



Completion Report

PUBLIC

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People's Republic of China: Preparing Regional Cooperation and Integration Projects

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9373-PRC: Preparing Regional Cooperation and Integration Projects		Amount Approved: \$1,000,000	
		Revised Amount: \$2,000,000	
Executing Agencies: Ministry of Finance, National Development and Reform Commission	Source of Funding: Technical Assistance Special Fund (TASF-other sources) Regional Cooperation and Integration Fund (RCIF)	Amount Undisbursed: \$186,233.93	Amount Used: \$1,813,766.07
TA Approval Date: 12 September 2017	TA Signing Date: 6 October 2017	TA Completion Date	
		Original Date: 30 September 2019	Latest Revised Date: 31 December 2021
		Financial Closing Date: 11 February 2022	Number of Extensions: 2
TA Type: Transaction TA	Nature of Activity: Project preparation	TA Arrangement: Loan 3759-PRC: Yunnan Lincang Border Economic Cooperation Zone Development Project MFF 0108-PRC: Inner Mongolia Sustainable Cross-Border Development Investment Program PRC 51243-001: Xinjiang Regional Cooperation and Integration Promotion Investment Program	

Description

The transaction technical assistance facility (F-TRTA facility) was approved on 12 September 2017 and financed by a \$1 million grant from the Technical Assistance Special Fund (TASF-other sources) of the Asian Development Bank (ADB). The F-TRTA facility became effective on 6 October 2017 and was expanded by a \$1 million from the ADB-administered Regional Cooperation and Integration Fund (RCIF) on 17 April 2018.

The F-TRTA facility was designed to support project preparation and subsequent capacity building for three ADB regional cooperation and integration (RCI) projects: (i) the Yunnan Lincang Border Economic Cooperation Zone Development Project;¹ (ii) the Xinjiang Regional Cooperation and Integration Promotion Investment Program, including tranche 1 of this proposed multitranche financing facility (MFF); and (iii) the Inner Mongolia Sustainable Cross-Border Development Investment Program (formerly the Inner Mongolia Regional Cooperation and Integration Promotion Investment Program), including the MFF's tranche 1 (IMAR T1).²

This included preparation and delivery to the executing and implementing agencies of (i) technical feasibility assessments, (ii) investment plans and procurement packages, (iii) completed safeguard due diligence, (iv) sector assessments, and (v) project management capacity plans. The F-TRTA facility was intended to support studies and analyses that would lead to the development of road maps and policy frameworks required for (MFF) operations and to help improve project readiness to ensure timely project implementation.

¹ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for Yunnan Lincang Border Economic Cooperation Zone Development Project*. Manila.

² ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to the People's Republic of China for the Inner Mongolia Sustainable Cross-Border Development Investment Program*. Manila; and ADB. 2020. *Periodic Financing Request Report: Inner Mongolia Sustainable Cross-Border Development Investment Program (Tranche 1)*. Manila.

Expected Impact, Outcome, and Outputs³

Preparation of the ensuing projects was to be achieved through the delivery of five outputs: (i) Output 1—Technical feasibility assessments conducted; (ii) Output 2—Investment plan and procurement packages formulated; (iii) Output 3—Safeguard due diligence completed; (iv) Output 4—Sector assessments prepared; and (v) Output 5—Project management capacity of the executing and implementing agencies improved.

Implementation Arrangements

ADB's East Asia Department (EARD) Public Management, Financial Sector, and Regional Cooperation Division (EAPF) led the TA implementation, in close coordination with the Urban and Social Sectors Division (EASS). The People's Republic of China (PRC) Ministry of Finance and the National Development and Reform Commission served as the executing agencies and were responsible for coordinating project preparation. The governments of the PRC's Inner Mongolia Autonomous Region (IMAR), Xinjiang Uygur Autonomous Region (XUAR), and Yunnan Province were the implementing agencies and provided project preparation support to EAPF and EASS.

The F-TRTA facility was to be implemented over 24 months, with an original closing date of 30 September 2019. This was extended on 17 April 2018 by 15 months to 31 December 2020 following the addition of the \$1 million in financing and an expansion of the F-TRTA facility's scope and scale. The additional RCIF funding enabled an increase in consulting services needed to process the preparation of the two MFFs covered by the F-TRTA facility from 74.75 to 137.50 person-months. In total, 16 international consultants (providing 52.4 person-months of international inputs) and 37 national consultants (providing 123.8 person-months of national inputs) were recruited individually under the F-TRTA facility. In addition, four national resource persons were engaged from 17 April 2019 to 31 December 2020. The support planned for preparing the Xinjiang RCI promotion investment program was put on hold in the third quarter of 2019, as the program did not proceed. The COVID-19 pandemic forced a final 12-month extension of the closing date to 31 December 2021. The F-TRTA facility used \$1.814 million (91%) of its total expanded budget.

The F-TRTA facility was able to support the preparation of three ADB RCI operations, two of which resulted in ADB-financed projects.

Conduct of Activities

The F-TRTA facility supported the design, upstream work, and start-up activities of two proposed ADB RCI operations to ensure their efficient and smooth implementation. For example, the activities in support of the start-up of the IMAR T1 included preparation, review, and quality assurance of procurement-related documents and project implementation and monitoring. The F-TRTA facility also strengthened the capacity of the executing and implementing agencies, the project management offices, and other project implementing entities for project preparation and implementation. The strategic procurement plan (SPP) was successfully piloted during the F-TRTA facility's implementation in line with then new 2017 ADB Procurement Policy and in close coordination with Procurement, Portfolio, and Financial Management Department (PPFD).

Some details of the three projects the F-TRTA facility supported are provided below:

1. **Yunnan Lincang Border Economic Cooperation Zone Infrastructure Comprehensive Development Project.** The project concept paper was approved on 22 September 2017. The loan fact-finding mission was held on 18–27 April 2018; the management review meeting on 18 September 2018; the loan negotiations on 13 November 2018; and Board approval on 10 December 2018. The project aimed to address urban and social development and improve border connectivity, cross-border trade capacity, and trade facilitation in Lincang Prefecture of the PRC's Yunnan Province. The project supports the province's RCI participation in the Greater Mekong Subregion (GMS) Program, with a focus on economic corridor development. Its major RCI spillovers will also benefit Myanmar's Shan border province. The project cost was estimated at \$402.8 million, of which \$250.0 million was financed by ADB to fund part of the long-term investment needed to implement Yunnan's strategies on enhancing RCI and to support the development of the Yunnan Lincang Border Economic Cooperation Zone and its border counties.
2. **Xinjiang Regional Cooperation and Integration Promotion Investment Program, MFF Tranche 1.** The project concept paper was approved on 20 December 2017. The loan fact-finding mission was conducted during 7–28 January 2019. The proposed MFF intended to deepen economic cooperation and integration between the XUAR in the PRC with other countries participating in the Central Asia Regional Economic Cooperation (CAREC) Program. The MFF aimed to expand regional trade and investment, increase regional transport and trade

³ The F-TRTA facility does not have its own design and monitoring framework. The outputs are based on the ADB technical assistance report for Preparing Regional Cooperation and Integration Project approved on 12 September 2017. (ADB. 2017. *Technical Assistance to the People's Republic of China for Preparing Regional Cooperation and Integration Project*. Manila).

efficiency, and promote regional public goods. To achieve these outcomes, the MFF was designed to develop physical infrastructure and trade-related facilities, support cross-border transport connectivity, improve trade and transport facilitation, and develop needed health care facilities and services in the key border economic zones and border areas linking XUAR with the other CAREC countries and beyond. The investment program was estimated to cost \$1.2 billion, of which \$490 million was to be financed by ADB. The first tranche was estimated at \$150 million and listed in the country operations business plan as firm for 2019. The full report and recommendation of the President was prepared. However, the program did not proceed.

3. **Inner Mongolia Regional Cooperation and Integration Promotion Investment Program,⁴ MFF Tranche 1.** The Inner Mongolia Sustainable Cross-Border Development Investment Program concept paper was approved on 28 June 2019. The loan fact-finding mission was held 2–11 September 2019, the management review meeting on 29 January 2020, and the loan negotiations during 25–26 August 2020. Board approval of the MFF loan was given on 21 October 2020, and tranche 1 approved on 26 November 2020. The F-TRTA facility supported the organization of four workshops under IMAR T1. These included (i) inception workshops on 17 July 2018 and 30 April 2019 (ii) a loan interim workshop on 20 July 2019, and (iii) a fact-finding workshop on 11 September 2019. The F-TRTA facility also provided support in the procurement, legal, and implementation areas to ensure a smooth project start-up.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The F-TRTA facility was fully aligned with the strategic priorities of the PRC and supported ADB's strategic RCI agenda. It was also aligned with and supported targets for developing the PRC's border provinces including in ADB's PRC country partnership strategies (CPSs) since 2004. RCI was one of the five strategic priorities of the PRC CPS for 2016–2020. The F-TRTA facility scope was fully aligned with ADB's Strategy 2020 and the four pillars of ADB's RCI strategy and deliverables. The F-TRTA facility financed and facilitated the preparation of the planned ensuing investment project and MFF programs through the preparation of the requisite feasibility studies, analyses, and assessments of RCI's contributions to inclusive and sustainable economic growth in the PRC. The F-TRTA facility's design was technically sound, appropriate to facilitate the processing of the ensuing ADB investments, and flexible and adaptive enough to adjust effectively to unforeseen contextual changes and the COVID-19 crisis. The options adopted in response facilitated timely approval and smooth implementation of projects.	Relevant
Effectiveness	<p>The F-TRTA facility's planned activities were conducted, and the intended outputs delivered. The F-TRTA facility provided solid ground for (i) conducting due diligence and preparing programs and subprojects to meet the environmental, resettlement, and indigenous peoples requirements of ADB's Safeguard Policy Statement; (ii) enabling innovative design features such as climate change resilience and environmentally sound technology; (iii) supporting key RCI-related themes aligned with government and ADB strategies on regional public goods, climate change, and gender and institutional development; and (iv) ensuring more effective and stronger implementation capacity for quality project design. The F-TRTA facility strengthened the capacity of the executing and implementing agencies and project implementing entities to prepare and implement projects. This in turn helped improve project readiness and ensure timely, smooth implementation.</p> <p>Close cooperation with the government and the One EARD and One ADB approaches significantly benefitted implementation.</p> <p>Despite the unexpected pandemic challenges and changes in the F-TRTA facility's coverage and time frame, the implementation arrangements proved adaptable and effective. The longer timeline allowed full and effective use of the funds to strengthen the institutions and build the capacity of the new</p>	Effective

⁴ The name was later changed to the PRC: Inner Mongolia Sustainable Cross-Border Development Investment Program.

Criterion	Assessment	Rating
	and comparatively less experienced executing and implementing agencies (e.g., the Inner Mongolia Sustainable Cross-Border Development Investment Program) for procurement, financial management, and related procedures.	
Efficiency	<p>The F-TRTA facility objectives were met and the requisite technical due diligence and assessments completed. Procurement and financial reporting complied with requirements and TA implemented within the budget and time. The F-TRTA facility was flexible in addressing emerging needs of the PRC government and new CPS priorities. Two extensions and minor changes were processed to expand the TA scope for enhancing the implementation and monitoring capacity of the ensuing projects. The F-TRTA facility doubled its resources by successfully attracting \$1 million in RCIF cofinancing from the RCIF. The implementation period was extended to ensure the efficient use of the expanded funds available, and \$1.814 million (91%) of the total budget was disbursed.</p> <p>The F-TRTA facility's flexible response to the operational context and the critical needs of the clients ensured efficient use of the F-TRTA facility. ADB's F-TRTA facility team, the government, and the consultants were managed well and efficiently. Flexibility in the implementation arrangements provided efficiency in the engagement and use of project preparation consultants.</p>	Efficient
Overall Assessment	The F-TRTA facility achieved its intended objectives, delivered the intended outputs, and conducted the planned activities. The rationale and overall design were technically sound and fully aligned with ADB's and the PRC's strategic frameworks and priorities. All the technical, economic, and financial due diligence, assessments, and analyses were conducted. Procurement and consulting services and related activities were completed within the intended time frame and budget. Except for the delays related to COVID-19, no cost overruns nor delays occurred during implementation. The F-TRTA facility provided a good basis and needed financing for strengthening RCI dimensions in PRC border regions and had subregional spillovers. It also supported innovation, promoted international good practice, and ensured alignment with ADB and PRC RCI strategies and policy decisions.	Successful
Sustainability	The F-TRTA facility did not have a sustainability objective as it was a project preparation financing vehicle. Since the preparation of ensuing projects has been completed, no continuity is expected.	Not applicable

Lessons Learned and Recommendations

Flexibility and adaptability assured by the F-TRTA facility approach	Readiness and ability to adapt helped sustain the F-TRTA facility's success when changes occurred. The F-TRTA facility was adjusted and ensured efficient use of funds by supporting relevant operations (e.g., the IMAR MFF). Such flexibility was a key strength and should be promoted as part of ADB's approach to such facilities.
Efficiency and innovation	Implementation was innovative as well as efficient. The strategic procurement plan (SPP) was developed during implementation in close coordination with PPF and in line with ADB's Procurement Policy approved in 2017. This marked the first preparation of an SPP for an ADB investment in the PRC. The F-TRTA facility was among the first operations to pilot the SPP, which allowed for more procurement flexibility based on a strategic principle- and risk-based approach and introduced value-for-money and fit-for-purpose concepts.
One ADB and One EARD approach	Two ensuing projects were processed by two different divisions in EARD. This demonstrated the importance of good coordination among various ADB units, including EARD sector divisions and PRCM, and the excellent support provided by the RCI Thematic Group. It clearly showed that the efficient implementation of a F-TRTA facility depends largely on effective collaboration and close

	coordination at the working and management levels in the spirit of One EARD and One ADB.
Evolving strategic alignment	In addition to the institutional knowledge and continuity, the F-TRTA facility offered a suitable platform for ensuring strategic imperatives and consistency from the developing member country's perspective. It also provided support for a better application of technical and operational skills complemented with familiarity with ADB's evolving business processes and procedures. It highlighted the need for ensuring alignment with strategy as it evolves. For instance, the F-TRTA facility's focus since the new PRC CPS for 2021–2024 was approved in 2021 has been reoriented in line with the new CPS priorities and directions towards stronger institutional support, climate change, and green development.

Follow-up Actions

No follow up actions are required.

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TECHNICAL ASSISTANCE COST

Table A1.1: Technical Assistance Cost by Activity
(\$'000)

Item	AMOUNT		
	Original	Revised ^a	Actual
1. Consultants	935.0	1,717.7	1,616.4
2. Equipment ^b	5.0	5.0	0.0
3. Workshops, trainings, seminars, and conferences ^c	5.0	157.8	134.0
4. Surveys	20.0	50.0	48.0
5. Contract negotiations	5.0	5.0	0.0
6. Miscellaneous. Administrative and Support Costs	5.0	19.5	15.3
7. Contingency	25.0	45.0	0.0
Total	1,000.0	2,000.0	1,813.7

^a Additional financing of \$1 million approved on 17 April 2018.

^b Any fixed assets procured under the TA will be turned over to the project management offices of Inner Mongolia Autonomous Region, Xinjiang Uygur Autonomous Region, and Yunnan province upon completion of TA activities.

^c Workshops and consultations will be organized and conducted in the target provinces, municipalities, and cities. Expenditures may include costs for (i) engagement of resource persons and event organizers, (ii) rental of workshop venues and equipment, (iii) food and beverages for participants (excluding alcoholic beverages), (iv) interpretation and travel costs, and (v) travel costs of ADB staff who will serve as resource persons and/or facilitators in the workshops.

Source: Asian Development Bank estimates.

Table A1.2: Technical Assistance Cost by Fund
(\$'000)

	TASF-other sources	RCIF	Total Cost
1. Original	1,000.00	0.00	1,000.00
2. Revised	1,000.00	1,000.00	2,000.00
3. Actual	957.93	855.83	1,813.77
4. Unused	42.07	144.17	186.23

TASF = Technical Assistance Special Fund, RCIF = Regional Cooperation and Integration Fund.

Source: Asian Development Bank estimates.