



Yi Xiao Jian Da 以小见大

"From Small, Look Big"

A small fund is making big waves in poverty reduction work in the world's most populous country

By Jet Damazo

WHEN OFFICIALS from the Asian Development Bank (ADB) and the Government of the People's Republic of China (PRC) were reviewing candidates for the first-ever ADB Technical Assistance (TA) Award in 2004, a small-scale TA project caught their attention.

TA 4222, *Policy Study on Poverty Reduction Strategy: Trends, Challenges and Future Directions*, funded by a US\$150,000 grant from the Poverty Reduction Cooperation Fund (PRF), from the UK's Department for International Development (DFID), created a large impact in the country's policies. Highlighting the need to ensure that aid is appropriate for the many different groups of poor people in the country, the results of the TA were used by the PRC Government to help formulate its country report presented at the Global Poverty Reduction Conference in Shanghai in May 2004.

In the same conference, the PRC Government announced the establishment of a \$20 million fund focusing specifically on regional cooperation and poverty reduction to be administered by ADB.

The selection of TA 4222 as the recipient of one of five TA Awards presented by the Government, in a way, is representative of what the PRF portfolio in the PRC is achieving – a lot with a little. Like what the Chinese proverb "*Yi Xiao Jian Da*", which literally translates to "from small, look big", espouses, the \$9.2 million PRF-PRC portfolio is making big waves in poverty reduction work in the world's most populous country.

"The TA programs financed by PRF, though small in amount, has helped ADB and the Government identify innovative approaches and conduct pilot-testing, which have proved to be very effective and successful to poverty reduction in China," says the Ministry of Finance (MOF) of the PRC.

Consisting of 17 TAs, the portfolio was described at a recent meeting to review the PRF as "perhaps the leading example of PRF-supported innovations and contributions to poverty reduction portfolio regionally." In fact, five PRF-PRC TAs will be included as case studies for stock-taking and dissemination of good practices.

Simply put, the main aim of the PRF-PRC portfolio is to help ADB to contribute more effectively to poverty reduction in the PRC. But through innovativeness in the type of TA projects it carried out, the portfolio is not only achieving that aim, but it is also creating an impact within ADB and in other developing countries in the Asia and Pacific region.

Many Firsts

"The PRF-PRC supports cutting-edge work in poverty reduction in the PRC, and there is already evidence of broader replication of PRF-supported innovations," says Christopher Spohr, a social sector economist at ADB's Resident Mission in the PRC, and the ADB focal point for the PRC component of the PRF, which is also managed semi-independently by DFID-China.



NGOs work with local governments under the pioneering TA 4580

For instance, one PRF-PRC TA project (TA 4430) is helping the PRC to pilot institutional microfinance provision — a critical first in the country, given that the absence of credit is a major factor influencing rural poverty. A TA-supported forum recently brought together national leaders and practitioners and global experts including Nobel Laureate Dr. Muhammed Yunus.

Following the model developed under this \$1 million TA, Ningxia Hui Autonomous Region in the PRC recently launched a bidding for microfinance institutions (MFIs). ADB has also received informal requests from several MFIs to develop a related loan.

Likewise, under another TA (TA 4580), nongovernment organizations (NGOs) are working with local governments to implement the PRC's flagship grassroots poverty program, marking the first time that PRC Government budgetary funds have been channeled through competitively selected NGOs on a sizeable scale.

Aside from international attention this \$1 million NGO TA project is getting, indicative of its success is a recent request by the Ministry of Civil Affairs — responsible for registering NGOs in the PRC — for ADB support to assess international models of out-sourcing of government services/programs to NGOs more broadly.

Yet another important innovation is TA 4200 - a \$400,000 fund for strategic policy conferences and studies for poverty reduction - the first "facility-type" TA and a key new modality in ADB-PRC cooperation.

It has been lauded by the State Council Leading Group Office of Poverty Alleviation and Development (LGOP) for its flexible response to Government needs for research on urgent and key facets of poverty reduction policy, funding 22 subprojects. In fact, LGOP has identified further "facility-type" support as a top priority, and DFID-China has agreed to provide \$63,500 in unspent funds from completed PRF-PRC TAs to cofinance the poverty component of a cross-cutting 2007 facility TA (with \$900,000 ADB funding).

Targeted Efforts

“Where the PRF-PRC is so valuable is that it has allowed us to look at the roots and manifestations of poverty from a broader perspective – income and access to economic opportunities, but also health, environment, infrastructure, etc.,” explains Mr. Spohr.

“Financially, investments by ADB and other international agencies are tiny, amounting to less than 0.1% of the PRC’s fixed capital investment. Thus, a lot comes down to influencing policy, including mainstreaming poverty issues into massive government programs.”

For example, TA 4322, which studied the poverty impact of area-wide road networks through a \$1 million grant from the PRF, is the first of its kind directed at Ministry of Communications (MOC), the core agency for ADB’s cooperation in the roads sector (its largest lending sector in the PRC).

The TA has begun to influence dialogue on future ADB loans and the mainstreaming of poverty considerations into the Ministry’s planning for massive future road investments, pegged at \$240 billion by 2020. The final TA output was presented at a Ministerial conference attended by the 1st Vice Minister of the MOC and representatives of the key Government agencies, provinces and ADB, and the Government is now investigating the possibility of a fund with various donors to replicate the TA’s new planning process nationally. The TA’s findings also fed into new Government commitment to build an additional 1.2 million kilometers of rural roads worth \$100 billion to link isolated poor communities.

On the environment, two TAs - 4307 and 4308 - represent the first ever independent and external evaluation of the country’s massive state environmental programs on forestry and grasslands, respectively, with a special focus on their impacts on the poor. Key recommendations from these TAs - both backed by \$400,000 grants from the PRF - are already being adopted. Proposals to reform the country’s policies and programs are also being drafted based on the results of these TAs.

On health, the first PRF-PRC TA (TA 4142) recognized the close linkages between HIV/AIDS and poverty, and thus developed approaches for linking HIV/AIDS prevention to an ADB-financed expressway in Western Yunnan.

These are slated to be replicated in Guangxi and Central Asia in two sub-projects under a Swedish trust fund to ADB for HIV/AIDS, while another sub-project under that fund will draw directly on TA 4580 in developing sustainable linkages between government- and NGO-led HIV/AIDS efforts in Yunnan and Xinjiang.

“Through its flexibility, the PRF has allowed ADB and DFID to work with diverse partners to address various forms of poverty, and via innovative modalities,” Mr. Spohr says.

Moving Forward

At the same time, despite these achievements and the PRC’s rapid progress against poverty in the past two decades, poverty remains a massive problem in the country. Poverty reduction work faces new challenges such as growing income gaps, decelerating declines in poverty, massive rural-urban migration, and increasingly

hard-to-reach poor and marginalized groups. The PRC has also increasingly called on ADB to support national efforts to address poverty (broadly defined) and interlinked social development challenges.

But with PRF resources fully committed, much discussion is now centered on the future of ADB's poverty work in the PRC.

"As the new country partnership strategy is now being discussed, we need to consider priorities to continue more poverty alleviation work even without the PRF," says Mr. Spohr.

The MOF believes that ADB's capacity in research work and policy advisory in the area of poverty reduction has not yet been fully tapped. "It is our hope that ADB will finance more TA programs of this kind in China, and we believe that with the TA program, ADB can provide a bigger role in providing new knowledge and innovative approaches in poverty reduction," says the MOF.

Dr. Wu Zhong, Director General of LGOP's International Cooperation and Social Mobilization Department, agrees that ADB should continue to focus on poverty alleviation efforts. He stresses fruitful past LGOP-ADB cooperation, but notes that: "While ADB sometimes talks about poverty reduction in all of its projects, it should put a higher prioritization and commit greater resources to direct poverty reduction efforts in the PRC, to better deliver on its commitment to poverty reduction as its overarching objective.

"To date, ADB's programs in the PRC have focused on heavy infrastructure, which clearly promotes economic growth but may not directly benefit the poor in the short or medium term."

He adds that: "We have a good basis for cooperation, and I hope ADB can continue to support us to build on past successes in addressing new poverty challenges in the PRC, including working together more to directly reduce poverty."

"We need to recognize and be honest about what we can and cannot do," says Mr. Spohr. "Given limited TA resources, we need to be smarter, more pragmatic, and leaner in supporting poverty reduction: i.e., 'doing more with less'. At the same time, successes supported by the PRF-PRC provide an important foundation while demonstrating what can be achieved (especially via impacting policy impact) if the commitment is there." #