



# Technical Assistance Subproject Report

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Project Number: 54026-005  
Knowledge and Support Technical Assistance (C-KSTA)  
November 2020

## People's Republic of China: Strengthening Capacity, Institutions, and Policies for Enabling High-Quality, Green Development in the Yellow River Ecological Corridor Subproject 4: Yellow River Eco-Compensation Mechanism

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 22 October 2020)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1504
\$1.00	=	CNY6.6510

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
NDRC	–	National Development and Reform Commission
RRD	–	Regional Revitalization Department
TA	–	technical assistance

## **NOTE**

In this report, "\$" refers to United States dollars.

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## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 54026-005
<b>Project Name</b>	Yellow River Eco-compensation Mechanism	<b>Department/Division</b> EARD/EAER
<b>Nature of Activity Modality</b>	Capacity Development, Policy Advice Subproject	<b>Executing Agency</b> National Development and Reform Commission
<b>Country</b>	China, People's Republic of	
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development	0.26
	<b>Total</b>	<b>0.26</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum) 0
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project Low
✓ Promoting rural development and food security		<b>ADB Financing</b>
✓ Strengthening governance and institutional capacity		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
		<b>Cofinancing</b>
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>
SDG 2.4		No gender elements (NGE) ✓
		<b>Poverty Targeting</b>
		General Intervention on Poverty ✓
<b>4. Risk Categorization</b>	Risk Categorization does not apply	
<b>5. Safeguard Categorization</b>	Safeguard Policy Statement does not apply	
<b>6. Financing</b>		
<b>Modality and Sources</b>	<b>Amount (\$ million)</b>	
<b>ADB</b>	<b>0.26</b>	
Knowledge and Support technical assistance: Technical Assistance Special Fund	0.26	
<b>Cofinancing</b>	<b>0.00</b>	
None	0.00	
<b>Counterpart</b>	<b>0.00</b>	
None	0.00	
<b>Total</b>	<b>0.26</b>	
<b>Currency of ADB Financing:</b> US Dollar		

## I. THE TECHNICAL ASSISTANCE SUBPROJECT

### A. Overall Progress of the Technical Assistance Cluster

1. The knowledge and support technical assistance (TA) cluster was approved on 28 October 2020. The overall TA cluster is estimated at \$2.18 million, of which \$1.9 million will be financed on a grant basis by the Asian Development Bank's (ADB) Technical Assistance Special Fund (TASF-other sources). The Environment, Natural Resources, and Agriculture Division of ADB's East Asia Department will administer and coordinate implementation of the TA cluster. The National Development and Reform Commission (NDRC), the leading agency for strategic development in the People's Republic of China (PRC), is the executing agency for the TA cluster to play a leading role to support knowledge sharing and coordinate with ADB for alignment of ADB lending and non-lending assistance in the Yellow River basin.

2. The Yellow River basin is a strategically important region for supporting long-term sustained high-quality development in the PRC. Yet the health of the river basin and its ecosystem need prompt action to better balance economic growth and ecosystem health to achieve the desired high-quality development outcomes. The already complex relationship between economy, ecology, and community in the basin is further compounded by climate change impacts and water security concerns. Since 2010, ADB has supported the piloting of eco-compensation programs, particularly in the Yangtze River Economic Belt, through a range of lending and non-lending initiatives to incentivize cross-provincial ecological protection. These experiences and lessons learnt will be applied in the design of innovative eco-compensation mechanisms coupled with appropriate policy reforms to comprehensively address the unique challenges in the Yellow River basin to support poverty alleviation, rural livelihoods and green agricultural development.<sup>1</sup>

### B. Subproject Outcome

3. The TA subproject will have the following outcome: high-quality green agricultural development opportunities, particularly, eco-compensation policy mechanism in the Yellow River basin enhanced. The TA subproject will be aligned with the following overall impact of the TA cluster: resilient ecological protection and security in the Yellow River basin achieved.<sup>2</sup> The TA subproject will support the overall TA cluster outputs by developing a coordinated, effective, and targeted eco-compensation policy framework for the environmental protection of the Yellow River basin (Outputs 1 and 2), and integrating market-based instruments for addressing: (i) water conservation and water quality improvement; (ii) soil conservation; and (iii) overall ecological and biodiversity protection through a whole of ecosystem approach from source to sea. Sharing of knowledge from the experiences and lessons under the TA subproject will be important and used to scale up and replicate in other regions where appropriate (Output 3). To achieve these objectives, NDRC requested ADB's support.

### C. Subproject Outputs, Methods, and Activities

4. **Output 1: Draft policy framework for an eco-compensation mechanism for ecological protection in the Yellow River basin prepared.** Indicative activities under this output will include (i) desk review of sub-national, national, and international policies or regulations on eco-compensation, payments for ecosystem services, and market-based instruments for ecological protection, including identification of policy and/or institutional enablers or barriers for

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<sup>1</sup> ADB. 2020. *Enabling Nature-Positive Growth in the People's Republic of China's Yangtze River Economic Belt and Beyond*. Manila.

<sup>2</sup> The design and monitoring framework is in Appendix 1.

achieving environmental targets; and (ii) design of local eco-compensation pilot programs for addressing water conservation in the upper reach (incorporating the development of market-based instruments if appropriate), water and soil conservation in the middle reach, and wetland ecosystem and biodiversity protection in the lower reach.

5. **Output 2: Implementation plan for an eco-compensation mechanism for three pilot case studies prepared.**<sup>3</sup> This output will (i) undertake a review of existing water and soil conservation, and ecological and biodiversity protection policies and plans in each of the selected pilot case studies located in the upper, middle, and lower reaches; and (ii) prepare an implementation plan for an eco-compensation mechanism for each of the pilot case study areas.

6. **Output 3: Knowledge product summarizing experience and lessons from selected county pilot case studies prepared.** Under this output, a knowledge product (e.g., report, policy brief, etc.) that captures and summarizes the experience and lessons from the pilot case studies reviewed under the TA subproject will be prepared. This will support capacity building efforts to strengthen the design of eco-compensation mechanisms to be scaled up in other counties and areas within the Yellow River basin. Specific nature of capacity building activities will be targeted to the needs of the selected pilot counties (footnote 3), and involve training workshops covering experiences of eco-compensation schemes and how these can complement other policy or regulatory mechanisms for achieving targeted environmental objectives and high-quality development of the Yellow River basin.

#### **D. Subproject Cost and Financing**

7. The TA subproject is estimated to cost \$300,000, of which \$258,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

8. The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff including a translator, local transport for the TA consultants to government offices within the city, available relevant government data and studies for the TA consultants' use, office accommodation, use of meeting rooms and office facilities, geographic information system maps, administrative and secretarial services, and other in-kind contributions.

#### **E. Subproject Implementation Arrangements**

9. ADB will administer the TA. The Environment, Natural Resources and Agriculture Division of the East Asia Department will coordinate the implementation of the TA subproject, particularly on the selection, supervision, and evaluation of the TA consultants; and organization of workshops and provision of ADB staff to act as resource persons for the workshop in coordination with the TA consultants.

10. The Regional Revitalization Department (RRD) of the NDRC, guided by a project leading group chaired by the Ecological Rehabilitation Division, will provide oversight, coordination, and guidance during project implementation. The project management office will be the main contact point and will provide oversight and liaison with the districts and counties. The Deputy Director General of RRD will serve as the Project Director. The project management office will be

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<sup>3</sup> The pilot counties to be determined in consultation with the NDRC, subject to agreed selection criteria and national-level planning considerations that will be finalized during implementation. It is envisaged that a pilot case study will be selected each in the upper, middle, and lower reaches of the Yellow River Basin.

responsible for the overall coordination and implementation of the activities and the delivery of the TA subproject outputs. Support for knowledge dissemination will be provided, including (i) TA project management and interagency coordination; (ii) peer reviews of consultants' reports; and (iii) coordination with government and other stakeholders for workshops, awareness raising, and capacity building activities.

11. The implementation arrangements are summarized in the table.

### Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2020–March 2023		
Executing agency	National Development and Reform Commission		
Implementing agency	Regional Revitalization Department		
Consultants	To be selected and engaged by ADB		
	Firm: Quality- and cost-based	13 person-months	\$170,000
Procurement <sup>a</sup>	To be procured by the implementing agency		
	Request for quotation	2 contracts	\$5,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Equipment procured under the TA will be turned over to the executing agency upon completion of the TA activities.		

ADB = Asian Development Bank, TA = technical assistance.

<sup>a</sup> Procurement Plan (accessible from the list of linked documents in Appendix 3).

Source: Asian Development Bank estimates.

12. **Consulting services.** The TA subproject will be implemented over 28 months, tentatively from 1 December 2020 to 31 March 2023. A consulting firm will provide 10.5 person-months of national inputs (public finance specialist and team leader, eco-compensation specialist and deputy team leader, and institutional reform specialist), and 2.5 person-months of international inputs (payments for ecosystem services specialist). The consultants will submit progress reports, which will be reviewed by ADB and the government. All reports will be available in English and Chinese language. Resource persons may be invited to review the consultants' outputs and share knowledge during workshops and conferences. The consulting firm will be engaged using the quality- and cost-based selection method, with a quality-cost ratio of 90:10 due to the high technical complexity of the consulting assignment, by inviting simplified technical proposals. ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated procurement staff instructions.<sup>4</sup> For efficient contract management, an output-based contract may be offered.

13. **ADB's procurement.** Procurement will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).<sup>5</sup>

14. **Dissemination.** The key lessons and findings of the TA subproject and the recommendations on improving the coordination and effectiveness of the NDRC's eco-compensation policies and programs in the Yellow River basin will be disseminated through progress reports (i.e., inception, interim, draft final, and final reports), workshops and conferences, and knowledge products. RRD will lead the knowledge product dissemination activities which will

<sup>4</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

<sup>5</sup> Procurement Plan (accessible from the list of linked documents in Appendix 3).

include conducting workshops, capacity building, and other awareness raising activities as appropriate. Target audiences will include provincial government agencies, private sector, and stakeholders within the Yellow River basin.

## SUBPROJECT DESIGN AND MONITORING FRAMEWORK

<b>Impact the TA is Aligned with</b> Resilient ecological protection and security in the Yellow River basin achieved (PRC's Outline of the Rural Vitalization Plan, 2018–2022 and ADB Strategy 2030) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<p><b>Outcome</b> High-quality green agricultural development opportunities, particularly, eco-compensation policy mechanism in the Yellow River basin enhanced</p>	<p>By 2023: a. Yellow River eco-compensation policy mechanism incorporating TA recommendations submitted for adoption by NDRC (2020 baseline: 0) (OP 6.2.1)</p>	<p>a. Eco-compensation policies and guidelines issued by the government</p>	<p>R: Change in government priorities may negatively impact the implementation of eco-compensation schemes and other ecosystem protection demonstration initiatives</p>
<p><b>Outputs</b> 1. Draft policy framework for an eco-compensation mechanism for ecological protection in the Yellow River basin prepared</p> <p>2. Implementation plan for an eco-compensation mechanism for three pilot case studies prepared</p> <p>3. Knowledge product summarizing experience and lessons from selected county pilot case studies prepared</p>	<p>By 2022: 1a. A review report on (i) latest sub-national policies on eco-compensation and (ii) summary of relevant international policy and regulatory frameworks on payments for ecosystem services with a focus on emerging markets drafted (2020 baseline: not prepared) (OP 1.2.2)</p> <p>2a. At least one implementation plan for an eco-compensation mechanism for each of the three pilot case studies prepared (2020 baseline: 0) (OP 3.3.4)</p> <p>3a. At least one knowledge product sharing experience and lessons from the pilot case studies published (2020 baseline: 0)</p>	<p>1a. Consultants' reports, published reports, and minutes of project team meetings</p> <p>2a. Consultants' reports, published reports, and workshop reports</p> <p>3a. Completed knowledge products, publications on digital knowledge sharing platforms</p>	<p>A: Availability of technical expertise and skilled consultants impacts the quality of design and implementation of effective policies and ecosystem protection demonstration projects</p>

<p><b>Key Activities with Milestones after Mobilization</b></p> <p><b>1. Draft policy framework for an eco-compensation mechanism for ecological protection in the Yellow River basin prepared</b></p> <p>1.1 Desk review of sub-national, national, international policies or regulations on eco-compensation, payment for ecosystem services and market-based instruments for ecological protection, including identification of policy or institutional enablers or barriers for achieving environmental targets (Q1 2021–Q2 2021)</p> <p>1.2 Design of local eco-compensation pilot programs for addressing water conservation in the upper reach (incorporating the development of market-based instruments if appropriate), water and soil conservation in the middle reach, and wetland ecosystem and biodiversity protection in the lower reach (Q3 2021–Q1 2022)</p> <p><b>2. Implementation plan for an eco-compensation mechanism for each of the three pilot case studies prepared</b></p> <p>2.1 Review existing water and soil conservation, and ecological and biodiversity protection policies and plans in each of the selected pilot counties in the upper, middle, and lower reaches (Q4 2021–Q1 2022)</p> <p>2.2 Prepare an implementation plan for an eco-compensation mechanism for each of the pilot case study areas (Q2 2022–Q3 2022)</p> <p><b>3. Knowledge product summarizing experience and lessons from selected pilot case studies prepared</b></p> <p>3.1 Prepare and disseminate a knowledge product (e.g., case study report, policy brief, etc.) which summarizes the key lessons and findings from the pilot case studies (Q4 2022–Q1 2023)</p>
<p><b>Inputs</b></p> <p>ADB: \$258,000 (TASF - Others)</p> <p>Note: The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff including a translator, local transport for the TA consultants to government offices within the city, available relevant government data and studies for the TA consultants' use, office accommodation, use of meeting rooms and office facilities, geographic information system maps, administrative and secretarial services, and other in-kind contributions.</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p> <p>A = assumption, ADB = Asian Development Bank, NDRC = National Development and Reform Commission, OP = operational priority, PRC = People's Republic of China, Q = quarter, R = risk, TA = technical assistance.</p> <p><sup>a</sup> Government of the People's Republic of China. 2018. Outline of the Rural Vitalization Plan, 2018–2022. Beijing; and ADB. 2018. <i>Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific</i>. Manila</p> <p><b>Contribution to Strategy 2030 Operational Priorities:</b></p> <p>OP 1.2.2 Models for business development and financing established or improved (number)</p> <p>OP 3.3.4 Solutions to conserve, restore, and/or enhance terrestrial, coastal, and marine areas implemented (number)</p> <p>OP 6.2.1 Service delivery standards adopted and/or supported in implementation by government and/or private entities (number)</p> <p>The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3 of the TA report). In addition to the OP indicators tagged in the DMF, this TA will contribute results for:</p> <p>OP 5.1.4 Rural economic hubs supported (number)</p> <p>Source: Asian Development Bank.</p>

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

Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	40.0
ii. National consultants	55.0
b. Out-of-pocket expenditures	
i. International and local travel	20.0
ii. Studies and surveys	35.0
iii. Reports and communications	8.0
iv. Miscellaneous administration and support costs	5.0
v. Contingencies	7.0
2. Goods (rental or purchase) <sup>b</sup>	5.0
3. Training, seminars, workshops, forums, and conferences <sup>c</sup>	45.0
4. Miscellaneous administration costs <sup>d</sup>	15.0
5. Contingencies	23.0
<b>Total</b>	<b>258.0</b>

Note: The technical assistance (TA) is estimated to cost \$300,000, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of remuneration and travel expenses of counterpart staff including a translator, local transport for the TA consultants to government offices within the city, available relevant government data and studies for the TA consultants' use, office accommodation, use of meeting rooms and office facilities, geographic information system maps, administrative and secretarial services, and other in-kind contributions. The value of government contribution is estimated to account for 14% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Banks's Technical Assistance Special Fund (TASF-other sources).

<sup>b</sup> Office equipment procured under the TA will be turned over to the executing agency upon completion of the TA activities.

<sup>c</sup> Includes training workshops and/or study tours in an ADB member country or countries covering experiences of eco-compensation and/or payment for ecosystem services programs

<sup>d</sup> Includes workshop translation and interpretation costs, research assistants, office supplies, administration, land transportation and vehicle hire, and other logistics costs.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=54026-005-TAReport>

1. Terms of Reference for Consultants
2. Procurement Plan
3. Contribution to Strategy 2030 Operational Priorities