

**ASIAN DEVELOPMENT BANK**

**TAR:PRC 37671**

**TECHNICAL ASSISTANCE**

(Financed by the Poverty Reduction Cooperation Fund)

**TO THE**

**PEOPLE'S REPUBLIC OF CHINA**

**FOR**

**A FUND FOR STRATEGIC POLICY CONFERENCES AND STUDIES  
FOR POVERTY REDUCTION**

**October 2003**

### **CURRENCY EQUIVALENTS**

(as of 24 September 2003)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1208
\$1.00	=	CNY8.2773

### **ABBREVIATIONS**

ADB	–	Asian Development Bank
LGOP	–	State Council Leading Group on Poverty Alleviation and Development
NGO	–	nongovernment organization
PRC	–	People's Republic of China
TA	–	technical assistance
UNDP	–	United Nations Development Programme

### **NOTES**

- (i) The fiscal year (FY) of the Government ends on 31 December
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. During the 2003 Asian Development Bank (ADB) Country Programming Mission to the People's Republic of China (PRC), the Government reconfirmed its request for technical assistance (TA) for a Fund for Strategic Policy Conferences and Studies for Poverty Reduction. The Fact-Finding Mission was conducted during July and August 2003 and reached an understanding with the Government on the goals, purpose, scope, implementation arrangements, cost, financing arrangements, and terms of reference for consultants for the proposed TA.<sup>1</sup> The TA framework is attached as Appendix 1.

## II. ISSUES

2. Since economic reforms began in 1978, the PRC has been successful in reducing the number of absolute poor in rural areas. The international community, as reflected in the Millennium Declaration of the United Nations, adopted by the General Assembly in September 2000, has agreed on common objectives that the world community is striving to achieve. Because of sustained, rapid economic growth and targeted Government programs, the PRC has already achieved the target of halving poverty from the 1990 level. The PRC's performance has also been good in addressing the nonincome dimension of poverty. By the end of 2002, the PRC was ahead of schedule in achieving nearly all of the Millennium Development Goals including access to primary education, reduction of infant mortality, increased life expectancy, decreased infant mortality rates, and improved literacy rates. The three goals where more progress is needed relate to the fight against HIV/AIDS,<sup>2</sup> provision of clean drinking water, and reduced maternal mortality. The United Nations Development Programme (UNDP) is playing a leading role in the external funding community in monitoring progress in achieving Millennium Development Goals.

3. The PRC's success in poverty reduction reflects the impact of sustained rapid economic growth and associated improvements in the standard of living over the past two decades. The Government is committed to equitable and inclusive development, which includes mainstreaming the poverty reduction efforts of a wide variety of people, programs, and funding channels and significant budget allocations for initiating self-help among the poor. The PRC's poverty reduction approach is area-focused, with a strong emphasis on providing social and economic infrastructure and creating of employment opportunities. An estimated CNY198 billion (\$23.9 billion) was targeted to the poor from 1994 to 2000. During the same period, CNY43 billion (\$5.1 billion) was targeted to minorities. In 2001, the Government introduced a new 10 year poverty reduction strategy envisaging investment of over CNY30 billion (\$3.6 billion) a year in poor areas.

4. The poverty strategy identifies 592 key counties for poverty reduction and development to assist 30 million rural people with incomes under the Government's official absolute poverty line of CNY625 per capita annual income and 60 million rural people with incomes under the Government's official relative poverty line of CNY865 per capita annual income. The PRC's official poverty line is a rural subsistence line and is low compared to international practice. Provinces can also set their own poverty lines, which can be higher than the national poverty line. Priority will be given to remote and mountainous areas, minority areas, and pockets of severe poverty. The focus of the new strategy is on poor household and village activities. Participatory approaches will be used to involve the poor. In addition, the western region development strategy, embodied in the Tenth Five Year Plan, is using geographic targeting to address inadequate infrastructure; environmental problems such as land degradation, desertification, and soil erosion; water resources

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 25 August 2003.

<sup>2</sup> Human immunodeficiency virus/acquired immunodeficiency syndrome.

management issues; weaknesses in the environment for private sector operations; and weak human resources. In urban areas, programs are being developed to address poverty through social security reform, income and job generation for laid-off workers, programs to combat urban pollution (air, water, and solid waste), and creation of off-farm employment opportunities. The PRC does not have an official national urban poverty line, but cities have adopted minimum living standards to help the poor.

5. As confirmed at the 2003 National People's Congress, the Government recognizes a continuing need to address existing and emerging poverty reduction challenges such as (i) maintaining sustained rapid economic growth; (ii) ensuring that the growth is pro-poor and that the benefits of growth are widely shared in society; (iii) targeting the poor living in geographically disadvantaged and environmentally degraded areas; (iv) addressing the nonincome dimensions of poverty such as those related to the environment; (v) addressing the need for the private sector to provide alternative job opportunities to help address rising urban poverty associated with enterprise reform and labor retrenchment and rural migration to cities; (vi) redressing the growing inequality between the western-central and eastern regions of the country and between urban and rural areas; (vii) providing social safety nets to protect the most vulnerable people during economic transition; and (viii) increasing the effectiveness of the poverty program through participatory approaches involving local communities.

6. To continue its successes in poverty reduction, the Government recognizes that several constraints that need to be addressed: (i) budget constraints that limit the reach of poverty assistance; (ii) urban poverty and the lack of a national structure to address it; (iii) uneven coverage of, quality of, and access to health services for the rural poor and lack of a social security system in rural areas; and (iv) low enrollment of the rural poor in secondary and postsecondary schools and the weak linkage of education to the demands of the market place.

7. Another concern is that the PRC's income distribution has become more unequal since the mid-1980s, and measures of income inequality are above the international average. Three factors contributed to rising inequality: (i) the growing gap between the wealthy coastal provinces and the poorer interior provinces, (ii) urban incomes that have grown faster than rural incomes, and (iii) increasing inequality in rural and urban populations.

8. The Government, external funding community, non-government organizations (NGOs), and academic community frequently meet to discuss poverty reduction policy and related research. Conferences, workshops, and seminars are convened, often at short notice, for policy discussions and research dissemination related to poverty reduction. ADB is frequently invited to cosponsor policy research and dissemination fora, but is usually unable to identify a new TA quickly enough to sponsor events held at short notice. The proposed TA will provide a mechanism for ADB to respond quickly to requests for strategic policy research that is related to poverty reduction and will be used by decision makers and to respond to requests to sponsor or cosponsor strategic fora for policy discussions and research dissemination. Examples of conferences that ADB has cosponsored in the past are described in para. 9.

9. Under TA for a Study on Ways to Support Rural Poverty Reduction Projects, a high-level international poverty conference, cosponsored by the Government, ADB, UDNP, and World Bank, was convened in May 2000.<sup>3</sup> The main objective of the conference was for key domestic and international organizations and experts to make recommendations to State Council Leading Group

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<sup>3</sup> ADB.1998. *Technical Assistance to the People's Republic of China for a Study on Ways to Support Rural Poverty Reduction Projects*. Manila.

on Poverty Alleviation and Development (LGOP) on its future poverty strategy. The conference was convened by then Vice Premier (now Premier) Wen Jiabao who also headed LGOP. Twenty-two vice ministers and vice minister-level officials representing LGOP's membership attended the conference. About 15 internationally and domestically renowned poverty experts also attended. Several recommendations of the conference, including some suggestions made by ADB, have been incorporated into LGOP's new poverty strategy. Examples include looking at poverty more broadly and increasing participation of civil society and villagers.

10. A high-level international conference on NGO poverty reduction policy forum was convened under the same TA in October 2001. The conference was cosponsored by ADB, the China Foundation for Poverty Alleviation, the Ford Foundation, International Fund for Agriculture Development, local NGOs, Mercy Corps, UNDP, and World Bank. In a significant policy development, the Government recognized a key role for NGOs in its Ten-Year Poverty Reduction Strategy, approved in 2001. The Government recognizes that NGOs can play an important role in the country's development by bringing specialized knowledge, technical expertise, research capacities, local contacts, and community support to the process. NGO participants at the conference cited several factors limiting their effectiveness. These include a lack of funding, inadequate training, an incomplete legal framework for NGOs, difficulties in registering international NGOs, and problems in recruiting and retaining qualified staff. To address these and other concerns, they advocated better information sharing to identify potential partnerships, direct funding from the Government and international agencies, and adoption of laws that give local NGOs clear legal standing to raise funds, cooperate with foreign organizations, and carry out their activities. They also called for giving a greater voice to the poor, more research on the requirements of the poor in different regions, and greater support from international NGOs and funding agencies in skills transfer and development of human resources.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

11. The goal of the TA is to increase effectiveness, sustainability, and quality of poverty reduction policies in the PRC. The purpose is to encourage strategic policy dialogue and research in the area of poverty reduction and related fields (e.g., unemployment and social security) among the government agencies, civil society, academies, and the funding community.

#### **B. Methodology and Key Activities**

12. The TA will set up a fund so that ADB can react quickly to requests to sponsor or cosponsor poverty-related conferences, workshops, seminars, and related studies. Studies and meetings must be related to poverty and include government agencies at national and local levels, funding agencies, academia, and civil society including the private sector, NGOs, and poor people. Meetings may be held in Beijing or in the provinces. The fund can cover costs related to preparation of papers for the conferences, workshops, and seminars; expert speakers; facilitators; venue; travel (including costs of government and NGO officials to attend domestic and overseas events); and other logistics.

#### **C. Cost and Financing**

13. The cost of the TA is estimated at \$500,000 equivalent comprising a foreign exchange cost of \$97,000 and a local currency cost of \$403,000 equivalent. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund and will cover the \$97,000 foreign exchange cost

and \$303,000 equivalent of local currency cost for a total of \$400,000 equivalent. ADB will administer the TA funds. The Government's in-kind contribution for office accommodation, transport, remuneration of counterpart staff, and other services will amount to \$100,000 equivalent. A detailed cost and financing plan is in Appendix 2.

#### **D. Implementation Arrangements**

14. LGOP will be the Executing Agency for the TA. All requests for use of the fund must be coursed through LGOP. Meetings may be proposed by national Government agencies, local governments, NGOs, private businesses, academia, ADB, or other funding agencies. The local sponsors or organizers that receive assistance through the TA for holding such meetings will be the implementing agencies. LGOP and ADB (through its PRC Resident Mission) will screen all requests according to agreed upon criteria and application processes. Implementing agencies may submit proposals to a maximum of \$20,000, unless LGOP and ADB agree to waive this ceiling. An implementing agency that provides honoraria to experts for a preparatory study or for conference facilitation or discussion will use a competitive selection process acceptable to ADB whereby at least three individuals are evaluated according to educational background and relevant poverty reduction experience. Funds will be disbursed by ADB through LGOP and the implementing agency will liquidate expenses through LGOP to ADB. An advance payment facility will be established as many conferences require funds prior to the event.

15. Implementation of the TA will begin in October 2003 and will be completed over a period of 24 months, until October 2005. Required expert services will be determined on a case-by-case basis for each activity. Indicative roles for experts are described in Appendix 3.

#### **IV. THE PRESIDENT'S DECISION**

16. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$400,000 to the Government of the People's Republic of China to be financed on a grant basis by the Poverty Reduction Cooperation Fund, for the purpose of a Fund for Strategic Policy Conferences and Studies for Poverty Reduction, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions (A) and Risks (R)
<b>Goal</b>  Increased effectiveness, sustainability, and quality of poverty reduction policies in the People's Republic of China (PRC)	<ul style="list-style-type: none"> <li>Enhanced capacity of the Government and the Asian Development Bank (ADB) to address poverty reduction</li> <li>Lessons learned from conferences and studies result in policy changes designed to better address national poverty reduction targets</li> </ul>	Number of poverty reduction-related policies that reflects the results of the activities financed under the technical assistance (TA)	
<b>Purposes</b>  Increased strategic dialogue with government, civil society, academics, and private sector organizations to strengthen poverty reduction efforts in the PRC	<ul style="list-style-type: none"> <li>Number of submissions and number of activities approved</li> <li>Increased dialogue among ADB, government, funding agencies, and civil society on policy and related issues</li> </ul>	<ul style="list-style-type: none"> <li>Approved activities addressing poverty reduction issues</li> <li>Roster of submissions and approved activities</li> <li>Back-to-office reports, records of tripartite discussions, interviews with ADB, government, and implementing agency personnel</li> <li>Successful implementation of approved projects and documentation of lessons learned</li> </ul>	<ul style="list-style-type: none"> <li>Implementing agencies willing to access ADB funding and capable of submitting quality proposals related to poverty reduction (A)</li> <li>The results and recommendations developed by activities financed under the TA are of high quality, feasible and capable of being implemented (R)</li> </ul>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions (A) and Risks (R)
<b>Outputs</b>  Successful approaches to poverty reduction are implemented	<ul style="list-style-type: none"> <li>Conference and study approaches have been identified for upscaling and integration into ADB TA or loan portfolios or otherwise taken up by governments</li> <li>Level of participation by nongovernment organizations (NGOs) in studies and conferences</li> <li>Number of approaches that include a role for NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Completion reports of implementing agencies</li> <li>Back-to-office reports from missions and documents</li> <li>Distribution of final reports to concerned stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Government and ADB staff interested in and willing to study lessons learned and apply such knowledge (A)</li> <li>Government is willing to address civil society and private sector concerns in developing poverty reduction policy (R)</li> </ul>
<b>Activities</b>  <ul style="list-style-type: none"> <li>Strategic studies</li> <li>Conferences, Workshops, and Seminars</li> </ul>	Number of approved proposals	Roster of approved projects; project implementation and completion reports; documentation of lessons learned	Successful solicitation of proposals relating to key poverty reduction issues (A)
<b>Inputs</b>  <ul style="list-style-type: none"> <li>Researchers</li> <li>Expert Discussants</li> <li>Facilitators</li> <li>Salaries/Others</li> </ul>	<ul style="list-style-type: none"> <li>Researchers (\$80,000)</li> <li>Expert discussants (\$80,000)</li> <li>Facilitators (\$90,000)</li> <li>Conference logistics (\$180,000)</li> <li>Salaries/others (\$70,000)</li> </ul> Total \$500,000	Progress reports  Project accounts	<ul style="list-style-type: none"> <li>Competent consultants are recruited in a timely manner and perform well (A)</li> <li>Counterpart budget is available on a timely basis (R)</li> <li>Counterpart staff is available (A)</li> </ul>



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

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Poverty Reduction Cooperation Fund</b>			
1. Consultants			
a. Honoraria for Local and International Experts <sup>a</sup>	22.0	55.0	77.0
b. International and Local Travel	30.0	50.0	80.0
c. Reports and Communications	2.0	8.0	10.0
2. Training, Seminars, and Conferences			
a. Facilitators	30.0	60.0	90.0
b. Logistics for Workshops, Seminars, and Conferences <sup>b</sup>	0.0	70.0	70.0
3. Miscellaneous Administration and Support <sup>c</sup>	0.0	15.0	15.0
4. Contingencies	13.0	45.0	58.0
<b>Subtotal (A)</b>	<b>97.0</b>	<b>303.0</b>	<b>400.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0.0	30.0	30.0
2. Remuneration and Per Diem of Counterpart Staff <sup>d</sup>	0.0	70.0	70.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total</b>	<b>97.0</b>	<b>403.0</b>	<b>500.0</b>

<sup>a</sup> Provisional amounts for experts to be identified during TA implementation.

<sup>b</sup> Includes venue, printing, translation, cost of travel and accommodation for people invited from other provinces, travel to conferences abroad, and other logistics associated with holding conferences.

<sup>c</sup> Includes translation of reports into English and local transport for facilitators and experts (especially in provinces).

<sup>d</sup> Refers to per diem for counterpart staff when joining consultants for field visits.

Source: Asian Development Bank estimates.

## **INDICATIVE ROLES FOR EXPERTS**

1. Local and international experts may be engaged under the technical assistance (TA) to provide services at conferences, seminars, and workshops and for preparatory studies for these fora. The nature of expertise needed will be determined on a case-by-case basis. Implementing agencies will provide terms of reference to anyone engaged.

### **A. Types of Experts that May Receive Honoraria or Payments**

Experts entitled to receive honoraria or payments include:

- (i) Conference, seminar, and workshop facilitators;
- (ii) Academics, nongovernment organizations (NGOs), private businesses, and individuals acting as discussants on poverty reduction policy matters;
- (iii) Academics, NGOs, and private businesses and individuals presenting research results;
- (iv) Academics, NGOs, and private businesses and individuals commenting on others' research; and
- (v) Researchers that implementing agencies have commissioned to prepare studies for conferences, seminars, and workshops in poverty reduction or related fields (such as social security reform, urban unemployment, social services in rural areas, and charitable trusts).

2. The experts will assist the implementing agencies to:

- (i) identify and/or refine the topic of the conference/studies;
- (ii) design the conference/studies, including programs, strategies, selection criteria of participants, submitted papers and/or keynote speakers;
- (iii) manage the quality of the conference/studies for effective delivery; and
- (iv) address the results of the conference/studies to be reflected in the policies.

### **B. Reporting**

At the conclusion of each activity funded by the TA, the implementing agency will submit a report on the results explaining how the results will be used and the strategy for disseminating the conference findings and proceedings and for media exposure. One copy of each report will be submitted to the State Council Leading Group on Poverty Alleviation and Development (LGOP), and Asian Development Bank (ADB). Executive summaries will be provided with all reports. All reports will be bilingual (English and Chinese). LGOP and ADB may request tripartite meetings with implementing agencies as appropriate.