: \$400,000.00	
TA 8711-PRC: Promoting Foreign Investment to Support Agricultural Modernization			Revised Amount: Not Applicable	
Executing Agency: Ministry of Agriculture		Source of Funding: TASF—other sources	Amount Undisbursed: \$65,624.41	Amount Utilized: \$334,375.59
TA Approval Date:	TA Signing Date:	Fielding of First Consultants:	TA Completion Date Original: 29 Feb 2016      Actual: 31 Aug 2017	
28 Aug 2014	19 Sept 2014	21 Dec 2015	Account Closing Date Original: 31 May 2016      Actual: 27 Dec 2017	

### Description

The technical assistance (TA) aimed to support a comprehensive review of foreign policies and experience with respect to agricultural foreign investment of both capital and technology, conduct an in-depth analysis of the practices of foreign agricultural projects in the People's Republic of China (PRC), and carry out an assessment of the gaps between the foreign and domestic agricultural enterprises in terms of operation, management, and technology development. The TA was designed to build upon the PRC's agenda on inclusive growth and private sector development. Foreign investment in the agriculture (including forestry, animal husbandry, and fishery) sector has been growing in the PRC, with an average annual growth rate of 8%, yet this foreign investment has long stayed below 2% of the overall foreign investment received by the PRC. To date, agricultural foreign investment has been more prominent in the eastern region, played a leading role in bringing intellectual resources and technology, and focused on crop farming and animal husbandry. It has filled the capital gap and promoted sector development and agricultural industrialization. Furthermore, the involvement of multinational agro-enterprises and their intellectual resources introduced has enhanced corporate governance, market reform, and improved the productivity of the whole sector. The government has placed a high level of importance to modernizing the agriculture sector which is seen as the key for stimulating rural economic growth. Opening-up of the agriculture sector, enhancing foreign investment, adopting advanced technology and equipment, supporting agro-enterprises, and promoting collaboration between domestic and foreign enterprises were the key features of the National Modern Agriculture Development Plan (2011–2015). However, the implementation has been slow due to limited information and understanding about (i) the status quo of agricultural investment projects; (ii) enterprise-level gaps in business operation and demand for collaboration; (iii) sector and regional demands; and (iv) experience from other countries that have successfully attracted agricultural foreign investment and promoted collaboration and healthy market competition. The Foreign Economic Cooperation Center (FECC) of the Ministry of Agriculture sought to increase understanding and assess the policy issues on how to promote and optimize foreign investment in the agricultural sector to promote market development involving various players and enhance the collaboration between foreign and domestic agro-enterprises.

### Expected Impact, Outcome, and Outputs

The expected impact of the TA was to contribute to the modernization of the agricultural sector of the PRC, and the expected outcome was to promote foreign investment in the agricultural sector and market development of the PRC. The expected outputs were (i) a study report on the status of foreign investment in the agricultural sector in the PRC; (ii) a study report on demands for agricultural foreign investment and opportunities for the domestic enterprises to learn from and collaborate with foreign enterprises; and (iii) a policy note on promoting agricultural foreign investment and market development.

### Delivery of Inputs and Conduct of Activities

The TA was carried out by a consulting firm composed of two international and five national consultants. The TA involved 4.0 person-months of international consulting services which was adjusted from one consultant with 4 person-months to two consultants with 2.0 person-months each; the two international consultants focused on different geographic regions for more in-depth analysis. The national consultants' inputs were adjusted from 20 person-months to 22 person-months, with an additional 1 person-month each added to the agricultural economist and team leader and agricultural policy specialist; responding to the technical complexity of the TA. The performance of the consulting firm was rated as satisfactory. The consultants provided initial recommendations on the approach and study methodology of the TA with the work organized into core modules and tasks assigned to the consultant team. The key modules were based on (i) literature review and policy analysis at the domestic and international on foreign direct investment and understanding the trends in investment; (ii) field investigation and research based on surveys and interviews of domestic and foreign agro-enterprises; (iii) in-depth case studies of selected domestic and foreign agro-enterprises to identify gaps, analyze strengths and weaknesses focusing on management, operations, and research and innovation; and (iv) comparative study on the local situation and experiences vis-a-vis international

experiences. To undertake the work, the consultants held frequent meeting and consultations with government agencies, state-owned enterprises, domestic and foreign agro-enterprises, as well as think-tank agencies and academic institutions. The executing agency's performance was satisfactory. The executing agency provided counterpart staff; provided support to coordinate field surveys and make meeting arrangements; coordinated the circulation of the TA reports and collated feedback and/or comments from various agencies and departments; as well as provided guidance on quality and expectations for the TA outputs. The Asian Development Bank (ADB) provided guidance and fielded timely missions. ADB's overall performance was satisfactory.

#### **Evaluation of Outputs and Achievement of Outcome**

The TA produced the expected outputs which were approved by ADB and FECC, including the inception, interim, and final reports. The comprehensive final report produced four modules: (i) report on the status of foreign investment in the agricultural sector which outlined the strategy, operational models, practices, and governance of foreign agro-enterprises, and the constraints and challenges they faced; (ii) report on the demand for agricultural foreign investment and opportunities for the domestic and foreign agro-enterprises to collaborate. It reported on the demand for agricultural foreign investment in the sector, subsectors, and regions; identified gaps between domestic and foreign agro-enterprises in value chain development, branding and marketing, research and development, and access to international consumption and capital markets; as well as identified opportunities for collaboration between domestic and foreign agro-enterprises; (iii) report on the international experiences from Europe (The Netherlands and France) and Asia (Japan and Republic of Korea) for agricultural foreign investment, promoting collaboration and market competition; and (iv) policy note on promoting agricultural foreign investment and market development. The proposed policies were to optimize foreign investment in the agriculture sector, create equal conditions for foreign and domestic agro-enterprises to compete, and promote collaboration between various market players. The policy recommendations were aimed at the national and local levels. A conference was held with 50 participants including government officials from the ministries of agriculture, finance, and commerce; domestic and foreign enterprises; academic institutions; and the American Chamber of Commerce in the PRC. The conference provided an opportunity to disseminate the results of the TA, as well as for the domestic and foreign agro-enterprises to exchange information with policy makers from the national level. The final report was published in Chinese language with an English language executive summary and was distributed to universities, research institutions, government think-tank agencies, as well as national and provincial libraries. The outcome of the TA was achieved, the proposed policy recommendations for promoting foreign investment in the agricultural sector and market development were accepted and endorsed by the Ministry of Agriculture. A key achievement of the TA was the cooperation and collaboration with foreign agro-enterprises which was supported and facilitated by the American Chamber of Commerce in the PRC. This cooperation enabled the TA to explore deeply into the strategy, operational models, practices, and governance of the foreign agro-enterprises, which served as the basis for better understanding their operations and needs and served as the basis for the policy recommendations. The government demonstrated strong ownership of the TA; the executing agency made efforts in ensuring that the relevance of the TA outputs and deliverables contributed to achieving the desired outcome.

#### **Overall Assessment and Rating**

The TA is rated successful. All required outputs and outcome, as well as related tasks and targets, were achieved. The executing agency was satisfied with the results of the TA as the outputs from the TA were well received by the government, as well as foreign and domestic agro-enterprises.

#### **Major Lessons**

The TA showed that foreign investment to support agricultural modernization has a role to play in the PRC. The TA presented recommendations on how to increase the quantity and improve the quality of agricultural foreign investment; how to optimize the investment distribution across subsectors, value chains, and regions; and how to promote cooperation and collaboration between domestic and foreign agro-enterprises. A major challenge for the TA was the partial delegation to the executing and implementing agencies which included the selection, recruitment, and supervision of consultants while ADB remained responsible for the administration of the TA. The recruitment of the consultants was slow and took more than a year to complete which severely affected the implementation of the TA. For future delegated TA projects, it is important to assess the capacity of the implementing agencies and to provide additional support so they can manage and complete on a timely manner their delegated responsibilities. Savings from the TA were from contingency and from the allocation for workshops, trainings, and conferences which was not fully utilized due to cost sharing with the executing agency.

#### **Recommendations and Follow-Up Actions**

The results from this TA align with the national program to modernize the agriculture sector. Foreign investment in the agriculture sector can fill the capital gap, enhance intellectual resources, introduce high-level technology, strengthen corporate governance, and stimulate market development; thus, promoting the sector development and agricultural modernization. The final recommendation is to continue to strengthen domestic and foreign agro-enterprise cooperation to further enhance local level development.