



ADB Project Document

TA–9036: Strategy for Liaoning North Yellow Sea Regional Cooperation and Development

Final Project Report

February 2018

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Abbreviations

ADB – Asian Development Bank
ASEAN – Association of Southeast Asian Nations
CV – Curriculum Vitae
DOF – Department of Finance
EA – Executing Agency
GHG – greenhouse gas
IA – Implementing Agency
ICT – information and communication technology
ICTI – Internet Content, Technology, and Infrastructure
JMEPA - Japan–Mongolia Economic Partnership Agreement
LCEBDP - Liaoning Coastal Economic Belt Development Plan
LPDF – Liaoning Province Department of Finance
MDGs – Millennium Development Goals
MOC - Ministry of Commerce
MOFA - Ministry of Foreign Affairs
NDRC - National Development and Reform Commission
NEA – Northeast Asia
NSCP – North-South Corridor Plan
NSR – New Silk Road
OBOR – One Belt One Road
PFRIL - Provincial Financial Research Institute in Liaoning
PRC – People’s Republic of China
RCI – Regional Cooperation and Integration
SDGS – Sustainable Development Goals
SME – small and medium-sized enterprise
SOE – State Owned Enterprise
TA – Technical Assistance Plan
TIRC - Transports Internationaux Routiers Convention
WTO – World Trade Organization

Knowledge Summary

1. This Final Project Report describes the implementation of ADB Technical Assistance 9036, a Regional Cooperation and Integration (RCI) needs assessment, development strategy, and implementation action plan for Liaoning Province, People's Republic of China (PRC). The primary objective of the TA was to identify opportunities for RCI to contribute to Liaoning's economic revitalization.
2. The assessment and recommendations below are based on an extensive review of policy experience, evidence, and research on the potential for Regional Cooperation Initiative (RCI's) to contribute to inclusive and sustainable economic growth. Based on this analysis, and a detailed assessment of the past, present, and future experience and challenges facing Liaoning province, the TA presents specific and actionable recommendations for Liaoning policy makers to leverage RCI for economic revitalization.¹ Regional cooperation and integration on all levels, including international, inter-provincial, and intra-provincial level, offer enormous potential for Liaoning to achieve dynamic and inclusive long-term growth for its economy.
3. At the national level, the PRC's accession to the World Trade Organization (WTO) opened new horizons for technical and managerial innovation across China's economy. In the same way, RCI can be a potent catalyst for economic renewal in Liaoning. What we see in today's global economy is a process of supply chain decomposition, where RCI distributes market opportunities, production tasks, technologies, and new skills across an international matrix of intermediate suppliers. Liaoning province can be said to have benefitted from linkages like this during China's heavy industrial development phase, but our review of evidence suggests Liaoning needs to redouble its commitments to external engagement to sustain innovation and overcome its present economic and demographic difficulties.
4. The recommendations presented below are the product of an extended research effort by international and PRC experts, ADB's Technical Assistance program 9036: Strategy for Liaoning North Yellow Sea Regional Cooperation and Development. Based on relevant experiences of other regions' in the PRC and elsewhere, the main finding of this work is that more determined RCI will be essential for Liaoning and the surrounding area to achieve greater economic growth through proactive economic restructuring, diversification, and

¹ More detailed recommendations will be presented in a separate strategic planning report (ADB:2018f) that synthesizes the lessons of all five Technical Reports in this series (ADB:2018a-e).

commitments to higher productivity and human capital development. As is emphasized below, Liaoning retains many important advantages in terms of geography and resource endowments, and these can support a variety of ambitious existing and potential RCI initiatives. There are already many opportunities that Liaoning can seize to participate in and promote RCI, including existing national policies/strategies and established mechanisms for coordination on all levels of RCI. These are discussed in more detail below, but what is needed generally is more institutional commitment to external partnership in the following five areas:

- A. Macroeconomic management and performance
 - B. Transport infrastructure development and financing
 - C. Industrial development for manufacturing exports
 - D. Sea- Rail Multimodal Transportation
 - E. Port Management
5. Events the last decade clearly show that going it alone, or resisting larger forces of economic change, will only further isolate Liaoning's economy and deny opportunities to its people. A single province of China cannot really ignore the forces of national and global economic modernization without losing its primary growth drivers – investment and talent. The economic adversity of recent years demonstrates that the provincial and local governments themselves cannot replace the financial and human capital lost in an exodus of investors and skilled workers. The more realistic approach is to create conditions that will attract such assets back. Doing that in a credible way will require a disciplined examination and far reaching reform of current practices, weeding out policies that undermine competitiveness, innovation, and institutional adaptation in both the public and private domains.
6. This Technical Assistance project has conducted precisely such a baseline assessment with respect Liaoning's experience and RCI's potential for economic revitalization, and the present document makes a series of concrete recommendations for reform, renewal, and a more dynamic economic future. For the five policy contexts considered, Table 1 summarizes baseline challenges, opportunities, and recommendations discussed in greater detail throughout the document. Judging from the magnitude of recent declines in investment and other economic prospects, it is clear that very ambitious and sustained reforms will be needed to return Liaoning to its former economic strength, realize its great economic potential, and secure sustained prosperity for all its people.

Table 1: Summary of Baseline Assessment and Recommendations²

	Policy Context	Baseline Challenges	Baseline Opportunities	Policy Recommendations
A.	Macroeconomic management and performance	<ul style="list-style-type: none"> • Unbalanced economic structure • Unfavorable Foreign Trade and Investment Climate • Low Value-Added Trade • Declining rates of innovation and labor productivity growth • Unbalanced Structure Across Cities • Unbalanced Foreign Investment across Industries and Sources 	<ul style="list-style-type: none"> • Silk Road Economic Belt and 21st Century Maritime Silk Road • Liaoning’s engagement and achievements • China-Northeast Asia Expo • Greater Tumen Initiative • Northeastern Provinces Executive Consultation Mechanism • Bohai Economic Rim • Cooperation Between East and Northeast Provinces • Liaoning Coastal City Economic Belt 	<ul style="list-style-type: none"> • Rebalancing economic structure • Increasing Foreign Direct Investment into Strategic Sectors • Promote a more open, competitive, and transparent business environment in the Liaoning FTZ • Infrastructure mega-projects to establish inter-regional transportation, energy, water resources and information networks • Collaboration towards decreasing air pollution and improving the nearshore marine environment • Greater role of the market in determining resource allocation • Urban-rural integration

² The full report below contains details on all these entries and many more individual assessment findings and recommendations. Here we provide only the titles of leading issues.

<p>B.</p>	<p>Transport infrastructure development and financing</p>	<ul style="list-style-type: none"> • Infrastructure investment stagnant • More goods moving by road than rail • Port throughput relatively stagnant • Heavy concentration of SOEs in infrastructure investment • Very low private and international partnership • Significant redundancy and design inconsistencies across local capacity, especially transport • Lack of integrated support for diversified enterprise community development 	<ul style="list-style-type: none"> • As wide array of PPP frameworks available • Very large Asian regional private capital resources available for PPP in infrastructure • Integrating with regional and global supply chains will attract international investment partners • National PPP and other policies are providing strong support and expanding rapidly, including OBOR, etc. • Six PPP currently ongoing in Liaoning, a basis for expansion 	<ul style="list-style-type: none"> • Select good potential PPP projects • Enable proactive and fiscally responsible government support • Prepare adequately project and make use of available capacity building assistance • Achieve appropriate risk allocation among partners • Make use of available project financing alternatives • Ensure adequate generation of project revenues • Conclusions for PPP Projects in Liaoning
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<p>C.</p>	<p>Industrial development for manufacturing exports</p>	<ul style="list-style-type: none"> • Relatively low efficiency and effectiveness • The system of specialized labor division and cooperation is unsound, and the system integration capability is relatively low • Crucial techniques and high-end equipment are highly dependent on foreign countries • The state-owned economy is high in proportion, and the system and mechanism are not flexible • Internationalization level needs to be further improved • The level of technological innovation is low • The degree of informatization is not high enough 	<ul style="list-style-type: none"> • International expansion has become an inevitable choice • "The Belt and Road Initiative" brings opportunities • National policies have provided strong support • Unfavorable Environment for International expansion of Equipment Manufacturing Industry in Liaoning Province • The demand of the international market and the increasing pressure of competition in the international market • The continuous accelerating of transnational operation and improvement in competitive power of other provinces 	<ul style="list-style-type: none"> • Enhance policies supporting local, private sector innovation • Enhance the policy support of acceleration to push forward the process of important technological equipment to become homegrown • Upgrade technological level of enterprises through various means • Accelerate the strategic restructuring of SOEs • Focus on promoting several enterprises to reach world-class level • Expand service value added in manufacturing • Enhance the ability of enterprises to adapt to international operations • Promote efficient supply chains and resolve excess capacity • Acquire overseas enterprises • Upgrade global value chain participation and enhance profitability
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	<p style="text-align: center;">Sea- Rail D. Multimodal Transportation</p>	<ul style="list-style-type: none"> • Insufficient Freight Supply and Demand • Higher Freight Rate • Infrastructure Issues • Institutional Problems: Insufficient Sea-Rail Coordination System • Incomprehensive Network • Lack of systematic facilities design • Insufficient Information sharing • Resources Shortage in Transit Stations 	<ul style="list-style-type: none"> • National initiatives • Northeast China Revitalization Plan • OBOR • Liaoning’s FTZ Planning • Internet Plus and Technological Development • SOE reform and asset disposal • Modern and extended logistics support • Case studies of best modernization practices <ul style="list-style-type: none"> ○ Qingdao port – transformation and upgrading with Internet Plus ○ Humen port ○ Shanghai port ○ Lianyungang port ○ Ningbo port ○ Rizhao port 	<ul style="list-style-type: none"> • Develop both bulk cargo and container multimodal transport • Determinants – the economic and product structures of Liaoning • Determinants–development of speed and level • Macroeconomic development • Analysis of the economic and industrial structure • Further Integration of Internet Plus • Management Reform Proposals given Multiple Supporting Policies • Expand Market Goods Supply and Step up Service Quality • More Investment in Infrastructure • Marketization of Domestic Sea-Rail Multimodal Transport System • Marketization • Promote “two points with one line” transport mode • Encourage and Guide the Participation of More Private Capital • Improve investment climate
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<p>E.</p>	<p>Port Management</p>	<ul style="list-style-type: none"> • Port management inefficiency • Unproductive competition and redundancy across ports • Local protectionism • Unreasonable positioning of the ports • Port resources and structural capacities • Internal management of the ports • The ports' capacity to support port-centered industries 	<ul style="list-style-type: none"> • Establishing a Port Logistics System with Clear Division of Labor • Cutting the Logistics Cost of the Port • Building Logistics Facilities • Establishing the Logistics Chain for the Main Cargo • Building an Information Network for the Port Logist • Improve the Quality of Logistics Services • Establishing the Port- vicinity Industrial Cluster 	<ul style="list-style-type: none"> • Integrate with Belt and Road and Promote RCI • Innovate to Improve Operating Efficiency of Ports in Liaoning • Optimize port resource allocation for scale and technical efficiency • Learning from international best practices in port service efficiency • Accelerate industrial and IT upgrading of port enterprises
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I. Introduction

A. Project Background

7. Liaoning Province is a gateway to Northeast Asia, including the Jilin and Heilongjiang provinces, part of Inner Mongolia, and beyond PRC borders to other Northeast Asian economies. Because of these geographic links, Liaoning was one of the first provinces in China to industrialize, with substantial external investments starting in the Nineteenth Century. This industrial development accelerated in the decades after the founding of the PRC, facilitated by the presence of iron and energy deposits in the province. The large industrial complexes that still flourish across Liaoning, as in the city of Ashan, home to one of the largest iron and steel complex in China.
8. While these enterprises were flagship assets in China's early push for industrialization, in the new century they no longer provide significant momentum to growth, employment, and living standards. Acknowledging the difficulties faced by provinces with legacy dependence on heavy industry, the Central Government launched the Northeast China Revitalization Plan in 2004. Later, and after noting some progress, a revised plan was included in the 11th 5yr Plan (2006-2010). The economic situation, as we argue in more detail in the project Inception Report, has deteriorated significantly and new assessments and strategies are now required.
9. The current technical assistance (TA-9036), agreed between the Government of the PRC and ADB in January 2016 is intended to address these challenges with a Regional Cooperation and Integration (RCI) needs assessment, development strategy, and implementation action plan for Liaoning Province. It will include a focus on priorities for reducing barriers to trade, commerce, and financial integration with the rest of the PRC and Northeast Asia generally. The assessment is intended to deliver a roadmap for Liaoning Province to implement its obligations under a variety of PRC domestic, regional, and global commercial initiatives. Background research for this TA suggests that RCI can make substantial contributions to renewing the momentum of inclusive and sustainable growth for Liaoning province. To reach its full potential, however, will require determined central and provincial government commitments to enabling policies that facilitate trade and transport, regulatory transparency, and a favorable investment climate.

B. Project Impacts and Outcome

- 10.** The project impact was designed to support a new generation of policy initiatives that can renew Liaoning province's economic momentum by facilitating and more effectively leveraging regional cooperation and economic integration (RCI). It will include a focus on priorities for reducing barriers to trade, commerce, and investment with the rest of the PRC and with Northeast Asia generally. The assessment is intended to deliver a roadmap for Liaoning Province to implement its obligations under national programs such as the "New Silk Road Economic Belt" and "21st Century Maritime Silk Road," as well as a variety of other PRC domestic, regional, and global commercial initiatives. Background research for this TA suggests that RCI can make substantial contributions to more sustained and inclusive growth for Liaoning province. To reach its full potential, however, will require determined central and provincial government commitments to enabling policies that facilitate trade and transport, regulatory transparency, and a favorable investment climate.
- 11.** The proposed TA is in line with ADB's core objectives of regional economic integration in the Asia-Pacific region. Supporting inclusive economic growth and regional cooperation and integration are 2 key strategic priorities of the ADB-PRC Country Partnership Strategy (2016–2020), which supports regional development with a broad range of commitments to facilitation of trade and market access.
- 12.** Generally, the project comprised policy research and advisory communication, delivered to government decision makers directly at two workshops and through a variety of knowledge products designed to communicate baseline assessment and policy guidance on international best practices. This combination of consultative meetings, independent analysis of local and relevant global evidence, technical reports, and results communication/dissemination were undertaken to facilitate policy dialog and a rigorous, evidence-based approach to support a new generation of policies directed at economic diversification, renewal, and inclusive growth. Among other initiatives, this work seeks to build on precedence from PRC central government policy and experiences in other regions, addressing (but not limited to) the following policy priorities:

A. Macroeconomic management and performance

- B. Transport infrastructure development and financing
- C. Industrial development for manufacturing exports
- D. Sea- Rail Multimodal Transportation
- E. Port Management

C. Project Outputs and Tasks³

This TA has delivered outputs in three categories:

Output 1: Local counterpart and stakeholder consultations;

Output 2: Knowledge products comprising reviews of policy evidence, local and regional baseline and historical assessment, and strategic analysis;

Output 3: Second round consultation, based on research/results communication, followed by draft and final reporting documents.

Output 1: Local counterpart and stakeholder consultations.

- i. An Inception Workshop. This was held during the last week of May, 2017, with the general purpose of reviewing project technical details, include issues, methodology, and data. The workshop also offered an opportunity to introduce other relevant official counterparts to the project, including representatives from the provincial government and ADB.

Output 2: Knowledge products comprising reviews of evidence, local and regional economic and policy assessment, strategic analysis.

13. Six reports have been produced, five discrete technical studies and one overall assessment (see ADB:2018a-f).

- i. Investment and financing problems of public infrastructure of Liaoning Province under the background of ‘the Belt and Road Initiative’, to include an examination of how to promote the infrastructure construction of Liaoning Province under public–private partnership model.

³ As actually implemented in the TA.

- ii. Policy framework for supporting the international expansion of Liaoning Province's equipment manufacturing industry, to include reducing risks facing outward investment and creating more a hospitable environment to attract foreign investment.
- iii. Liaoning Province's sea-rail multimodal transportation potential and its fiscal implications, to include an examination of relevant policy-based obstacles and key nodes carefully and offer workable policy proposal from the public finance perspective based on them.
- iv. Seaport resource management of Liaoning Province, to include an assessment of provincial seaport capacity, current markets and trade flows served (both domestic and international), infrastructure asset management practices, and the competitive environment within and among seaports, and recommendations on how to maximize capacity utilization and ensure that regional demand (including that generated by implementation of the Japan-Mongolia Economic Partnership Agreement) is fully served.
- v. Relevant domestic and international experience in designing and implementing regional cooperation programs, to include an examination of the experience and practices of other countries and other provinces and cities of PRC. This study will examine analogous initiatives 'North-South Corridor Plan' of countries including Russia and India etc., 'New Silk Road Plan' of the United States and 'Silk Road Diplomatic Strategy' of Japan. Moreover, the experience and practices of other PRC provinces in attracting inward investment, managing infrastructure assets, and supporting international expansion of companies based in these provinces may be instructive and will be examined to identify good practice.
- vi. A Draft RCI Needs Assessment, Development Strategy, and Implementation Action Plan.

Output 3: Second round of consultation based on research/results communication, followed by draft and final reporting documents.

- i. Concept Note. Overall strategic vision for the TA, summarizing overall objectives, resources, and scheduling of TA implementation.
- ii. Inception Report. The present document, presenting a more detailed overview of project objectives and methods, including review of regional trade research literature, and discussion of implementation strategies.
- iii. Final Report. A summation of the project, including an overview of project activities, recommendations, achievements, and lessons learned. Complete review of project experience, achievements, and lessons learned. The approved Final Report will take account of both ADB and Liaoning government comments.

II. Project Management Plan

A. Project Management Structure

14. The Liaoning Provincial Financial Department is the Executing Agency (EA) for this TA. The Provincial Financial Research Institute in Liaoning is the Implementing Agency (IA) for this TA. The EA, IA and ADB will liaise during project implementation and provide overall guidance. ADB recruited a consulting team through the public bidding. The team consists of six experts, three international and three domestic, each has decades of individual experience in related policy research and economic assessment.
15. The ADB project team comprises Ying Qian, Director of Public Management, Finance and Regional Cooperation Division (EAPF), East Asia Department; Philip Chang, Task Manager; Zhuang Jian (Alternate Task Manager), Senior Economics Officer; and Edith Joan Nacpil, Economics Officer.

B. Task Allocation to Consultants

16. The TOR calls for all six consultants to be involved to some degree in all project activities. The Team Leader will organize and arrange the consulting team work and has primary responsibility for detailed task allocation and monitoring deliverables. During the project, ADB and PRC government counterparts may accompany project staff at their discretion and according to their interest, but at least one key team member must be present at all formal events associated with the project. The six consultants may organize individual or group missions to the region, but all are expected to attend all dissemination events. Table 2: **Consulting Team and Responsibilities** summarizes the team members and their responsibilities.

Table 2: Consulting Team and Responsibilities

Team Members	Roles and Responsibilities
David Roland-Holst	<p>Team leader/trade and development specialist</p> <p>The team leader is a trade and development economist with extensive knowledge of Northeast Asia, regional agreements, and the WTO. He is responsible for ensuring the coherence, complementarity, quality, and punctual submission of all deliverables.</p> <p>The team leader is also responsible for conducting the following activities in a manner that helps foster government ownership of the TA:</p> <ul style="list-style-type: none"> (i) implementing the TA under the guidance of the LPDF and the ADB project officer in accordance with the terms and conditions specified in the TA paper and the agreement between the government and ADB; (ii) coordinating and managing the inputs, activities, and outputs of the TA consultants, including allocating responsibilities to consultants and monitoring their performance to achieve the expected TA results outlined in the specified timeframes; initiating and leading discussions of key implementation issues; and managing TA quality

	<p>control and assurance;</p> <p>(iii) guiding the analytical work, identifying key issues, presenting and analyzing alternative responses, and effectively using related ADB TA; identifying relevant literature and international experience and factoring those into the analysis; and explaining and justifying the responses recommended by the consultant team;</p> <p>(iv) establishing reporting arrangements with the LPDF and ADB, and ensuring that they and other stakeholders are regularly informed of progress and developments in the work;</p> <p>(v) on the basis of the technical studies produced, preparing material suitable for publication and for use in other information releases; the material should be in Chinese and English, as appropriate for the intended audiences, and in accordance with the needs identified by the LPDF and ADB (all main project deliverables will be translated into Chinese);</p> <p>(vi) organizing the workshops and stakeholder consultations with the LPDF and other relevant stakeholders;</p> <p>(vii) preparing and submitting all TA reports on time, and assisting with TA reviews undertaken by the LPDF and ADB; and</p> <p>(viii) consulting with development partners working on related activities to inform them of activities and to maintain a high level of coordination in order to avoid duplication or overlap of work.</p>
<p>Jean-Francois Gautrin</p>	<p>Infrastructure finance specialist (Transport):</p> <p>The consultant has extensive experience in the development of multimodal infrastructure investment plans in the context of regional development strategies; thorough knowledge of transport infrastructure assets, their functionality, capacity, and interoperable compatibility in the Northeast PRC and Northeast Asia; and intimate familiarity with infrastructure financing alternatives as applied to date in the Northeast PRC and Northeast Asia.</p> <p>The consultant is responsible for the following:</p> <p>(i) preparing a series of technical studies pertaining to transport infrastructure development and financing in Liaoning Province to</p>

	<p>support regional cooperation and integration;</p> <p>(ii) working closely with the LPDF to prioritize needs and identify sources of finance (both public and private);</p> <p>(iii) ensuring that proposed investments serve the needs of major industries and complement existing assets within the region to support expanded trade and increase competitiveness; and</p> <p>(iv) proposing operational improvements that will lead to optimal use of existing and future transport infrastructure assets. The consultant will work closely with the team leader and economic analyst to formulate the Liaoning RCI needs assessment and development strategy.</p> <p>(v) support in organizing and moderating the inception, interim, and final workshop;</p> <p>(v) Primary authorship of Technical Study 1 – “Investment and financing problems of public infrastructure of Liaoning Province”</p>
<p>LI Shantong</p> <p>---</p> <p>Vice-</p> <p>president of</p> <p>Academic</p> <p>Committee of</p> <p>the China</p> <p>Development</p> <p>Research</p> <p>Foundation</p>	<p>Economic Policy Analyst:</p> <p>The consultant has an advanced degree (doctorate, master’s degree or equivalent qualification) in the economic policy of attracting direct foreign investment, or industrial expansion and development; decades of experience in the formulation and assessment of regional development strategies; an excellent knowledge of trade and investment data sources; and a deep and thorough knowledge of the industrial bases of the Northeast PRC and Northeast Asia, their origins, comparative advantages, and future prospects.</p> <p>The consultant will be responsible for the following:</p> <p>i. Validating baselines from which to assess the achievement of TA impact;</p> <p>ii. Helping to prepare a series of financial and economic studies that will support preparation of the Liaoning RCI needs assessment, development strategy, and implementation action plan;</p> <p>iii. Primary authorship of Technical Study 2– “The policy framework for supporting the international expansion of Liaoning Province’s equipment manufacturing industry”</p> <p>iv. Identifying possible new markets that may emerge as a direct result of the regional development strategy; and</p>

	<p>v. Designing, developing the substance for, and conducting the workshops and stakeholder consultations described above. The consultant will work closely with the team leader and international experts to formulate the regional needs assessment and development strategy.</p> <p>Deliverables for this consultant will include the following:</p> <ul style="list-style-type: none"> i. Inputs to baseline assessment as needed. ii. Inputs to and participate in each of the 3 workshops. iii. Authoring 1 of the 5 technical studies: Technical Study 2 – “The policy framework for supporting the international expansion of Liaoning Province’s equipment manufacturing industry” iv. Provide inputs to other 4 technical studies as needed. v. Provide inputs to strategy reports as needed vi. Provide inputs to final report as needed
<p>Wang Weiguang</p> <p>---</p> <p>Professor of Economics, Liaoning University</p>	<p>Economic Policy Analyst:</p> <p>The consultant has an advanced degree (doctorate, master’s degree or equivalent qualification) in the economic policy of attracting direct foreign investment, or industrial expansion and development; at least 10 years of experience in the formulation and assessment of regional development strategies; an excellent knowledge of trade and investment data sources; and a deep and thorough knowledge of the industrial bases of the Northeast PRC and Northeast Asia, their origins, comparative advantages, and future prospects.</p> <p>The consultant will be responsible for the following:</p> <ul style="list-style-type: none"> i. Validating baselines from which to assess the achievement of TA impact; ii. Helping to prepare a series of financial and economic studies that will support preparation of the Liaoning RCI needs assessment, development strategy, and implementation action plan; iii. Primary authorship of Technical Study 4 – “Seaport resource management of Liaoning Province” iv. Identifying possible new markets that may emerge as a direct result of the regional development strategy; and v. Designing, developing the substance for, and conducting the workshops and stakeholder consultations described above. The consultant will work closely with the team leader and international experts to formulate the regional needs assessment and

	<p>development strategy.</p> <p>Deliverables for this consultant will include the following:</p> <ul style="list-style-type: none"> i. Inputs to baseline assessment as needed. ii. Inputs to and participate in each of the 3 workshops. iii. Authoring 1 of the 5 technical studies: Technical Study 4 – “Seaport resource management of Liaoning Province” iv. Provide inputs to other 4 technical studies as needed. v. Provide inputs to strategy reports as needed <p>Provide inputs to final report as needed</p>
<p>Yang</p> <p>Song</p> <p>- - -</p> <p>Dean of the Law School, Liaoning University</p>	<p>Economic Policy Analyst:</p> <p>The consultant has an advanced degree (doctorate, master’s degree or equivalent qualification) in the law and legal policy; decades of experience in the formulation and assessment of regional development strategies; an excellent knowledge of legal aspects of trade and investment; and a deep and thorough knowledge of the industrial bases of the Northeast PRC and Northeast Asia, their origins, comparative advantages, and future prospects.</p> <p>The consultant will be responsible for the following:</p> <ul style="list-style-type: none"> i. Validating baselines from which to assess the achievement of TA impact; ii. Helping to prepare a series of financial and economic studies that will support preparation of the Liaoning RCI needs assessment, development strategy, and implementation action plan; iii. Primary authorship of Technical Study 3 – “Liaoning Province’s sea–rail multimodal transportation potential and its fiscal implications” iv. Identifying possible new markets that may emerge as a direct result of the regional development strategy; and v. Designing, developing the substance for, and conducting the workshops and stakeholder consultations described above. The consultant will work closely with the team leader and international experts to formulate the regional needs assessment and development strategy. <p>Deliverables for this consultant will include the following:</p> <p>Inputs to baseline assessment as needed.</p> <p>Inputs to and participate in each of the 3 workshops.</p>

	<p>Authoring 1 of the 5 technical studies: Technical Study 3 – “Liaoning Province’s sea–rail multimodal transportation potential and its fiscal implications”</p> <p>Provide inputs to other 4 technical studies as needed.</p> <p>Provide inputs to strategy reports as needed</p> <p>Provide inputs to final report as needed</p>
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C. Work Plan and Timetable for Consultants

17. This TA timeline is originally scheduled from September 2016 to February 2018. Based upon the project cycle and the tasks, the preliminary work plan and the timetable have been developed (see also Appendices 2 and 3, respectively).

Draft Work Plan

18. The work plan provides a detailed timeline for the main activities in the project. This also provides task allocation as the basis for management, coordination, and supervision of the project, and offers a clear framework for the consulting team to report progress to supporting and collaborating institutions. Throughout the TA, the consulting team will monitor and update plans so as to adapt to changes and facilitate timely progress of the project.

19. Overall project implementation is divided into three phases with several sub-tasks in each phase:

Phase 1 - Project Organization and Inception

- Carry out the preparatory work of the project
- Produce a Concept Note and TA Implementation Schedule
- Conduct Baseline Impact Assessment
- Conduct Inception Workshop
- Produce Inception Report
- Initiate Technical Studies

Phase 2 – Capacity Development and Strategic Assessment

- Conduct Capacity Development Workshop
- Review National and Regional Policy Experience
- Formulate Strategic Proposals for Facilitating Trade and Attracting Investment
- Formulate Proposals for Increasing Trade by Improving Infrastructure

Phase 3 - Project Organization

- Draft Final Report
- TA Dissemination Workshop
- Revision and Submission of Final Report

20. The documentary reporting for this project (apart from progress reports) will comprise the following nine titles (responsible authors in parentheses):

1. Concept Note
2. Inception Report
3. Technical Study 1 – Investment and financing problems of public infrastructure of Liaoning Province (Jean Francois Gautrin)
4. Technical Study 2 – The policy framework for supporting the international expansion of Liaoning Province’s equipment manufacturing industry (LI Shantong)
5. Technical Study 3 – Liaoning Province’s sea–rail multimodal transportation potential and its fiscal implications (YANG Song)
6. Technical Study 4 – Seaport resource management of Liaoning Province (WANG Weiguang)

7. Technical Study 5 – Relevant domestic and international experience in designing and implementing regional cooperation programs (David Roland-Holst)
8. A Draft RCI Needs Assessment, Development Strategy, and Implementation Action Plan (Entire consultant team)
9. Final Report

The time schedule and reporting requirements are indicated in Table 3.

Table 3: Time Schedule and Reporting for the TA

No.	Contents of reports	Submission Date	Recipients
1	Concept Note	Dec-16	ADB and PRC/EA
2	Inception report	Aug-17	ADB and PRC/EA
3	Technical Study 1	Dec-17	ADB and PRC/EA
4	Technical Study 2	Dec-17	ADB and PRC/EA
5	Technical Study 3	Dec-17	ADB and PRC/EA
6	Technical Study 4	Dec-17	ADB and PRC/EA
7	Technical Study 5	Dec-17	ADB and PRC/EA
8	Draft RCI Needs Assessment	Feb-18	ADB and PRC/EA
9	Final Project Report	Feb-18	ADB and PRC/EA

Updated January, 2018

D. Communication Mechanisms

21. Close cooperation among the EA, IA, ADB, and the consulting team is essential for the success of the project. For sufficient communication and coordination among different parties, a communication mechanism is being implemented from inception of the project.

Establish Coordination Mechanism

22. According to the work plan, the EA, IA, ADB, and consulting team will collaborate to carry out both project research and workshops.

Research Coordination

23. For project research activities, consultants are primarily responsible for executing the research, including data gathering, analysis, and exposition. The primary coordination role of the EA in the research function is to facilitate local access and provide logistical support for the consultants. In particular, the EA and IA are responsible for enhancing the communications with the local government in the research areas to facilitate smooth implementation. The consulting team is responsible for planning and implementing field research, stakeholder interviews, and data gathering. The local government in the field research localities will help facilitate field trips and provide relevant information and data.

Workshop Coordination

24. The three Workshops each have different purposes as described elsewhere in this document. Based on the policy priorities set forth in the TA, the consulting team will have primary responsibility for developing the programs and content for these workshops, although close communication with the EA, IA, and ADB is needed to assure timely organization, recruitment, and smooth logistical execution.

Specific Assurances

25. The original TOR for this TA stipulates what the Government of the PRC will provide free for the Consultants to help them complete the TA. At the Inception Workshop, these assurances were clarified and agreed as follows:

The Government of the PRC will provide free the following facilities, services, equipment, materials, documents, and information that the Consultants require for the Technical Assistance:

- documents, data, statistics, information, and maps from the Government;
- appoint counterpart staff within the Executing Agency, as needed, who will work with the Consultant for the successful accomplishment of the Services;
- appoint counterpart staff within the Implementing Agency to work with the Consultant and join the Evaluation Team;
- remuneration, per diem and other provisions necessary for the EA and IA counterpart staff

26. More generally, on the basis of the Inception Workshop, our experts have improved their awareness of local issues and priorities for policy analysis and dialog. For our part, the consultant team has more fully communicated its goals for supporting the EA and IA with relevant and timely knowledge products. The sum of these activities has established a more constructive and mutually supportive basis for TA implementation and results communication. Now we will work to extend this across public and private stakeholder groups in Liaoning province.

Establish Evaluation Mechanism

27. An internal project evaluation mechanism has been set up. The evaluation team will include representatives of both the IA and ADB. The evaluation team will review and provide suggestions on the project reports and policy recommendations. On the advice of the evaluation team, the project outputs will be revised and improved.

Establish Regular Reporting Mechanism

28. Reporting arrangements have been directly established with the IA and ADB counterparts. The consulting team will ensure that they and other stakeholders are regularly informed of progress and developments in the work

29. The consultants will have at least one regular (face-to-face or virtual) meeting each month, and in accordance with requirements of the project time schedule,

finish the project inception report, mid-term report and final report, and submit them to the IA and ADB. Based on feedback from these reviewers in each case, project outputs will be revised and improved before wider dissemination.

III. Progress of Inception Stage

A. General Overview of the Inception Stage

30. In late September, 2016, the contract for services was formally signed between the consultants and ADB. The project was officially launched in October with a visit of the Team Leader to Manila, and it is currently scheduled to end in February of 2018.

The work completed in the inception stage is as follows:

- On October 18-22, the Team Leader visited Beijing to meet with national consultant project staff (see 10/31/16 BTOR).
- On November 26-27, the three Chinese consultants met in Shenyang to discuss strategies for local engagement and economic assessment (see 12/7/16 BTOR).
- Established communication mechanism and coordination mechanism between ADB/MNL, ADB/RM Beijing, consulting teams, and the key research areas.
- Consulting team deepened understanding on project framework document, project expected objectives and achievements, outputs and tasks.
- Determined specific responsibilities and tasks of each consultant.
- Developed work plan.
- Consultant team divided responsibilities and cooperated with each other and prepared the inception report.
- Designed the draft project research approach.
- Initiated data collection.
- In November, an attempt was made to coordinate initial team visits to Shenyang for briefing and coordination with the Executing Agency (LPDF), but they

requested that this be deferred to the second quarter of 2017.

- In late May, 2017, the Inception Workshop was successfully completed in Shenyang (detailed discussion below).

B. Goals for the Inception Workshop

31. In accordance with the consulting service agreement, after submitting this inception report the consulting team organized the rest of Phase 1, with special attention to the Inception Workshop. This event (see Section VI below for details) introduced the TA and presented the initial concept, Phase 1 findings, and discussed preparations for the five discrete technical studies (details in Section V below), focusing on the following topics:

- (a) Investment and financing problems of public infrastructure of Liaoning Province,
- (b) The policy framework for supporting the international expansion of Liaoning Province's equipment manufacturing industry,
- (c) Liaoning Province's sea-rail multimodal transportation potential and its fiscal implications,
- (d) Seaport resource management of Liaoning Province, and
- (e) Relevant domestic and international experience in designing and implementing regional cooperation programs.

The primary goal of the workshop was to agree on the issues to be covered, and direction and implementation arrangements of the project (including work plan, deadlines of deliverables, and coordination arrangements) between the consulting team and local supporting institutions, including representatives of the EA, IA, local public and private stakeholders, and ADB. At this meeting, the overall goals of the TA were reaffirmed and implementation strategy for the project was finalized.

C. Analysis of Intraregional (Northeast Asia) trade

Baseline

- 32.** Liaoning Province plays an important role in the regional economic cooperation in Northeast Asia, and this kind of cooperation is of great importance to Liaoning Province itself. On the basis of the relative statistics from 2000 to 2006, a recent empirical study analyzes trade complementarities between Liaoning Province and the North—Eastern Asian countries.⁴ Based On the calculation, the RCA and the trade potential of Liaoning in the North—Eastern Asian region is analyzed, which confirmed the effect of the markets of North-Eastern Asian countries on the economy of Liaoning. Major directions are proposed of the further cooperation with those countries.
- 33.** In terms of trade, Japan and Korea are the two biggest regional foreign trading partners of Liaoning province. These two countries essential partners in traditional manufacturing supply chains moving in both directions (import and export), and they are primary contributors to current growth. On the basis of recent statistic data, Zhang (2007) uses linear regression models show how bilateral trade and investment from Korea is accelerating growth for Liaoning's economy. In particular, imports of Korean capital goods are increasing Liaoning productivity while Korea grows as a market for Liaoning manufactures and services.
- 34.** Compared with South Korea and Japan, Liaoning's trade with Mongolia, Russia and North Korea is relatively small in scale but has great potential to increase.
- 35.** In terms of investment, FDI into Liaoning is mainly focused on manufacturing and real estate, which is bad for its industrial structure adjustment.⁵ Liaoning should introduce some supporting policies to attract more investment for emerging industries.

⁴ See Zhang and Zhou, 2008.

⁵ See Diao and Zhang, 2011a

- 36.** The Dalian area of the Liaoning Pilot Free Trade Zone aims to become an important area opening-up to and cooperating with Northeast Asia. In the first month after the Dalian FTZ billion yuan (\$730.9 million).⁶
- 37.** In a detailed analysis of 2001-2012 data of foreign trade in Northeast China and Northeast Asia, Chinese researchers evaluated the baseline situation for regional economic cooperation linking the established industrial base in Northeast China and Northeast Asia.⁷ They focused on the opportunity for regional economic cooperation to act as a catalyst for upgrading and optimization of Liaoning's old industrial base. The authors recommend a series of reforms to support this pro-growth agenda, several of which are also recommended by our team.
- 38.** At present, the overall situation of trade between China's old northeastern industrial base and the countries of Northeast Asia remains reasonably favorable (Pan Hong. 2014), but there are also some problems, including the following:
- The scale of trade is no longer large by global standards, limiting economies of scale and the attractiveness of the region as a logistical and supply chain integration hub;
 - Development status in different provincial sub-regions is unbalanced;
 - Northeast China hasn't achieved a relatively unified regional market;
 - Low global recognition of local brands. This is part of a larger national challenge - eighty percent of PRC manufacturing exports still carry foreign brand names;
 - Relatively large share of low value-added (primary) products in exports;
 - Relatively large share of resource-intensive exports;
 - Relatively small share of more skill/technology intensive (mechanical and electrical manufacturing) exports;

⁶ China Daily. 2017.

⁷ See Fu, Song, and Li, 2016.

- The dominant SOEs in this province does not seem to represent technology or market leadership.

In the future, cooperation between the northeastern old industrial base and the countries of Northeast Asian needs to focus more on science and technology cooperation, environmental cooperation, and cultural exchanges that facilitate market and supply chain access and integration. To effectively support this process, political trust must be strengthened.

Trade Promotion Initiatives

39. The latest and more ambitious regional trade promotion initiative is a modern system of free trade zones in Liaoning Province. The general goal of Liaoning pilot free trade zone construction is to accelerate market-oriented reform of institutional mechanisms. This will promote structural economic adjustment and build a modern growth dynamic, improving local competitiveness and promoting opening of the old Northeast industrial base. These initiatives will require strong legal support and safeguards for orderly progress of reform and the healthy development of the pilot free trade zone. Three pillars of reform, legislative, legal, and judicial, will be essential to successful realization of these new and much more dynamic market opportunities. A white paper on this issue enunciates the goal of legal safeguards for piloting a Liaoning free trade zone.⁸ The issues to be immediately resolved and the specifics of necessary legal safeguards are set forth here, including substantive suggestions regarding design and implementation of the Liaoning pilot free trade zone.

40. In addition to its core supply chain capacity in manufacturing, Liaoning has enormous potential to mediate regional and global trade to and from the rest of the PRC. A recent SWOT analysis for Liaoning Province⁹ clearly revealed its potential to become the logistics center for Northeast China and part of a larger Northeast Asian regional trade center. This expansion would be technology and skill intensive, promoting information, distribution, and expediting services that support the larger provincial and regional industrial base for equipment manufacturing, as well as rapidly expanding trade in services.

⁸ Wang and Wang, 2017.

⁹ See Diao and Zhang, 2011b

D. Involvement of Liaoning Province in initiatives to revitalize Northeast PRC)

National Government Initiative

- 41.** In a bid to more rapidly open up and revitalize the Northeast region, the State Council of the PRC released a guidance document on the piloting of free trade zones in Liaoning Province (State Council. 2017). The free trade zone will be built into a trade park with high-end industries, convenient investment and trade facilities, improved finance services, and highly efficient supervision methods within three to five years. The initial free trade zone area is planned to encompass Dalian, Shenyang and Yingkou.
- 42.** All supporting branches of the central government agree that Liaoning must rely on the fundamentals of the real economy, including supply chain and marketing services, to achieve rejuvenation. Meanwhile, on the supply-side, it is clear that structural reform is inevitable and state-owned companies should provide leadership for the rest of the economy in this process.¹⁰
- 43.** Tax and financial support were important external forces to revitalize the northeast; industrial development and enterprise reform were the key and subject to revitalize the northeast.¹¹ It should be emphasized, however, that excessive reliance on property and other nonproductive asset investment, particularly when financed by credit, can undermine the real side fundamentals of sustainable productivity and employment growth. Policies have sometimes been formulated that have significant financial cycles because they rely on debt finance, and the fluctuations contribute to systemic market risk for private actors.
- 44.** National Development and Reform Commission (NDRC: 2017), China Development Bank, and China Construction Bank have all committed to help Liaoning conduct 12 PPP demonstration projects, including construction of new hospitals, school campuses, bridges, reservoirs, at least one subway and several tourism projects.
- 45.** The NDRC plan lists 137 key tasks for upgrading the economy, improving social welfare, creating job opportunities and simplifying administrative procedures in

¹⁰ China Daily, 2017.

¹¹ Jin and Chen, 2010.

Northeast. To better accomplish the tasks, the State Council has mandated (State Council: 2016) that a total of 127 fixed-asset projects be launched, covering fields such as transportation, energy construction, waterworks, agriculture, and urban and rural construction in the next three years.

Liaoning Provincial Government Initiatives

46. The Implementation Plan for Liaoning Province to Strengthen Emerging Industries of Strategic Importance (GOLP: 2015a) affirms that, in recognition of the basic conditions and economic characteristics in Liaoning, Liaoning should renew and sharpen on the development and innovation in seven priority industries:

1. High-end equipment manufacturing,
2. New information technology,
3. Biotechnology,
4. Energy saving and environmental friendly equipment and technology,
5. New energy,
6. New materials and
7. New energy vehicle technologies.

47. The document also listed key enterprises in Liaoning related to the above industries and a series of policy measures to help their development.

48. Another provincial government planning document (GOLP: 2015) enunciates overall provincial objectives and initiatives for Liaoning to promote growth and development of the private market economy, including as simplification of administrative procedures, tax reductions, building more enterprise incubators, helping private companies obtain financing, letting private companies participate in the SOE reform process, etc.

Legacy Challenges and Structural Transition for Liaoning Industry

49. From 2003 to 2007, the overall (national and provincial) policies for Liaoning economic revitalization policy were ineffective. According a to detailed comparison analysis of the three provinces in Northeast China and the rest of PRC provinces¹², this situation can only be changed with revitalization measures that contain more determined commitments to R&D, innovation, and higher labor, technological, and resource productivity.

50. There are four salient aspects of current industrial structure of Liaoning.

¹² These issues are being studied by capable national researchers (e.g. Xing: 2015), who could make important contributions to the policy dialog.

1. The development of secondary industry is accelerating and heavy industry is still dominant.
2. The proportion of third industry is declining, but its contribution to economic growth rate is rising.
3. The labor productivity of secondary industry is rising, but the comparative labor productivities among the three industries are diverging.
4. Employment is shifting from primary industry to the tertiary (service) sector. Services have become the main channel of opportunity for employment growth, but productivity (and therefore real wage potential) remains low.

The main existing challenges are:

1. The current industrial structure cannot fully support the Liaoning economy's needs for modernization for global competitiveness;
2. The levels of productivity and market integration in industry have not kept pace with global standards;
3. The service sector has not attracted sufficient investment to support its own modernization or that of the industrial base. This sector should be the core of skill intensive employment development.

Preliminary Policy Insights

- 51.** The collective impression of authoritative public and private opinion is that the historical economic advantages of Liaoning Province, focused on heavy, resource intensive industry, have steadily become less effective as guarantors of competitiveness and growth momentum. For this reason, expert opinion is in general agreement that provincial development strategy needs to reorient investment and support public and private investment commitments in new directions.
- 52.** Studies by respected national experts emphasize the essential need for promoting evolution of the of the old industrial base of Northeast China. They analyze the main reasons for the decline, giving a preliminary evaluation of the revitalizing polices in recent years, and pointing out major long-term challenges

for future revitalization. The main conclusions are that, for Northeast China to avoid continued relative economic decline:

- 1) It is indispensable to get the long-term policy support from the central government;
- 2) Systemic economic reform and structural adjustment are the crucial strategies, particularly the reform of SOEs; and developing new industries is as important as upgrading traditional (advantaged) industries;
- 3) Local governments should play an indirect role, avoiding unnecessary intervention in the market economy and asset markets (including property); and
- 4) Social security and the investment climate must be improved simultaneously.

53. Beyond these priorities, it should be stressed that, in the past, lack of accurate information and/or unwillingness to acknowledge weaknesses of old the industrial base led to failures for past initiatives. Going forward, revitalization of the old industrial base should be approached with renewed determination, national partnership, and as a holistic regional project encompassing economic growth, social progress, and environmental improvement.

IV. Research Organization

54. As capstone products of the TA, the consultants produced an RCI Needs Assessment, Development Strategy, and Implementation Action Plan for Liaoning Province (ADB: 2018f), as well as six Technical Reports authored by individual experts (ADB: 2018a-e). This advisory document focuses in part on issues that reduce barriers to interprovincial trade and commerce and to trade and commerce within northeast Asia generally. It provides a roadmap for Liaoning Province to implement its obligations under national programs so that RCI benefits are maximized. The basis for these policy advisory activities was the TA professional team's independent policy research.

55. Research was carried out by expert consultants recruited by ADB for this purpose, with ongoing consultation and support from the Executing and Implementing Agencies. In the inception phase, the consulting team reviewed the literature related to the policies, programs, models, results, opportunities, and challenges for RCI and related strategies for economic revitalization as these are relevant to Liaoning Province, the PRC, and Northeast Asia generally. The early stages of the project included consultation with local counterparts, implementation of research activities, and intensive data gathering. Research activity for the project will be carried out across six channels.

A. Baseline Assessment

56. To elucidate relevant initial economic conditions in Liaoning Province from an historical perspective, a detailed baseline assessment will be produced as a synthesis of individual baselines from each of the five Technical Reports (Phase 2 of the project). This will include research on the scope and coverage of PRC initiatives to revitalize Northeast PRC and an assessment of the potential for RCI to serve as a confidence-building measure that can increase trade and investment in Northeast Asia.

B. Technical Studies

57. A set of five technical studies was commissioned from recognized international and national experts as part of the TA, each addressing an essential characteristic of RCI-oriented regional development (ADB:2018a-e).

These reports informed the overall project and are being disseminated in both English and Chinese.

- 58.** Individual report topics were first outlined in the original TOR for this TA. After extended discussion with local counterparts, it was determined that these topics needed to be updated to make their coverage and focal points more timely and relevant to the emergent development priorities of Liaoning Province. Seeing an opportunity to strengthen local engagement and address issues of broader interest to our Executing and Implementing agencies, the Team Leader proposed that the Inception Workshop be used to review our Technical Report research agenda by locally designated policy specialists.
- 59.** As the Inception Workshop agenda in Appendix 2 indicates, we scheduled five presentations by Technical Report authors, each followed by local expert commentary on how they might be better adapted to local policy priorities, issues, and stakeholder audiences. The resulting comments were translated and circulated to each of the five expert authors with a request that they revise their own TOR to take account of local interests. In this section, we summarize the initial and revised TORs for all five Technical Reports. Absent recommendations to the contrary, each author will proceed on the basis of their revised TOR, detailed below.

C. Research and Proposals for Strategic Action

60. In addition to the six above-mentioned activities, the consultants will carry out research in support of three other initiatives:

1. Review and consider national and regional experiences of the process of trade liberalization, and identify specific actions that might contribute to Northeast PRC revitalization;
2. Formulate proposals for strategies, policies, programs, and effective measures aimed at facilitating intraregional trade and attracting inward investment into Liaoning; and
3. Formulate proposals for national and regional (Northeast Asia) policy on comprehensive and coordinated approaches to trade that entail improvements in infrastructure and provision of efficient and competitive transport infrastructure and services. This will include road, railway, and seaport infrastructure serving Northeast Asia's trade; information and communication technology; review and improvement of business process analyses in conducting international trade; and simplification and harmonization of customs and border procedures.

V. Conduct of the Inception Meeting

- 61.** The Inception Workshop was held in Shenyang, the capital of Liaoning Province. The main objective of the Workshop was to establish the basis for a cooperative relationship, supporting effective communication and TA implementation with the Liaoning Province Department of Finance (LPDF), the Executing Agency (EA), and the Provincial Financial Research Institute in Liaoning (PFRIL), the Implementing Agency (IA). Representatives of both agencies played leading roles in the program agenda (attached below), and discourse throughout the meeting was cordial and constructive. The consultants effectively communicated the overall goals of the TA and received valuable feedback on local perspectives and priorities.
- 62.** The second objective of the Inception Workshop was to review the five Technical Reports (TRs) commissioned by the TA, actively soliciting local counterpart inputs about the timeliness and relevance of the issues and knowledge gaps to be addressed, assessment methods, and scope and emphasis for results communication. The initial strategy for each TR, as set forth in the original TA, was presented by its expert author, followed by peer review comments from a local counterpart expert nominated by the EA and IA. The result of this approach was a very productive and animated dialog between our consultants and recognized senior local experts, yielding new and important insights for each of the TRs. Based on these exchanges (a complete audio transcript has been posted on a protected website), each TR author has been asked to revise their report abstract/outline and submit it to ADB, EA, and IA staff for consideration. We are also soliciting written comments from the local experts for recording in TA project documents. It is expected that this iterative consultation will yield knowledge products from the TA that have much greater relevance and usefulness to public and private stakeholders in Liaoning.
- 63.** The third leading objective of the workshop was to firmly establish implementation and communication strategies to effectively execute the TA and deliver its supporting capacity services and knowledge products. The roadmap for implementation was set forth and inclusive discussions reviewed the TA products, agreements, communication strategy, and mutual obligations of the institutional parties.

A. Main Events of the Inception Workshop:

May 30 : Informal meetings and consultation among the Consultant Team

May 31 : Workshop

June 1-6 : Wrap-up meetings across the Consultant Team and further reconnaissance by international experts

B. Specific Issues Discussed (refer to the Agenda in Appendix 2 below):

- ❖ The overall work plan developed by the Team Leader was presented (see Annex 1 to the Inception Report Briefing Document), and this was agreed by the experts and our local counterparts.
- ❖ The five TRs were presented by their authors and reviewed by local experts, with invited comments from all participants.
- ❖ The Roadmap for TA Implementation was summarized by the Team Leader (see again the Briefing Document).
- ❖ The overall structure and contents of the Inception Report were reviewed by the Team Leader.
- ❖ The Team Leader reviewed proposed terms of mutual responsibility for the agreement, with discussion and assent of both sides. These terms are a subset of those initially set forth in the TOR. In particular, the EA and IA have not accepted responsibility for any of our local direct costs for executing the TA, including logistical and language support for consultant activities. We would like to request that ADB provide contingency funds for these purposes on a reimbursement basis.
- ❖ For TA coordination, the following terms were set forth and agreed:
 - For project research activities, consultants are primarily responsible for executing the research, including data gathering, analysis, and exposition.
 - The primary coordination role of the EA in the research function is to facilitate local access and provide logistical support for the consultants.
 - The EA and IA are responsible for enhancing the communications with the local government in the research areas to facilitate smooth implementation. The consulting team is responsible for planning and implementing field research, stakeholder interviews, and data gathering.
 - The local government in the field research localities will help facilitate field trips and provide relevant information and data.

- ❖ For TA Implementation: the following Specific Assurances were set forth and agreed:
 - The Government of the PRC will provide free the following facilities, services, equipment, materials, documents, and information that the Consultants require for the Technical Assistance:
 - documents, data, statistics, information, and maps from the Government;
 - appoint counterpart staff within the Executing Agency, as needed, who will work with the Consultant for the successful accomplishment of the Services;
 - appoint counterpart staff within the Implementing Agency to work with the Consultant and join the Evaluation Team;
 - remuneration, per diem and other provisions for local counterpart staff necessary for the EA

C. Additional Information, Lessons Learned, Partnership Possibilities Emerged as a Result of Networking Activities

Additional information

64. On the basis of the Inception Workshop mission, our experts have improved their awareness of local issues and priorities for policy analysis and dialog. For our part, the consultant team has more fully communicated its goals for supporting the EA and IA with relevant and timely knowledge products. The sum of these activities has established a more constructive and mutually supportive basis for TA implementation and results communication.

Partnership possibilities

65. Based on this mission, the national experts identified other entities and individuals in public and enterprise sector to facilitate the team's understanding of baseline conditions and promote broader awareness of for the RCI exercise.

On-line resources

66. An online workspace was established following the Inception Meeting for sharing internal project information internally and for disseminating material from the three workshops. All program, presentation materials, and records from the Workshop are available there. This information platform is password protected and can be made accessible to qualified users upon request.

VI. Conduct of the Dissemination Workshop

- 67.** The Dissemination Workshop was conducted in Shenyang, the capital of Liaoning Province. The main objective of the Workshop was to communicate the policy research findings and recommendations of the TA, as embodied in five detailed Technical Reports and the forthcoming RCI Development Strategy synthesis. On this mission, we enjoyed fuller cooperation from the Liaoning Province Department of Finance (LPDF), the Executing Agency (EA), and the Provincial Financial Research Institute in Liaoning (PFRIL), the Implementing Agency (IA). Representatives of both agencies played leading roles in the program agenda (attached below), and discourse throughout the meeting was cordial and constructive. The consultants effectively communicated the overall findings and recommendations of the TA and received valuable feedback on local perspectives and priorities.
- 68.** The second objective of the Workshop was to review and solicit final suggestions for revising the five Technical Reports (TRs) commissioned by the TA. As emphasized in the Team Leader's opening remarks, our highest priority was effective local engagement and responsiveness to counterpart inputs about the timeliness and relevance of the issues and knowledge gaps to be addressed, assessment methods, and scope and emphasis for results communication. The full draft reports and presentation slides were distributed in advance in both Mandarin and English, then presented by each expert author in the workshop, followed by peer review comments from local counterpart experts nominated by the EA and IA. The result was a very productive and animated dialog between our consultants and recognized senior local experts, yielding important insights for each of the TRs. Based on these exchanges (a complete audio transcript has been posted on a protected website), each TR author has been asked to make final revisions to their reports abstract/outline and submit them for ADB approval.
- 69.** The third objective of the workshop was to preview the leading findings from the TA that will be presented in the final RCI Development Strategy synthesis. Our counterparts expressed great interest in this assessment as a roadmap for internal consideration and ongoing policy dialog with both domestic and external partners.

A. Main Events of the Inception Workshop:

February 8 : Informal meetings and consultation among the Consultant Team

February 9 : Workshop

February 10 : Wrap-up meetings across the Consultant Team and further reconnaissance by international experts

B. Specific Issues Discussed (refer to the Agenda in Annex 2 below):

The overall work plan was reviewed by the Team Leader.

The five TRs were presented by their authors and reviewed by local experts, with invited comments from all participants (all documents and presentations have been provided separately, reviewer comments are summarized below).

The overall structure and contents of the Final Synthesis Report were reviewed by the Team Leader.

C. Summary of Reviewer Comments:

Technical Report 1 - Infrastructure Investment Problems and Alternative Financing

Presenter - Jean Francois Gautrin

Discussant - WANG Zhenyu

Comments:

* This is a very professional research report and an excellent presentation.

* I would like to make a few observations to strengthen context for the report.

* Firstly, while there is little disagreement about the challenges facing Liaoning and the solutions that are being recommended, it is important to recognize that structural reforms will take time.

* SOE reforms, for example, required a decade or more to be completed and another for their benefits to be realized.

* I believe that local government officials are already on this pathway, and should not be judged too early for their efforts.

* Also, the negative macroeconomic trends discussed at the workshop opening have already begun to improve.

* For this reason, it would be desirable to update the data used in this study.

* The period 2014-2016 was an important one for Liaoning, but this is the past and we are looking to the future

Technical Report 2 - Policy Opportunities for Supporting International Expansion of Liaoning Provincial Equipment Manufacturing Industry

Presenter - Professor LI Shantong

Discussant - ZHANG Weiguang

Comments:

- * This is an excellent report and presentation.
- * Very comprehensive structure and recommendations.
- * Correct and appropriate understanding of Liaoning's current experience
- * Essential messages, including extended SOE reform and lower share of markets to accommodate beneficial completion, innovation, and risk sharing by private and foreign partners
- * Suggestions for improvement:
 - * Some details could be more precise, like Liaoning industrial share information.
 - * Electric vehicles are not very advanced - far behind other regions
 - * Five Points and One Line had been amended
 - * Expand on Industrial park development opportunities and recommendations
 - * Some formatting issues

Technical Report 3 - Liaoning Province's Sea-rail Multimodal Transportation Potential and its Fiscal Implications

Presenter - Professor LI Qing for Professor YANG Song (out of the country)

Discussant - LIAN Jiaming

Comments:

- * This was a very great presentation.
- * Generally speaking - very good quality analysis of basic conditions/facts, bottlenecks, and challenges facing Liaoning in the short and medium term.
- * Very diverse tools of assessment, including very interesting applications of SWOT analysis - relevant and interesting, and should be considered for mainstream planning at all levels
- * Very in-depth assessment of Dalian - an important case
- * Some suggestions:
 - * Mostly the perspective of this study is the potential for sea-rail multi-modal development focusing on physical conditions, but there is a need to address institutional, financial (revenue/cost), and efficiency implications
 - * More discussion of rates and fees would be helpful
 - * Organizational challenges should also be discussed - up to 18 ministries can be linked to MM transport
 - * Ranking of infrastructure would be helpful

- * More discussion comparing alternative routes to markets (who is subsidized, who not, etc.)

- * Integrated view of the pathways, in terms of sequences of interconnected countries, cultures, standards, customs, etc.

Technical Report 4 - Liaoning's Port Resources Management

Presenters - Professor WANG Weiguang and LI Xiao mei

Discussant - KUO Mingfeng

Comments:

- * This report is very rewarding and enlightening.

- * Covered the three major ports in China, including overall operations and their implications for wider reform. Concrete proposals were accurate, authoritative, and welcome.

- * Use of SWOT analysis quite innovative and relevant. Should be used more widely in Chinese policy making.

- * Suggestions:

- * extending assessment of port resource allocation and management optimization would be helpful

- * challenges and bottlenecks for ports could be more deeply analyzed, especially with respect to management

- * technical analysis is sufficient, mentioning low efficiency but more explanation is needed for the reasons behind it (redundancy, history, weak authority, excessive or insufficient competition)

- * Relatively high costs are mentioned, but without technical analysis and examples

- * More sector specific analysis and case studies would be very helpful (e.g. agrifood)

Technical Report 5 - Relevant Domestic and International Experience in Designing and Implementing Regional Cooperation Programs

Presenters - Professor David Roland-Holst

Discussant - CHENG Dan

Comments:

- * This report is very well organized, up-to-date, and relevant

- * It reminds us how important regional integration can be to Liaoning's long term progress

- * Accurate and very relevant recommendations

- * Suggestions:

* Title - Relevant experience, but Content focuses on problems of RCI conformity - maybe you can modify this?

* Mismatch between the areas studies and the current situation. More would be valuable on “how to improve the FTZ” progress has been greater than indicated in the report - beyond feasibility studies.

* Protectionism, coordination, corporation are universal problems - can you be more specific about where Liaoning is falling short? What are its key challenges?

* Limited discussion on the recommendations compared to problems identified. Should match and expand this to some extent.

* Guiding principles are rather general – investment climate, etc. - need more local specifics

VII. Closing the Technical Assistance

A. Next steps and recommended follow-up actions

- Revise the Technical Reports to take full account of Workshop discussant and other participant comments, review and confirm Technical Report content with ADB.
- Complete the RCI Needs Assessment, Development Strategy, and Implementation Action Plan for Liaoning Province as the primary synthesis advisory document for the TA.
- Complete and submit the Final TA Report (this document).
- Dissemination all project knowledge products in accordance with ADB guidance.
- Reconciliation of project accounts, outstanding invoices, and claims

B. Additional information, lessons learned, partnership possibilities emerged as a result of networking activities

Additional information

70. Our efforts to present assessment findings and recommendations in a balanced, evidence based manner, as reflected in the pre-released reports and presentations, was rewarded with a discernibly warmer reception and more constructive engagement in all elements of the workshop. We are now

optimistic about the potential of this TA to support needed reforms and policy dialog nationally and regionally.

On-line resources

71. The consultant team recommend's making the final Technical and Synthesis reports available online to enlarge the audience and policy impact of this TA. These materials can be securely stored and made available by invitation to interested counterparts.

VIII. References

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- ADB 2018d. "Technical Report 4: Liaoning's Port Resources Management," Project Document, TA-9036: Strategy for Liaoning North Yellow Sea Regional Cooperation and Development, Asian Development Bank, Manila.
- ADB 2018e. "Technical Report 5: Relevant Domestic and International Experience in Designing and Implementing Regional Cooperation Programs," Project Document, TA-9036: Strategy for Liaoning North Yellow Sea Regional Cooperation and Development, Asian Development Bank, Manila.
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Appendix 1: Project Work Plan

Month:	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
PHASE 1															
(1) -	CONCEPT NOTE AND TA SCHEDULE														
1.1	Draft concept note and TA schedule														
1.2	Submit concept note and TA schedule														
1.3	Receive comments and revisions for concept note and TA schedule														
1.4	Revise concept note and TA schedule														
1.5	Submission and approval revised concept note and TA schedule														
(2) -	INCEPTION WORKSHOP														
2.1	Plan workshop														
2.2	Circulate draft workshop agenda														
2.3	Receive comments and revisions for inception workshop agenda														
2.4	Revise inception workshop agenda														
2.5	Circulate finalized inception workshop agenda														
2.6	Hold workshop														
(3) -	FIELD MISSIONS TO LIAONING PROVINCE														
3.1	Draft field mission schedule and event agendas														
3.2	Circulate draft mission schedule and event agenda														
3.3	Receive comments and revisions for mission schedule and agenda														
3.4	Revise and circulate final draft mission schedule and event agendas														
3.5	Carry out field missions														
(4) -	INCEPTION REPORT														
4.1	Draft inception report														
4.2	Submit inception report draft														
4.3	Receive comments and revisions for inception report														
4.4	Revise inception report														
4.5	Submission and approval revised inception report														
(5) -	TECHNICAL STUDIES														
5.1	Initial planning for all 5 technical studies														
5.2	Submit draft outlines for all technical studies														
5.3	Receive comments and revisions on all technical study outlines														
5.4	Revise and finalize all technical study outlines														
5.5	Draft all technical studies														
5.6	Submit drafts for all technical studies														
5.7	Receive comments and revisions on all technical studies														
5.8	Technical study revision														
5.9	Submission and approval revised versions of all 5 technical studies														
(6) -	BASELINE IMPACT ASSESSMENT														
6.1	Draft baseline assessment														
6.2	Submit baseline assessment draft														
6.3	Receive comments and revisions for baseline assessment														
6.4	Revise baseline assessment														
6.5	Submission and approval revised baseline assessment														
PHASE 2															
(7) -	REVIEW NATIONAL AND REGIONAL POLICY EXPERIENCE														
7.1	Review policy experience														
7.2	Submit draft proposals														
7.3	Receive comments and revisions on draft proposals														
7.4	Revise draft proposals														
7.5	Submission and approval revised proposals														
(8) -	FORMULATE STRATEGIC PROPOSALS FOR FACILITATING TRADE A														
8.1	Review strategies, policies, programs, etc.														
8.2	Submit draft proposals														
8.3	Receive comments and revisions on draft proposals														
8.4	Revise draft proposals														
8.5	Submission and approval revised proposals														
(9) -	FORMULATE PROPOSALS FOR INCREASING TRADE BY IMPROVING INFRASTRUCTURE														
9.1	Review strategies, policies, programs, etc.														
9.2	Submit draft proposals														
9.3	Receive comments and revisions on draft proposals														
9.4	Revise draft proposals														
9.5	Submission and approval revised proposals														
(10) -	INTERIM REPORT														
10.1	Draft interim report														
10.2	Submit interim report draft														
10.3	Receive comments and revisions for interim report														
10.4	Revise interim report														
10.5	Submission and approval revised interim report														
PHASE 3															
(11) -	DRAFT FINAL REPORT														
11.1	Initial planning for final report														
11.2	Submit draft outline of final report														
11.3	Receive comments and revisions on final report draft outline														
11.5	Draft final report														
11.6	Circulate report draft														
(12) -	TA COMPLETION WORKSHOP														
12.1	Plan workshop														
12.2	Circulate draft workshop agenda														
12.3	Receive comments and revisions for TA completion workshop agenda														
12.4	Revise TA completion workshop agenda														
12.5	Circulate finalized TA completion workshop agenda														
12.6	Hold workshop														
(13) -	REVISION, SUBMISSION FINAL REPORT														
13.1	Receive comments on final report draft														
13.2	Revise final report draft														
13.3	Submit and receive approval of final report														

Appendix 2: Agenda for the Inception Workshop

Inception Workshop on Strategy for Liaoning North Yellow Sea Regional Cooperation and Development

Draft Agenda

Shenyang, China - 31 May, 2017

Location: Crowne Plaza Shenyang Parkview Hotel

This Workshop will initiate a Technical Assistance project negotiated by the Government of the PRC and the Asian Development Bank. The purpose of TA-9036 is to undertake a Regional Cooperation and Integration (RCI) needs assessment, development strategy, and implementation action plan for Liaoning Province. The TA focuses on priorities for reducing barriers to trade, commerce, integration with OBOR, and revitalization of industrial production and supply chains. The overall objective of the project is to discover new prospects and offer potential advice for Liaoning's future development strategy in national, regional, and global economic initiatives. The Inception Workshop is being held to establish issues to be covered and implementation arrangements for the project (including work plan, deadlines of deliverables, and coordination arrangements).

Background

9:00-9:30 Registration

Project Introduction

Chair: Zhang Bingnan, ILFD

09:30 Welcoming Remarks

- Wang Jin, LPDF
- Zhuang Jian, ADB

09:50 Overview of the TA and Draft Inception Report

- David Roland-Holst, TA Team Leader

10: 00 Group Photo

10: 15 Tea Break

10:30 Discussion of the Technical Studies

- for each study, 10min author presentation, 10min comment, and 10min discussion

i.

10. Investment and financing of public infrastructure of Liaoning Province

- Jean Francois Gautrin (author)
- Wang Zhenyu (comment)

11. Policy opportunities for supporting international expansion of Liaoning Province's equipment manufacturing industry

- LI Shantong (author)
- Sun Hongmin(comment)

12. Liaoning Province's sea-rail multimodal transportation potential and its fiscal implications

- YANG Song (author)
- Zhu Jun (comment)

Chairperson: Dr. Li Shantong, Senior Research Fellow, DRC

12:00

Lunch Break

13:00 Discussion of the Technical Studies, continued

13. Seaport resource management of Liaoning Province

- WANG Weiguang (author)
- Li Wanjun (comment)

14. Relevant domestic and international experience in designing and implementing regional cooperation programs

- David Pearce (author)
- Xu Yan (comment)

Chairperson: Dr. Wang Weiguang, Dean and Professor, Liaoning University

14:00 Roadmap for the Technical Assistance Implementation

- Team Leader: David Roland-Holst

14:30 Discussion of the Inception Report

- All participants

Chairperson: Jean Francois Gautrin, International Expert

ii.

15: 00 Tea Break

Conclusion and Next Steps

15:20-16:40 Synthesis discussion, agreements, and communication strategy

- EA, IA, and TA expert team representatives

16:40-17:00 Closing remarks

- David Roland-Holst, Dr. Li Shantong, and ILFD Spokesperson

Logistical Arrangements:

Venue for the Workshop and Recommended Hotel for Consultants

Crowne Plaza Shenyang Parkview

No. 88, Huanghe Nan Street
Huanggu District
Shenyang LN - 110031

Reception: 86-24-86311111

Fax: 86-24-86252111

Email: info@cpshenyang.com

<https://www.ihg.com/crowneplaza/hotels>



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Directions:



<https://www.google.co.jp/maps/place/Crowne+Plaza+Shenyang+Parkview/@41.831462,123.41877,15z/data=!4m5!3m4!1s0x0:0x74b692a719054ccb18m2!3d41.8381462!4d123.41877>

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Appendix 3: Agenda for the Dissemination Workshop

Strategy Dissemination Workshop for ADB Technical Assistance 9036: Liaoning North Yellow Sea Regional Cooperation and Development

Draft Agenda

Shenyang, China - 9 February, 2018

Location: Crowne Plaza Shenyang Parkview Hotel

Background

This Workshop will wrap up a Technical Assistance project negotiated by the Government of the PRC and the Asian Development Bank. The purpose of TA-9036 was to undertake a Regional Cooperation and Integration (RCI) needs assessment, development strategy, and implementation action plan for Liaoning Province. The TA focused on priorities for reducing barriers to trade, commerce, integration with OBOR, and revitalization of industrial production and supply chains. The overall objective of the project was to discover new prospects and offer potential advice for Liaoning's future development strategy in national, regional, and global economic initiatives. The Strategy Dissemination Workshop is being held to discuss issues covered in the five Technical Studies and make summary and conclusions for the project.

9:00-9:30 Registration	
Introduction	
Chair: Zhang Bingnan, ILFD	
09:30	Welcoming Remarks - WANG Jin, LPDF
09:50	Overview of the TA - David Wells Roland-Holst, TA Team Leader
10: 00	Group Photo

10: 15 Tea Break

10:30 Discussion of the Technical Studies

- for each study, 30min author presentation, 10min comment, and 10min discussion

1. Investment and financing of public infrastructure of Liaoning Province

- Jean Francois Gautrin (author)
- WANG Zhenyu (comment)

2. Policy opportunities for supporting international expansion of Liaoning Province's equipment manufacturing industry

- LI Shantong (author)
- ZHANG Wanqiang (comment)

Chairperson: Dr. Li Shantong, Senior Research Fellow, DRC

12:10 Lunch Break

13:30 Discussion of the Technical Studies, continued

3. Liaoning Province's sea-rail multimodal transportation potential and its fiscal implications

- LI Qing for YANG Song (author)
- LIAN Jiaming (comment)

4. Seaport resource management of Liaoning Province

- WANG Weiguang (author)
- KOU Mingfeng (comment)

Chairperson: Dr. LI Qing, Lecturer, Liaoning University

15:10 Tea Break
15:30 Discussion of the Technical Studies, continued 5. Relevant domestic and international experience in designing and implementing regional cooperation programs - David Wells Roland-Holst (author) - CHENG Dan (comment)
Summary and Conclusion
16:20-17:00 Synthesis discussion - ADB, EA, IA, and TA expert team representatives
17:00 Closing remarks - David Roland-Holst, Dr. LI Shantong, and ILFD Spokesperson

Logistical Arrangements:

Venue for the Workshop and Recommended Hotel for Consultants

Crowne Plaza Shenyang Parkview

No. 88, Huanghe Nan Street
Huanggu District
Shenyang LN - 110031

Reception: 86-24-86311111

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<https://www.google.co.jp/maps/place/Crowne+Plaza+Shenyang+Parkview/@41.8381462,123.41877,15z/data=!4m5!3m4!1s0x0:0x74b692a719054ccb!8m2!3d41.8381462!4d123.41877>

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