POVERTY REDUCTION IN CHINA:
EXPERIENCE AND PROSPECT

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The year of 2000 witnessed the signing of United Nations Millennium Declaration (UNMD), which was aimed at halving the global poverty by 2015. The years since that historic moment up to now have witnessed the remarkable progress made by mankind in achieving the Millennium Declaration Goals (MDG) through social development and poverty reduction. China, for its part, has managed in the last three decades to develop rapidly. In the meanwhile, China has been consistently committed to large-scale poverty reduction through a wide range of effective special plans and programs. In 2007, China proclaimed that it had, before schedule, fulfilled the task of reducing the poverty-stricken population by half as demanded by the UNMD. In accordance with Outline for Development-oriented Poverty Reduction for China's Rural Areas (2001-2010), China’s rural population living in poverty was reduced to 35.97 million in 2009 from 94.23 million as of the end of year 2000, with poverty incidence going down from 10.2% to 3.8%. The new era requires us to manage our poverty reduction in accord with new circumstances, updating our policies and approaches. Against the backdrop of transforming the overall socio-economic development mode, a wider field of view is need to enable poverty reduction through scientific development and the equal access to basic public services. The mode transformation and mechanism innovation in poverty reduction requires us to pool essential resources to promote employment, enhance social well-being, accelerate development and improve people’s income.

PART ONE  CHINA’S SUCCESSFUL EXPERIENCE IN ADDRESSING POVERTY

Since opening up and reform, the Chinese government has put in place a long-standing development-oriented poverty reduction plan, which is based on China’s particular circumstances and covers a wide range. Thanks to its practical
and effective approaches and measures, China has come up with a series of experiences in poverty reduction.

I. The government plays a leading role in poverty reduction (PR).

From the organizational system and division of labor in China’s poverty reduction, it is clear that Chinese government and related agencies play a leading role in both rural and urban poverty reduction. The leading role can be seen in the following aspects. Firstly, the formulation of PR strategy and policies. Chinese government incorporates PR into the whole picture of national economy and social development. In 1986, the Fourth session of Sixth National People’s Congress passed a resolution to put PR into the Seventh Five-year Plan. Since then PR has always been an essential part of Five-year Plan for national economy and social development. In 2001, Outline for Development-oriented Poverty Reduction for China’s Rural Areas (2001-2010) formulated by State Council became another directive for PR in rural areas. Secondly, the organization and mobilization of PR resources. The Central as well as the local governments allocate vast quantities of funds for rural PR and urban social well-being, using various means, some of which are obligatory, to mobilize non-governmental players for PR. Thanks to the powerful mobilizing capabilities of the government in PR, vast quantities of funds and resources are channeled into rural and urban areas. Thirdly, the distribution of PR funds and the implementation of PR projects. The rapid, effective and large-scale implementation of various PR policies, measures and projects comes from the leading role of the government. The efficiency of PR relies on the reasonable organization, division of labor, mechanisms and policy arrangements. The success of China's PR lies in consistent political will and powerful organizational capabilities, which ensures the rapid, large-scale and consistent poverty reduction in rural as well as urban areas.

II. Tapping into the resources of the whole society
Throughout more than three decades of PR, the Central government has been consistently mobilizing the resources of the whole country. The means include: pooling the efforts of governmental agencies at various levels, non-governmental organizations, state enterprises, and government-affiliated public service agencies for in-the-field PR; mobilizing the governmental agencies in developed areas for paired-up PR; mobilizing non-governmental organizations and international organizations for PR. As the Central government does, the provincial, district and county governments organize subordinate agencies, mobilize enterprises, government-affiliated public service agencies within their jurisdictions as well as NGOs to participate in PR.

It can be safely concluded that PR has become a social activity enjoying the highest public involvement. Large-scale social mobilization has drawn vast quantities of extra-budgetary funds and resources from other channels to PR, providing valuable lessons for the government’s reform and innovation in PR. To be concrete, the recommendable approaches include:

1. Organizing the developed East to help the poor West in a paired-up manner. Since 1996, altogether 15 provinces in the East have paired up with 11 poor provinces and autonomous regions in the West. The paired-up provinces cooperate in business, development projects, human resources, and many other sectors at various levels.

2. The Party organizations, government agencies, large enterprises, government-affiliated public service agencies provide in-the-field poverty reduction. Up to now, 272 units from Central government agencies, democratic parties, NGOs, state-run enterprises have established in-the-field PR partnership with 481 counties with state-level development-oriented PR projects.

3. Non-state economic entities and non-governmental players offer their support to poor areas through Hope Project, Happiness Project, Glory Project, Cultural PR, etc.

4. China’s financial institutions also play a big role in PR. As of 2009, Agricultural Bank of China issued special loans for PR to the amount of CHY 225.861 million. The better part of these loans went to the counties with state-level and province-level development-oriented PR projects.
The government’s proactive organization of a wide range of social players for PR has raised public awareness of poverty alleviation. Enhanced public awareness has spurred the government to improve the PR system and streamline government-led PR means. In addition, non-governmental players can complement the government-led PR in terms of funds, human resources and social development projects.

### III. Staying committed to development-oriented PR

Since the 1980s, Chinese government shifted from charity-style PR to development-oriented PR. Development-oriented PR is a typical example of development aid, i.e. impart aid into the poor areas and push-start the local economy so as to lift the people out of poverty by means of production and economic growth. In terms of the means of PR, the stereotyped charity-style has given place to infrastructure-building and the improvement of production conditions, so that the underdeveloped areas can come up with producing capabilities. In terms of the players of PR, more emphasis is laid on giving play to the creativity of the local people to take advantage of their own strengths and develop on their own. In terms of the management of PR funds, simplistic fiscal allocation and gratis use of PR funds have been replaced by the combination of fiscal transfer payment and bank loans as well as the combination of gratis use and non-gratis use of PR funds. In terms of the approaches to PR, the PR is viewed as a systematic project, involving investments in science and technology, education, production aside from income.

Development-oriented PR not only helps to resolve basic problems in people’s living, but also helps to develop people’s productive capabilities, which will lift the people out of poverty gradually through economic growth. In this process, the emphasis is laid on the improvement of production and living conditions, or generally speaking, the infrastructure and public services, with a view to enhancing the efficiency of both agricultural and non-agricultural production. As a result, the farming households can earn more and gradually get out of poverty. Since the government simply puts funds on infrastructure and public services,
comparatively less fiscal resources are used. Generally speaking, development-oriented PR has remarkably improved the infrastructure, living and production conditions, laying a sound foundation for improving the income of farming households.

IV. Employing international development aid in accord with domestic circumstances

Chinese government takes an open-minded approach toward overseas experience in PR while making good use of the aid from foreign government, international NGOs, and multi-lateral organizations. China embraces cooperation and exchanges with the international community in development-oriented poverty reduction. International organizations have diversified PR means and various projects, ranging from small sum loans, small-scale infrastructure facilities, technical aid, capacity-building and comprehensive rural development. Compared with the comparatively low total amount of foreign aid for PR China received, our efficiency of using the aid is remarkable. The reasons are as follows: 1. a streamlined procedure, encompassing feasibility report, tendering, financial supervision, process management, suggestions and feedback, project evaluation, ideas dissemination, etc. 2. cultivating own characteristics, i.e. gradually updating the means and procedures for utilizing foreign aid, with the financial and business agencies ensuring the favorable directions of the flow of PR resources.

PART TWO CHINA’S NEW APPROACHES TO PR IN THE NEW ERA

The past decade saw the great improvement of basic living and production conditions in the poor areas, with a considerable number of people moving out of poverty, laying a material foundation for future work. The effective policies and measures will be maintained and adjusted, laying a policy foundation for future work. Much work still needs to be done to tackle poverty in the new era, laying more emphasis on perfecting relevant policies and measures, combining
economic, social, cultural and ecological effects. More importance is to be attached to sustainable development and authorization, the alleviation of destitute population while expanding the coverage of PR benefits.

I. Combining economic, social, cultural and ecological effects

Despite tremendous efforts and pace (highest in the world) for PR, China still fails to bridge the income gap. PR in the new era is supposed to lay more emphasis on the coordinated socio-economic development, equal access to development opportunities, capacity-building of the poor, shortening the income gap between areas and between social-economic groups, so as to achieve common prosperity and coordinated sustainable development.

The new era requires us to promote the social well-being while proceeding with the economic development of poor areas. Social well-being includes the development-oriented PR in rural areas, support housing development in rural as well as urban areas, basic old age pension, medical service, etc. More policy preference is to be given to such goals as enhancing average well-being and ensuring that citizens equally share the fruits of economic development.

PR in the new era also requires us to lay more emphasis on ecology and environmental protection so as to ensure the harmonious relationship between people and Nature. All this requires us to abide by the principle of putting protection first, developing in a reasonable way, utilizing resources economically, and recycling whenever possible.

In the meanwhile, PR and economic development should also take into consideration of ethnic culture and tradition. History has endowed the ethnic minorities with rich traditions and customs. In the process of PR in ethnic communities, it is imperative to uncover and protect the cultural legacies, show due respect for their particular traditions and mores, so as to take good care of the local ethnics’ interests and give full play to their will for development.
Ⅱ. Highlighting equal access to opportunities and guaranteeing the rights of the people

PR in the new stage involves not merely the increase of income but also the improvement of development quality, which requires reasonable system arrangements and equitable approaches so that people living in poverty can benefit from development. In the meanwhile, it is imperative to highlight the lack of rights on the part of those in disadvantageous conditions and the social coldness they face, ensuring that every citizen, including weak people, has equal access to political, economic, and social rights.

Firstly, provide equitable opportunities of education to prevent the intergenerational transmission of poverty. Education level has a remarkable impact on employment and income. Promoting education will be conducive to poverty reduction and help to stop poverty from passing on between generations. Special attention and policies should be given to those families with little income and too limited a capacity to afford the education of their children. Young people from poor households to study in state-run colleges and occupational schools should enjoy an exemption or reduction of tuition fee. Banks are encouraged to issue loans in the capacity of living allowances to students from poor households. Non-state capital is encouraged to be used to organize occupational schools to peasant laborers.

Secondly, improve medical service in the rural areas, alleviating the stress of diseases on households. The establishment of new-type rural cooperative medical service has, to an extent, alleviated the difficulty in getting medical treatment. Many problems, however, still linger, making it necessary for norms and rules to be established so as to address fundamentally the issue of refunding peasant laborers getting medical treatment outside their home towns. It is also necessary to further open the medical market, so that qualified medical institutions and village doctors may enter the medical service system, as competition will help to keep down the cost for medical treatment.

Thirdly, it is imperative to establish the social security system and ensure its viability. A sound and inclusive social security as well as public service system
should cover the elderly, the weak, the diseased, the disabled, who can hardly labor and are prone to poverty. As for those migrant peasants working in cities, as long as they meet certain time requirements (e.g. working for 3 to 5 years) and pay duly to the social security system, they are entitled to welfare previously given only to urban residents, including, basic medical insurance, children’s schooling, privileged housing rents, etc. An obligatory basic social security system is to be established, encompassing all the urban laborers, including peasant workers.

III. Giving more rights to the farming households, paying special attention to certain poverty-stricken groups.

Firstly, a type of participatory PR is to be initiated, raising the poverty-stricken people’s awareness of being proactive to move out of poverty. Participatory PR means that the people involved are supposed to take part in the decision-making, implementation and supervision of PR projects. The development-oriented projects should cater to the practical demands of the poverty-stricken people. All parties involved in PR are supposed to provide relevant information, necessary external conditions and public service to the people involved, so as to improve their capabilities to reduce poverty through developing on their own. Only through such efforts, can PR change from a blood-injecting mechanism to a blood-making mechanism.

Secondly, more efforts are needed to boost training, imparting more technology into industrialized PR. One of the restraints for industrialized PR is the low technological percentage in farming and livestock-raising. Addressing this issue is of great significance for industrialized PR and raising the income of rural households. Effective measures include centralized training, sector-by-sector training, on-the-spot training and instruction of the farming households, enhancing step by step the technological standard of farming, livestock-raising, produce-processing, etc. A generation of new peasants that are endowed with farming expertise and management skills should be cultivated so as to impart new life to rural areas in the process of PR and countryside re-development.
In addition, in tandem with the twin wheels of basic rural social security and development-oriented poverty reduction, more efforts should be made to cater to the demands of special social groups that have been “tossed out” in the process of industrialized PR. More financial investment is to be made for the sake of low-income households. The allocation of low-income funds is to be adjusted, raising the amount of Class 1 and Class 2 allowances. In the process of industrialized PR, it is necessary to differentiate the households in terms of their degrees of benefit-getting, giving policy privileges and more assistance to those who still haven’t benefit from industrialized PR.