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## Poverty Reduction in the rural sector – What can countries learn from China's experience?

Achievements, challenges and the way forward in the context of the Sustainable Development Goals

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# Poverty Reduction in the rural sector – What can countries learn from China’s experience?

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# From policy Poverty Reduction in the rural sector – What can countries learn from China's experience?

Achievements, challenges and the way forward in the context of the Sustainable Development Goals

## Moderator

### *Ms. Ana Paula De la O-Campos, FAO*



Ana Paula De la O Campos is an economist and policy analyst in the areas of poverty reduction, gender and social protection in the rural sector. She has been with FAO since 2007, first as an econometrician specializing in rural labour and household income strategies. Her work has contributed to the creation of the Rural Income Generating Activities database (RIGA) as well as the design of household surveys for conducting impact evaluation of cash transfers in Sub-Saharan Africa. Ana Paula also managed the overall functioning of the Gender and Land Rights Database (GLRD) and collaborated with FAO's Statistics Division with the production of gender and land-related statistics. She currently works as Program Advisor for FAO's strategic programme on Rural Poverty Reduction.



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# From policy Poverty Reduction in the rural sector – What can countries learn from China's experience?

Achievements, challenges and the way forward in the context of the Sustainable Development Goals

## Speaker

**Dr. Tan Weiping**, Deputy Director General,  
*International Poverty Reduction Center in China (IPRCC)*



Dr. Tan has more than 20 years of experience working in poverty reduction and development. He joined the State Council Leading Group for Poverty Reduction and Development (LGOP) of the People's Republic of China in 1994 after a successful career at the Ministry of Agriculture. In 2005, he became Deputy Director General of the Department of International Cooperation of the LGOP and in 2010 Director General of the Department of Administration and Personnel of the LGOP. He then became Deputy Director General of IPRCC in 2013.

Throughout his career, Dr. Tan has pursued a keen interest on development issues with a particular focus on poverty reduction, rural development and regional sustainable development. He has been a speaker at numerous national and international conferences and fora and has led delegations to high-level meetings and events hosted by multilateral banks and by agencies of the United Nations.

Dr. Tan holds a Ph.D. in Economics from the University of China at Renmin.



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# From policy Poverty Reduction in the rural sector – What can countries learn from China's experience?

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## Speaker

**Dr. Kevin Chen**, China Program Leader and Senior Research Fellow,  
*International Food Policy Research Institute*



In 2009, Kevin Chen (陈志钢) joined IFPRI as China Program Leader and Senior Research Fellow, based in Beijing, China. He is also Director of the Center for Agricultural and Rural Development (ICARD), jointly established by the Chinese Academy of Agricultural Sciences and IFPRI. He currently serves as a co-editor of China Agricultural Economic Review. Kevin has more than 17 years research and outreach experience in development issues related to agricultural production, market, trade, environment, and policy.



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# From policy Poverty Reduction in the rural sector – What can countries learn from China's experience?

Achievements, challenges and the way forward in the context of the Sustainable Development Goals

## Discussant



**Prof. Alain de Janvry**, Professor, Agriculture & Resource Economics,  
University of California at Berkeley

Alain de Janvry is an agricultural economist working on international economic development with expertise in agriculture and rural development. He is a professor of Agriculture and Resource Economics and of Public Policy at the University of California at Berkeley. He was co-director of the World Bank's *World Development Report 2008* on Agriculture for Development and author with Elisabeth Sadoulet of *Development Economics: Theory and Practice*, Routledge 2016. He is a member of the French National Academy of Agriculture and a fellow of the American Agricultural Economic Association.



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# Policies and practice of China's Rural Poverty Reduction and Development

Dr. Tan Weiping  
Deputy Director General



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International Poverty Reduction Center in China

# Content



China's poverty reduction achievements



China's poverty reduction experience



Challenges for China's poverty reduction



China's targeted poverty alleviation strategy



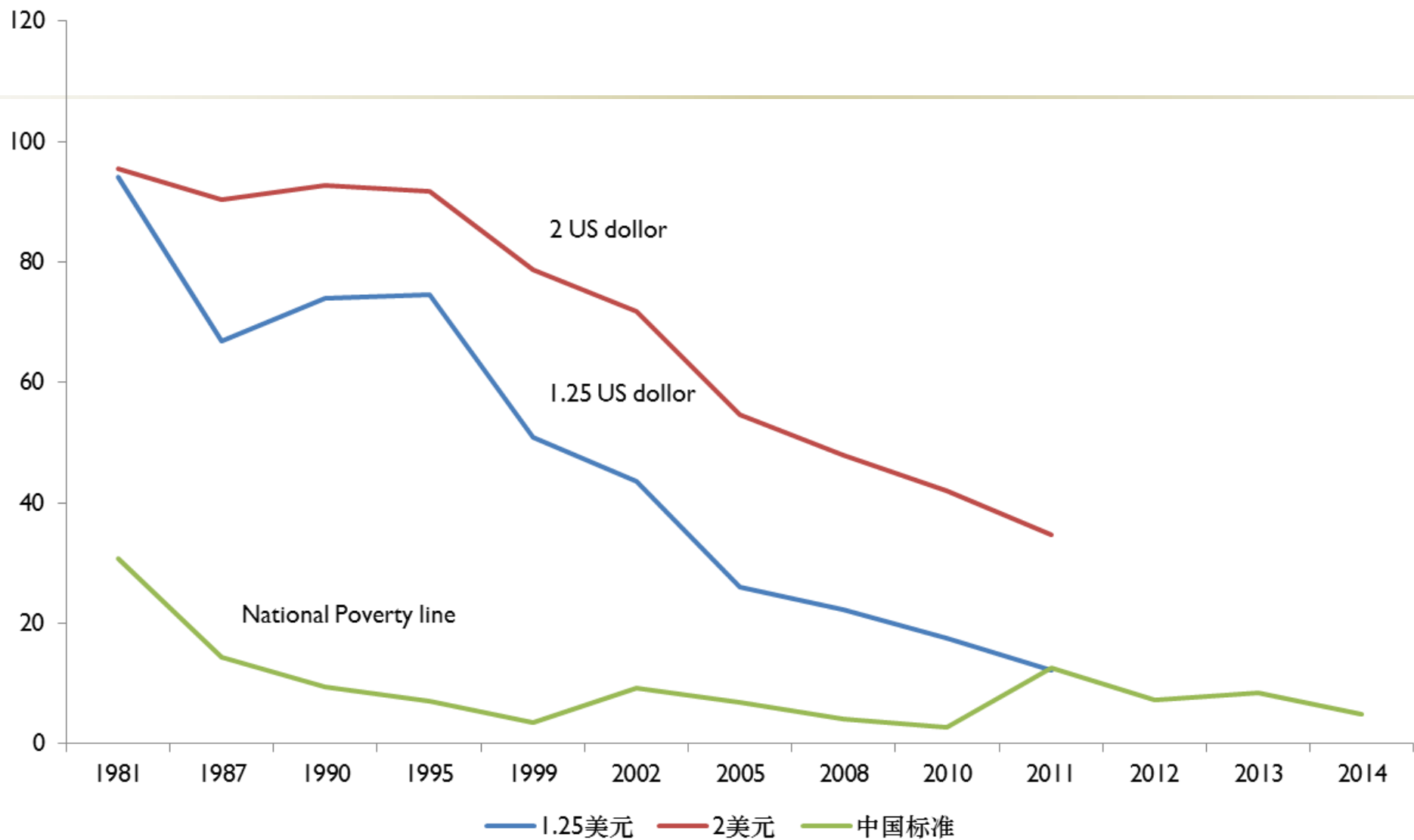
# I. China's poverty reduction achievements

**(1) Poor population has decreased significantly and the problem of food and clothing for rural population has been basically solved.** China established the minimum-living-standard system and improved the five-guarantees-support program to ensure basic living conditions for disabled rural residents.

**(2) The economy in poverty-stricken areas has grown rapidly and people's living standards have been improved noticeably.**

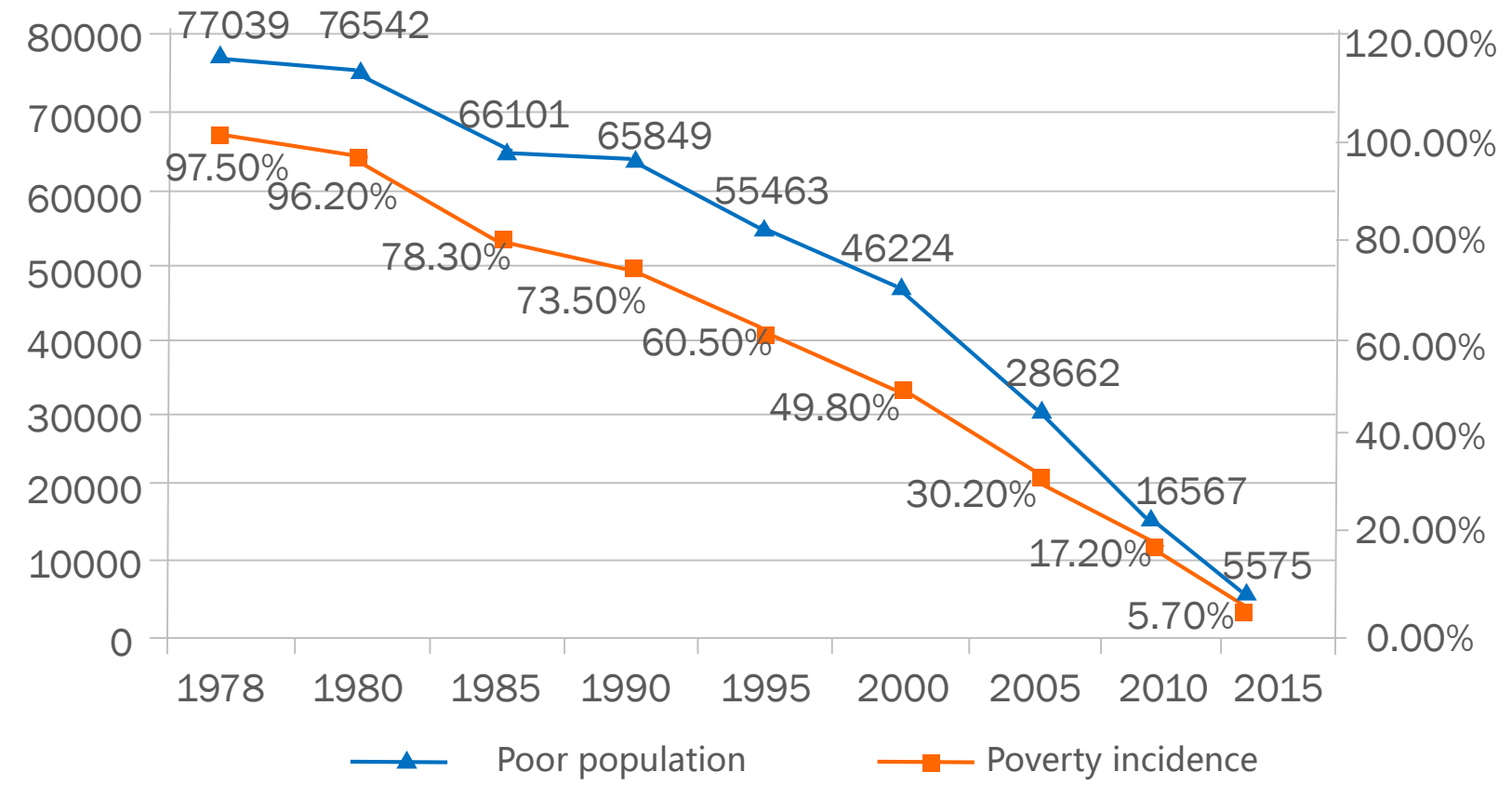
- ✓ From 2001 to 2014, farmers' annual net income and per-capita regional GDP of key counties receiving poverty alleviation support grew faster than the national average.
- ✓ In 2013, around or over 90% of natural villages in key counties have access to highways, electricity, telephone and TV programs.

**(3) China has made a substantial contribution to global poverty alleviation.** From 1981 to 2008, China's poor population fell from 835 million to 173million, and China was the first country to achieve the MDG of reducing the poor population by half. **China contributed 70% to global poverty alleviation.**



## Rural poverty – current poverty line

Unit:10 , 000 persons



## China's progress towards the MDGs

### GOALS

### PROGRESS

## Goal 1: Eliminate extreme poverty and hunger

Goal 1A: From 1990 to 2015, reduce the population with a daily income less than 1.25 dollars by half

Already achieved

Goal 1B: achieve full productive employment and provide decent jobs for all including women and young adults

Mostly achieved

Goal 1C: From 1990 to 2015, reduce the population living in hunger by half

Already achieved

# Content

**1**

China's poverty reduction achievements

**2**

China's poverty reduction experience

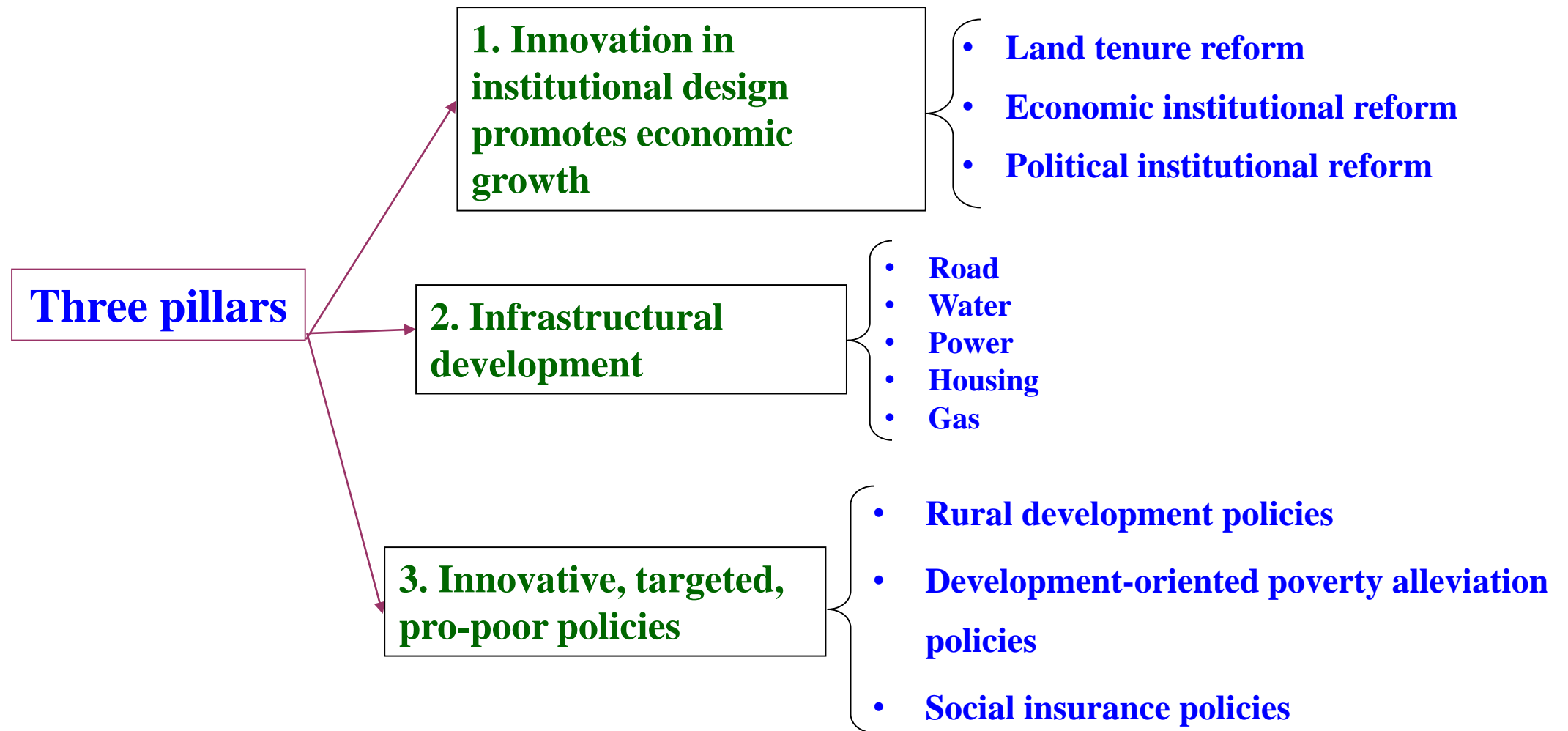
**3**

Challenges for China's poverty reduction

**4**

China's targeted poverty alleviation strategy

## II. China's poverty reduction experience





# (1) Innovation in institutional design promotes economic growth

Institutional innovation is the main factor in poverty alleviation in China. Western theories call it **empowerment**, Chinese theory calls it **emancipating productivity**.

## *Three main reforms (1978-1985)*

### Land system reform

- In the 1980s, the household land-titling-responsibility system was established
- Every farmer was granted the right-to-work

### Economic institutional reform

- Farm-product prices were liberalized, farmers were granted the right-to-free-trade
- Labor market was liberalized, farmers were allowed to leave their hometown to work in areas where they would gain a higher income.
- Private enterprises were allowed and granted the right-to-free-trade

### Political institutional reform

## **(1) Innovation in institutional design promotes economic growth**

- **Two-digit annual economic growth boosted results.** From 1978 to 2009, the economy grew by 10% annually.
- **Job creation.** Over 200 million rural workers were transferred to non-agricultural sectors.
- **Rural infrastructure was improved.**
- China fed 22% of the world's population with 9% of the world's land and 6% of the world's water resources.
- Food and clothing were ensured.
- In 7 years, the poor population decreased from 250 million to 125 million, an annual decrease of 17.86 million.

## (2) Infrastructural development

- Road construction in poor areas:
  - ✓ Inter-village cement roads.
  - ✓ Reconstructing of dangerous roads and bridges.
  - ✓ Rural highway network.
  - ✓ Bus terminals in villages and towns.
  - ✓ Major waterway transportation facilities.
- Small infrastructure.

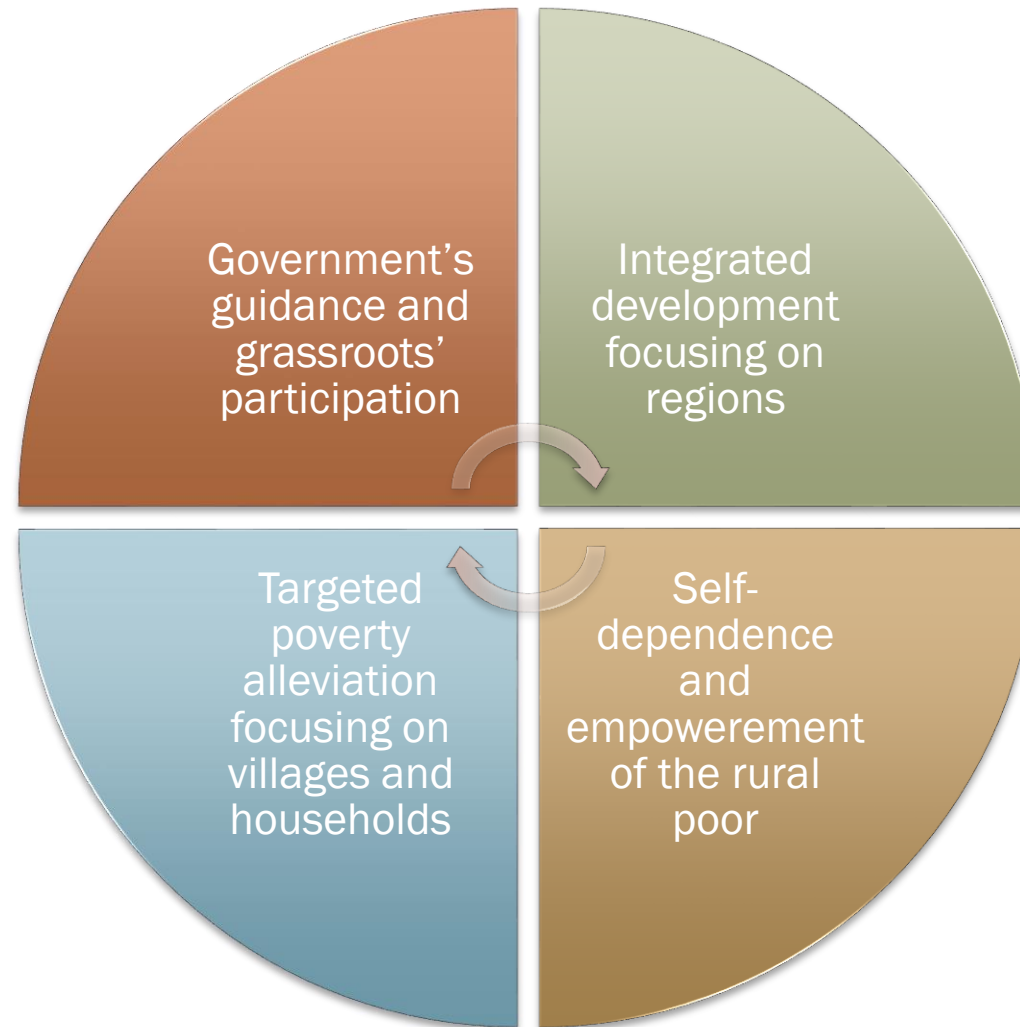
From the 1980s.

- Employing workers from poor families.
- Increasing the income of the poor population.
- Agricultural irrigation facilities, drinking water project, arable land development program, grassland development program.

55 billion yuan were invested from 2001 to 2010.

- Water conservation projects (i.e. cistern, pool, small reservoir, pump station, ditch)
- Rural powergrid upgrading.
- Renovation of rural houses in hazardous conditions.

### (3) Innovative, targeted, pro-poor policies



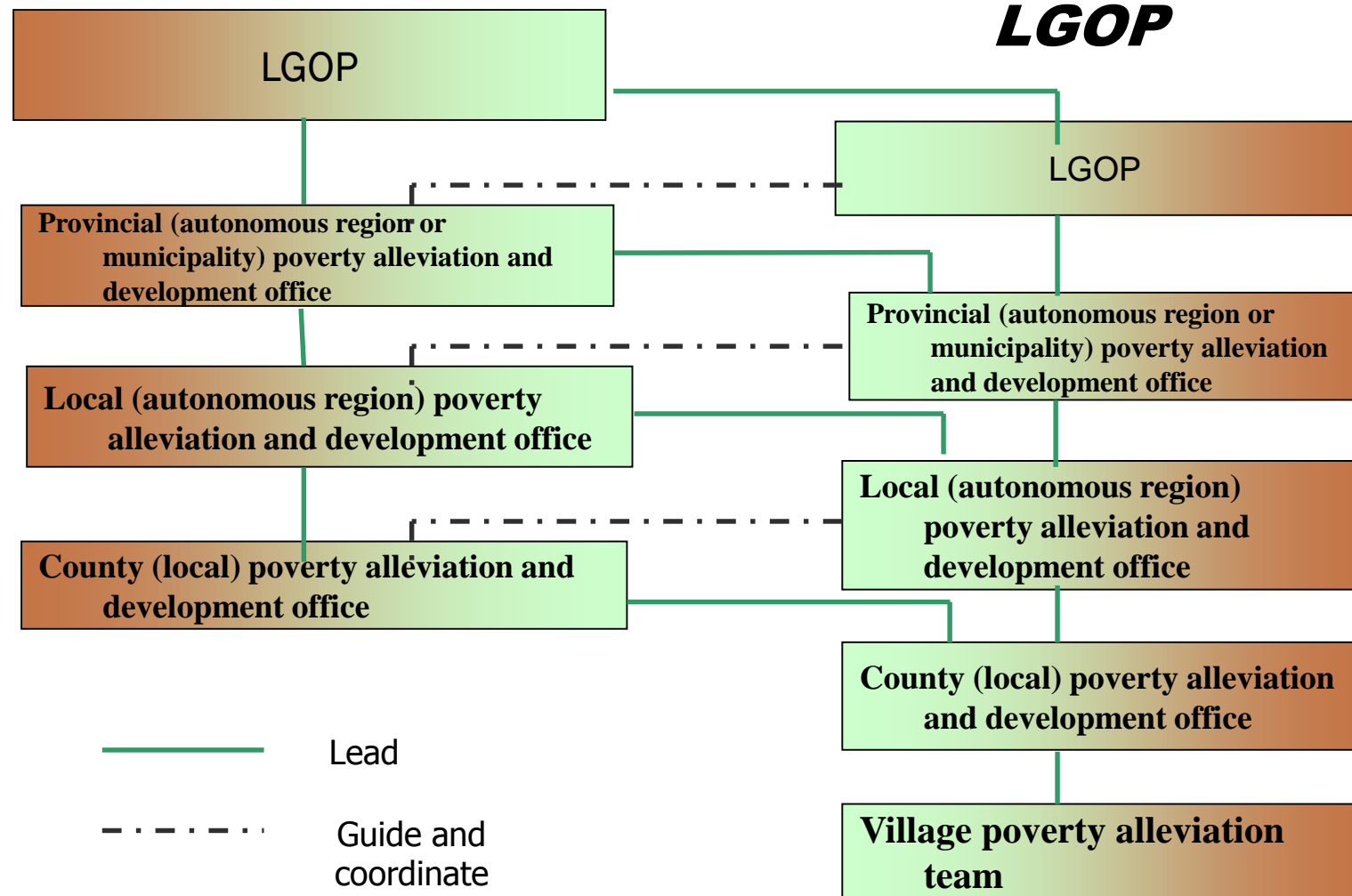
# Government's Guidance

**Establishment of a dedicated poverty alleviation institution:** the Leading Group of Poverty Alleviation and Development of the State Council

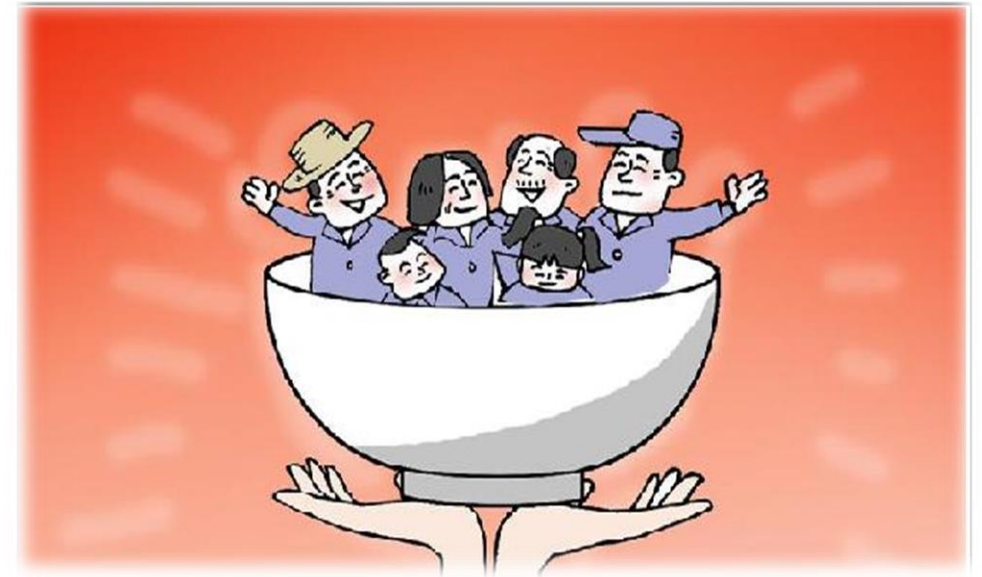
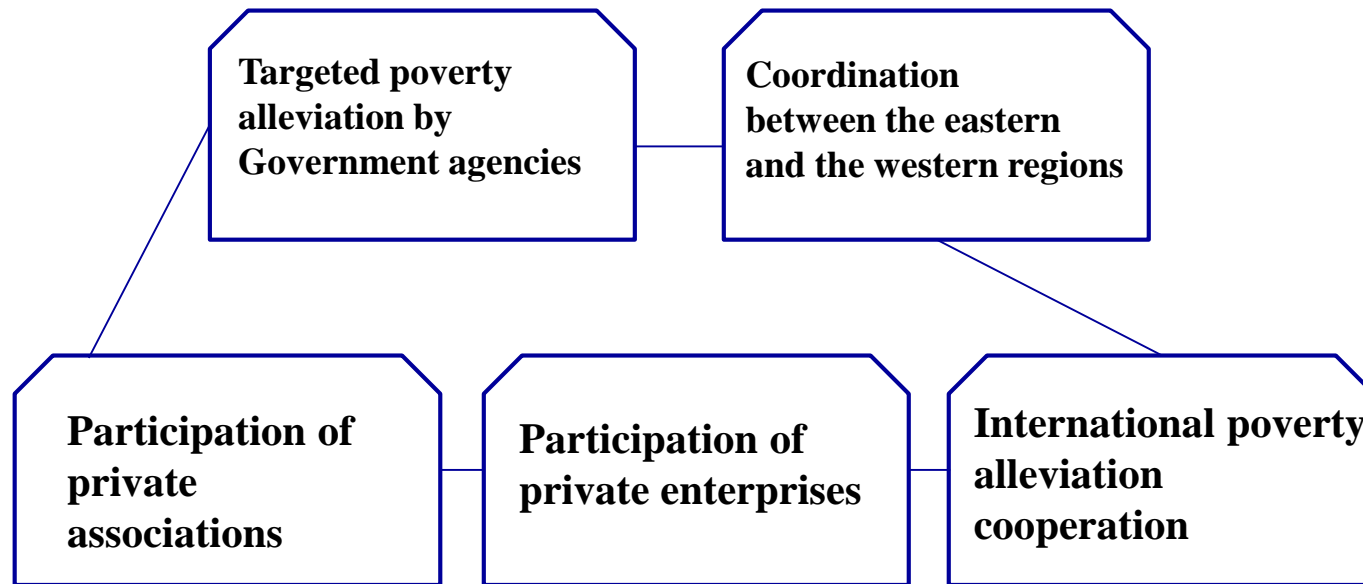
**Goal:** To have poverty alleviation as the main goal at all government levels.

**Strategies:**

- “Seven-Year Priority Poverty Alleviation Program(1994-2000)”
- “National Program for Rural Poverty (2001-2010)”
- “National Program for Rural Poverty (2011-2020)”



## Strengthening social mobilization to participate in poverty alleviation



**Building social capacity: caring for people, investing in people and organizing people**



# Content



1

China's poverty reduction achievements



2

China's poverty reduction experience



3

Current challenges for China's poverty reduction



4

China's targeted poverty alleviation strategy

# III. Current challenges for China's poverty reduction

## **(1) The task for poverty alleviation and development remains difficult.**

China is now at a primary stage of socialism. Poor areas and a poverty-stricken population are a major vulnerability of a developing and moderately prosperous society. The main task of poverty alleviation and development programs is to make up for this vulnerability.

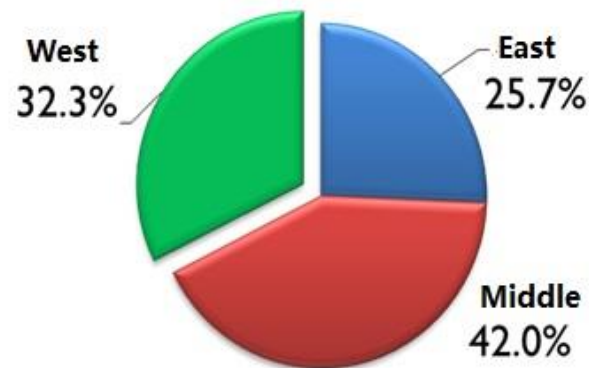
The 5<sup>th</sup> Plenary Session of the 18<sup>th</sup> Central Committee of CPC made it clear that by 2020, China will have lifted all rural poor out-of-poverty by existing standards.

**We will achieve the poverty reduction goal set by the UN Sustainable Development Agenda for 2030, ten years in advance.**

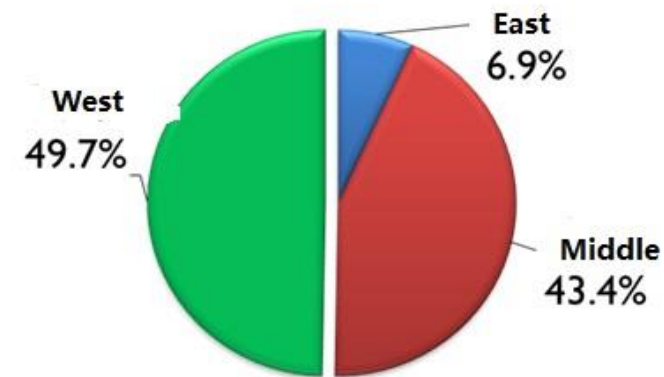
## (2) New characteristics of poverty

- China's development is uneven. The development gap between rural and urban areas and that between regions and the widening income gap have not been fully addressed.
  - China has a huge poor population. By the national poverty line, China now has **43,35\* million rural poor** that mainly reside in concentrated and contiguous destitute areas. These areas suffer from vulnerable ecological environments, poor living conditions, frequent natural disasters, low-educational levels and backwards infrastructure and social systems.
- \*PRC National Bureau of Statistics (Feb/2017)

Distribution of the rural population



Distribution of the poor population



- Rural-to-urban migration contributes to an increase in the numbers of the urban poor. These are usually farmers that have lost their land, migrant workers with no employment or unstable income and miners living in shanty towns.
- As for the left-behind groups (the elderly, women and children staying in rural areas), the elderly and women have heavier labor burdens. Children's education and nutrition might suffer a negative impact.
- Health-related poverty and disaster-related poverty are severe; poverty and vulnerability to poverty remain high in ecologically-vulnerable areas.

# Content

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China's targeted poverty alleviation strategy

# IV. China's targeted poverty alleviation strategy

## (1) Main poverty alleviation tasks of the 13<sup>th</sup> Five-year plan

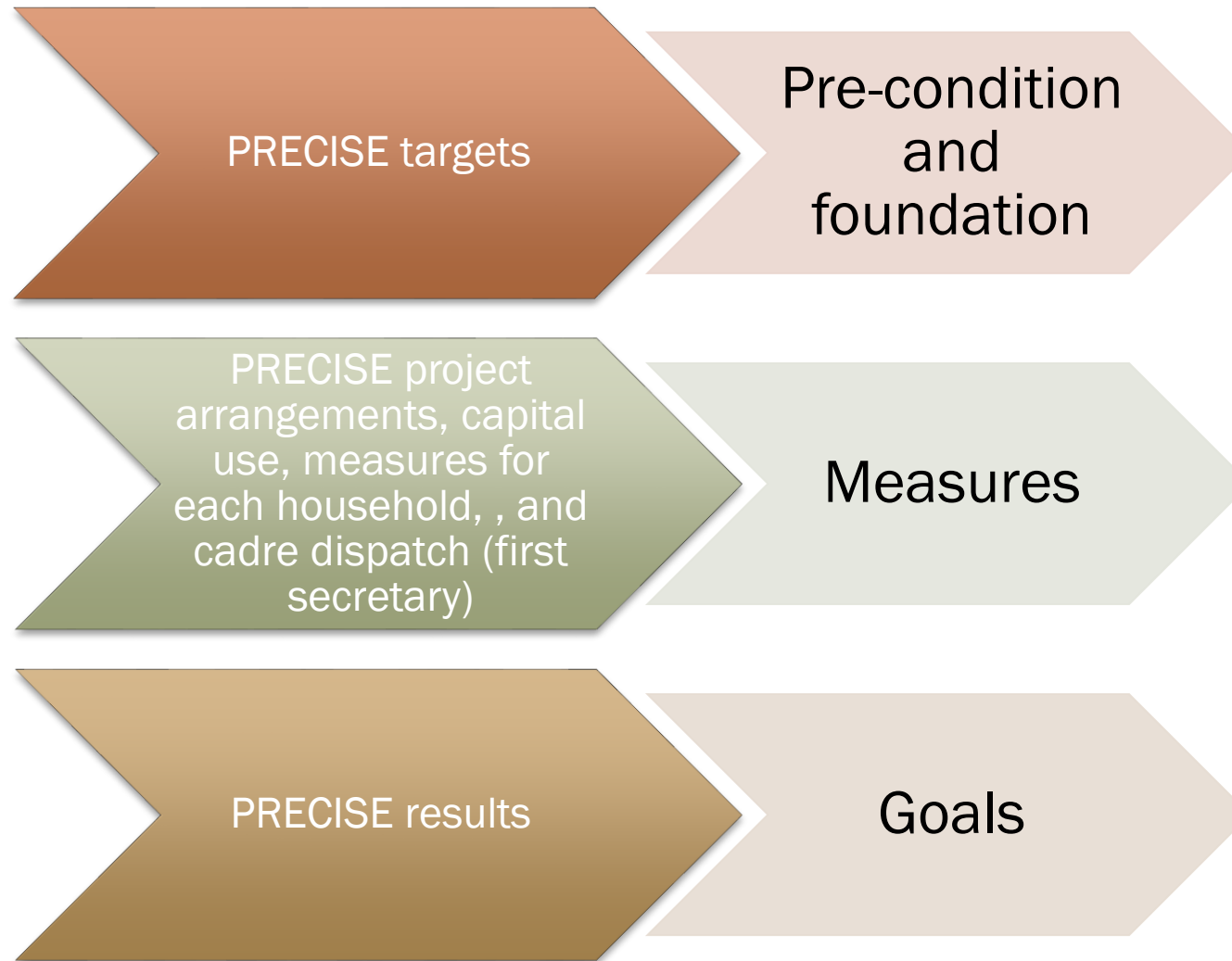
- The 5<sup>th</sup> Plenary Session of the 18<sup>th</sup> Central Committee of the CPC made it clear that by existing standards, we would lift all rural poor out-of-poverty, remove the title of “poor county” from all counties and resolve the problem of overall regional poverty.
- The National Program for Rural Poverty (2010-2020) pointed out that by 2020, we will ensure food, clothing, compulsory education, basic medical services and housing as part of the Government's targeted poverty alleviation programs .
- Per-capita income growth will exceed the national average. Indicators of basic public services in all major areas will approach the national average and the widening of the development gap will be reverted.



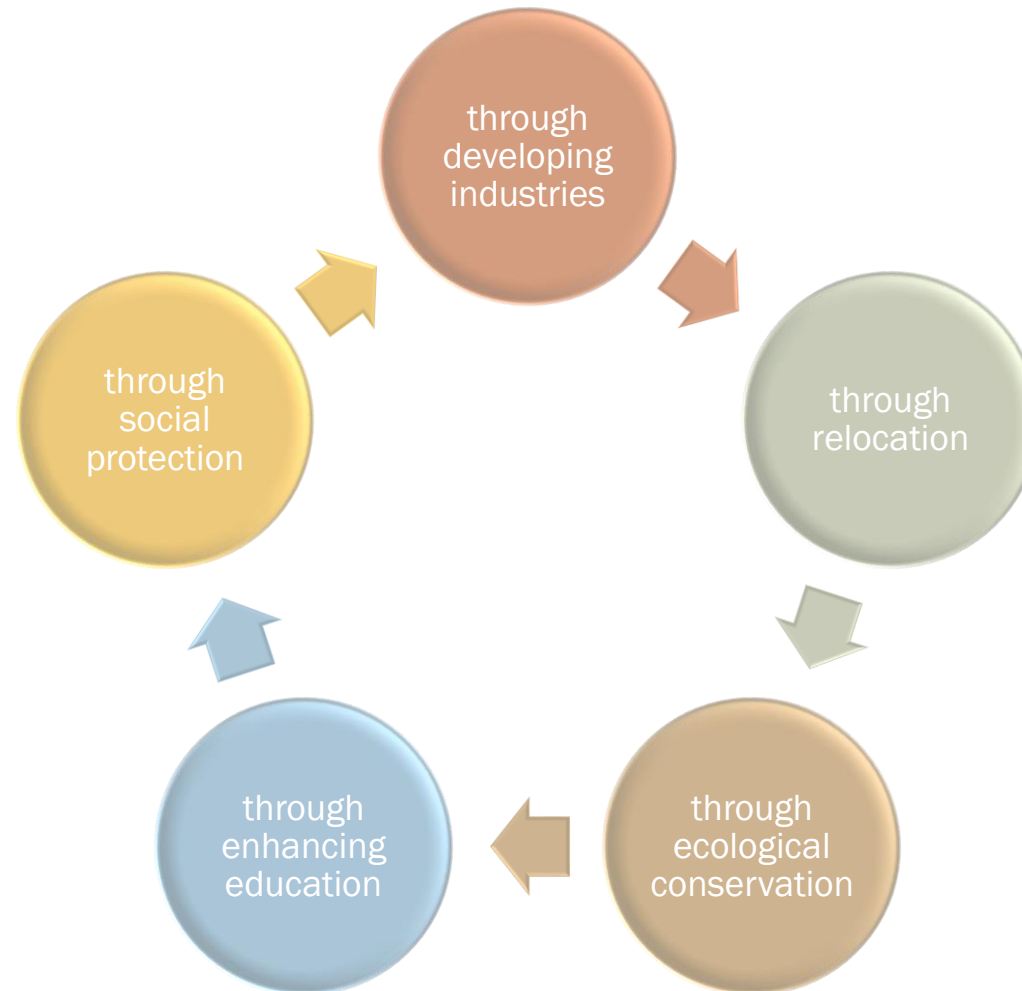
## ( 2 ) China's targeted poverty alleviation strategy

- Targeted poverty alleviation is a basic requirement of the CPC after the 18<sup>th</sup> CPC National Congress, and it is the most prominent feature of poverty alleviation in the 13<sup>th</sup> Five-year plan.
- Generally speaking, the focus of poverty alleviation is moving towards lower levels, from regions, to counties, villages and then to households.
- Since the the 18<sup>th</sup> CPC National Congress, the new leading group of poverty alleviation has taken targeted poverty alleviation as the general guideline.
- China's poor population is generally scattered but locally concentrated. Therefore, poverty alleviation should transform from region-oriented to population-oriented.

## (a) Main content of poverty alleviation - 6 precise factors



## (b) Main measures of targeted poverty alleviation – 5 paths



**Targeted  
poverty  
alleviation  
means four  
innovations in  
poverty  
alleviation and  
development**

1

**Innovating poverty alleviation and development path:**  
From 'broad' to 'targeted'.

2

**Innovating resource use:** from 'scattered' to 'focused'

3

**Innovating poverty alleviation models:** from 'transfer'  
to 'creation'

4

**Innovating the poverty alleviation evaluation system:**  
from 'economic indicator-focused' to 'result-focused'

## (c) Measures of targeted poverty alleviation

### Increasing fiscal input

- Special fiscal poverty alleviation fund increased to **67 billion** Yuan in 2016, a year-on-year increase of **43.4%**.

### Enhancing financial services

- Small poverty alleviation loans.
- Pro-poor re-loans with lower interest rates.
- Financial bonds.

### Enhancing land policies

- Support rural areas to adjust the general land planning.
- **Poor areas can take the lead** to carry out land development pilot projects.

### Strengthening social mobilization

- Support pro-poor projects implemented by the private sector.
- Support the establishment of pro-poor volunteer associations.
- Improving transparency.

### Creating a favorable atmosphere

- Promote the creation of innovative solutions for poverty alleviation.
- Offer public recognition to good practices (TV, media, etc.)
- Establish an awards system.

## The 5<sup>th</sup> Plenary Session of the 18<sup>th</sup> Central Committee of the CPC requires the following:

- Considering the final goal of developing a moderately prosperous society, the 13<sup>th</sup> Five-year Plan must focus on reducing vulnerabilities. **Poverty alleviation of the rural poor population is a major vulnerability.**
- Implementing **poverty alleviation strategies**. Lifting the rural poor out-of-poverty is the toughest task in developing a moderately prosperous society. We must give full powers to our political and institutional advantages to win this poverty alleviation battle.



**Thank you**

For more details or information, please contact:  
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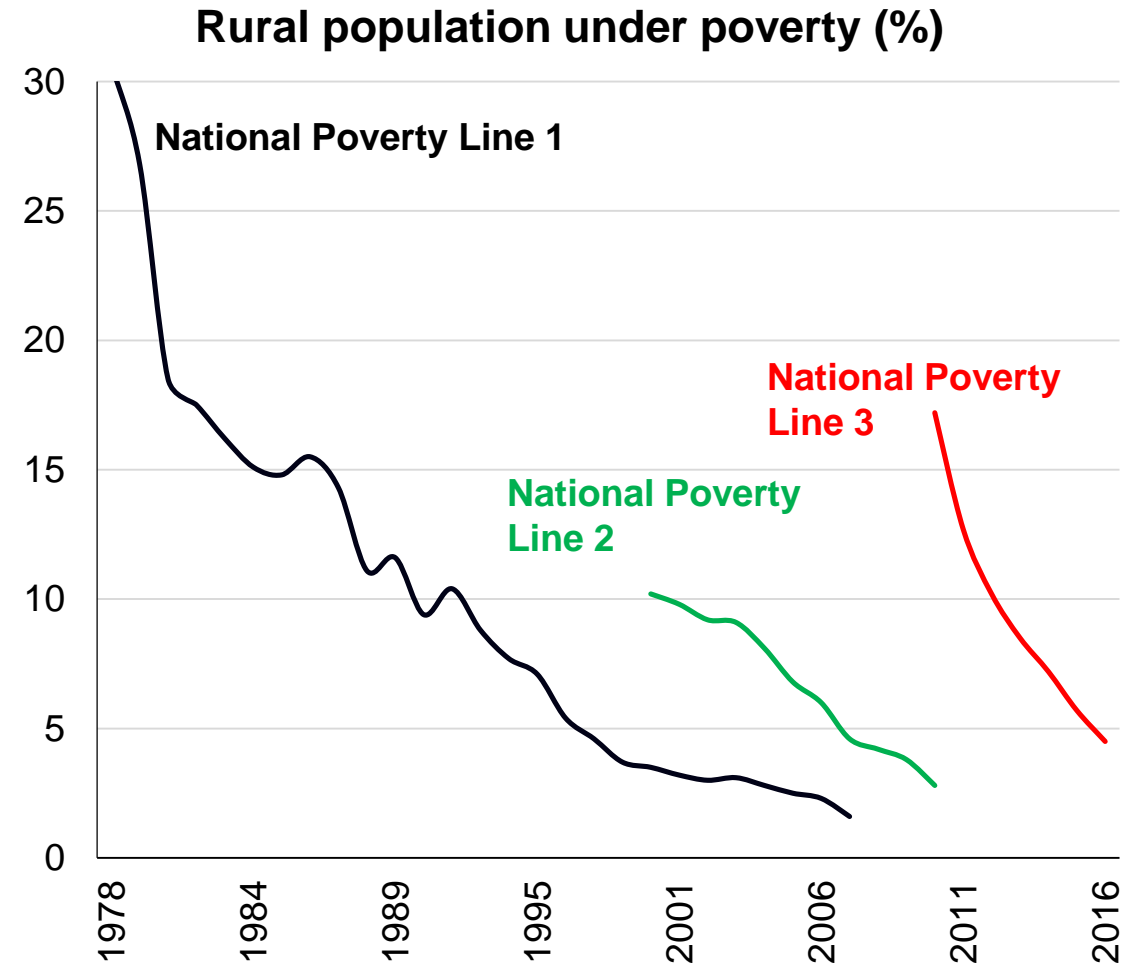
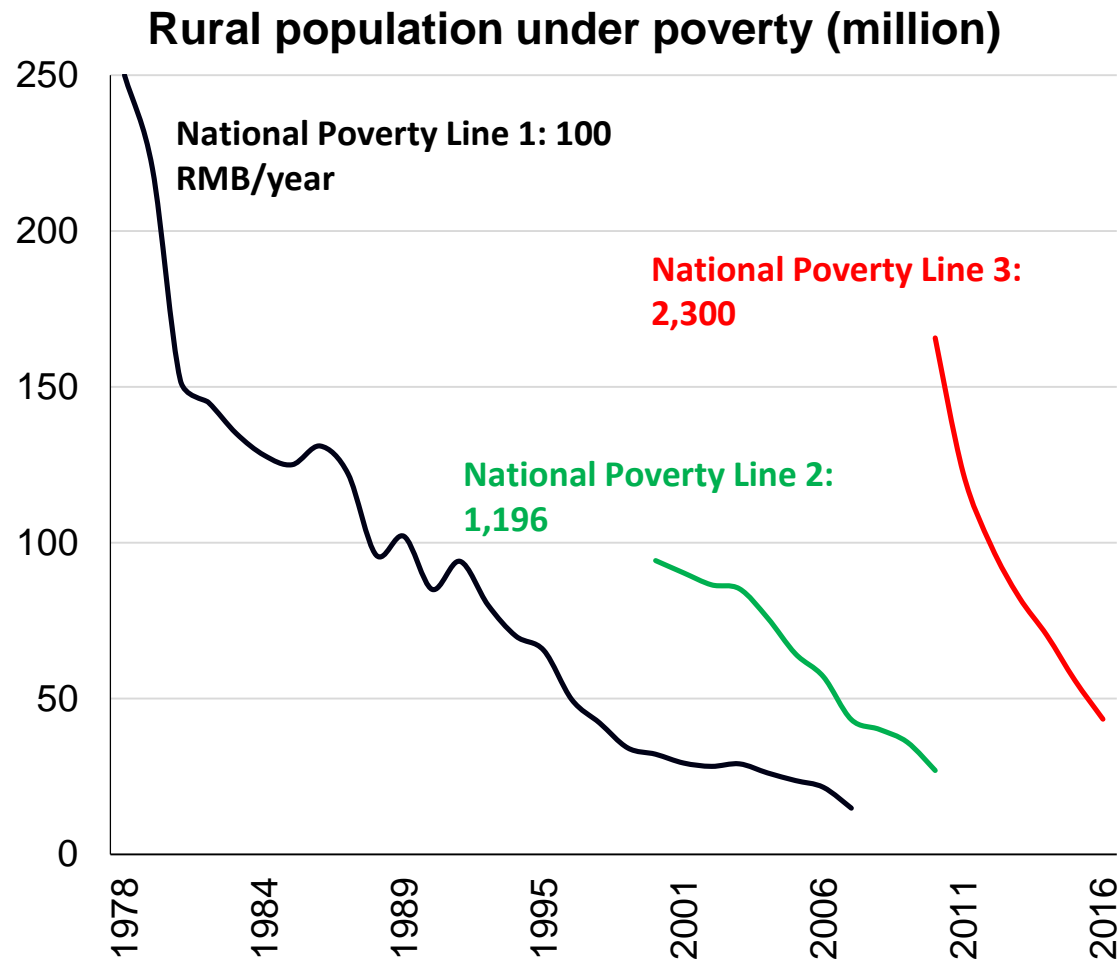
# **Rural Poverty Reduction in China: Achievements and Lessons for Developing Countries**

**Kevin Z. Chen**

**Senior Research Fellow and China Program Leader  
International Food Policy Research Institute (IFPRI)**

**May 25, 2017**

# Rural Population under Poverty in China



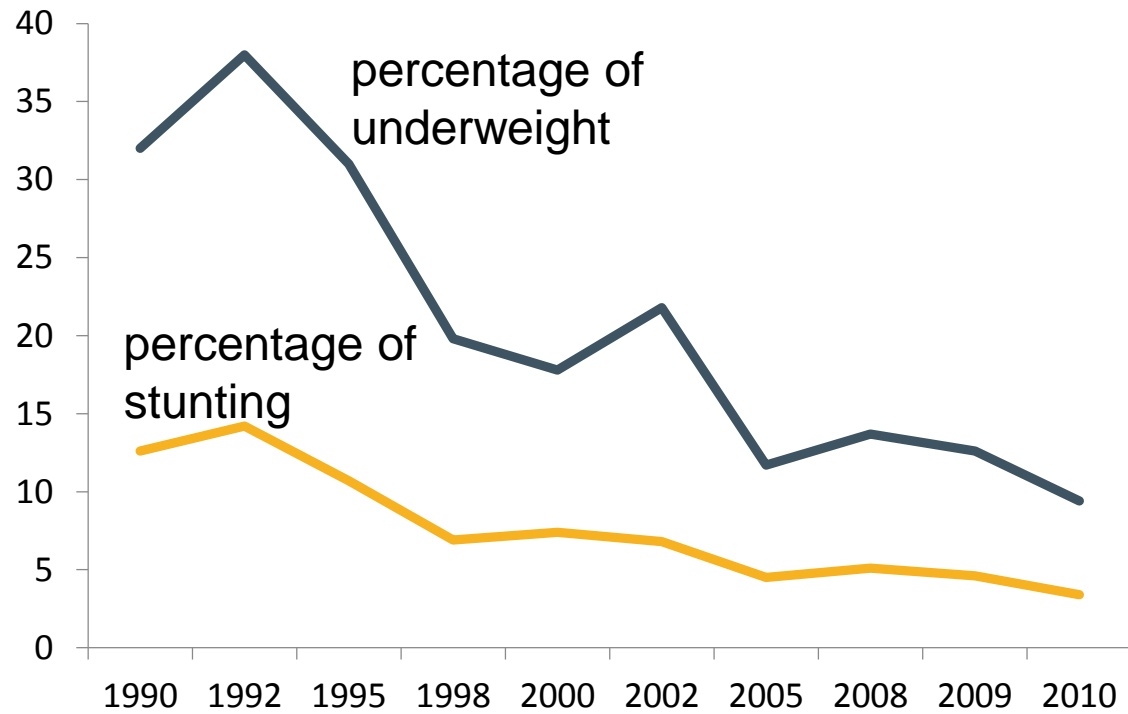
# China and the World Poverty Situation in 2010-2013

		2010	2011	2012	2013
\$1.9	China's population under poverty (million)	150	106	87	25
	China's population under poverty (%)	11	8	6	2
	Population under poverty of the world (million)	1,120	983	896	767
	Population under poverty of the world (%)	16	14	12	11
\$3.1	China's population under poverty (million)	364	299	257	151
	China's population under poverty (%)	27	22	19	11

- China contributes more than 70% to the world's poverty reduction
  - According to \$1.9 standard, the poverty population in the world decreased by 1,100 million from 1997 million in 1981 to 896 million in 2012. In China the poverty population decreased by 790 million from 877 million in 1981 to 87 million in 2012.

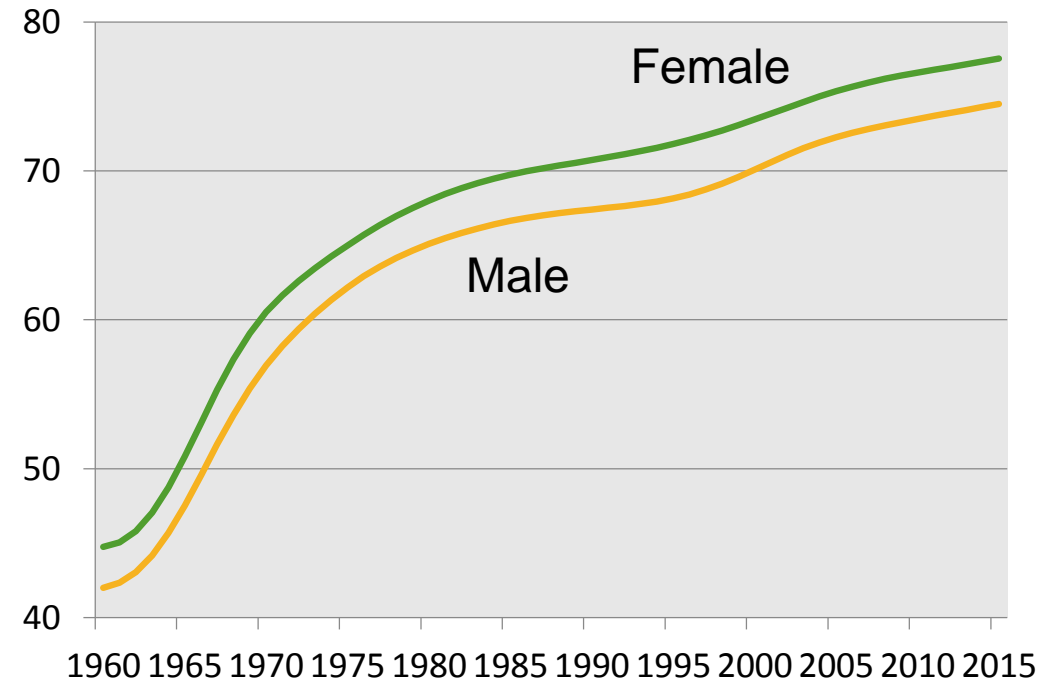
# Child Nutrition and Life Expectancy

## Child Nutrition under Age 5



Source: WHO

## Life Expectancy at Birth

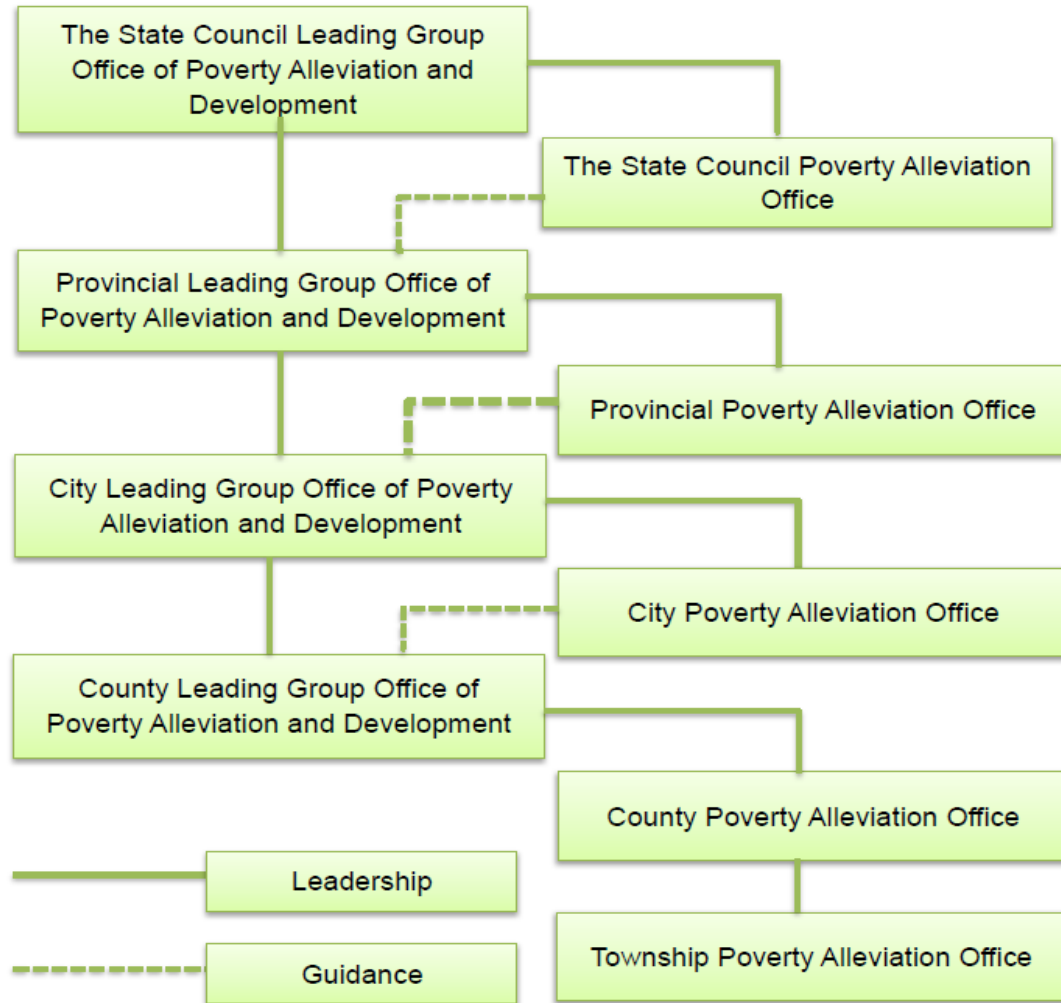


Source: World Bank

# Success Factors?

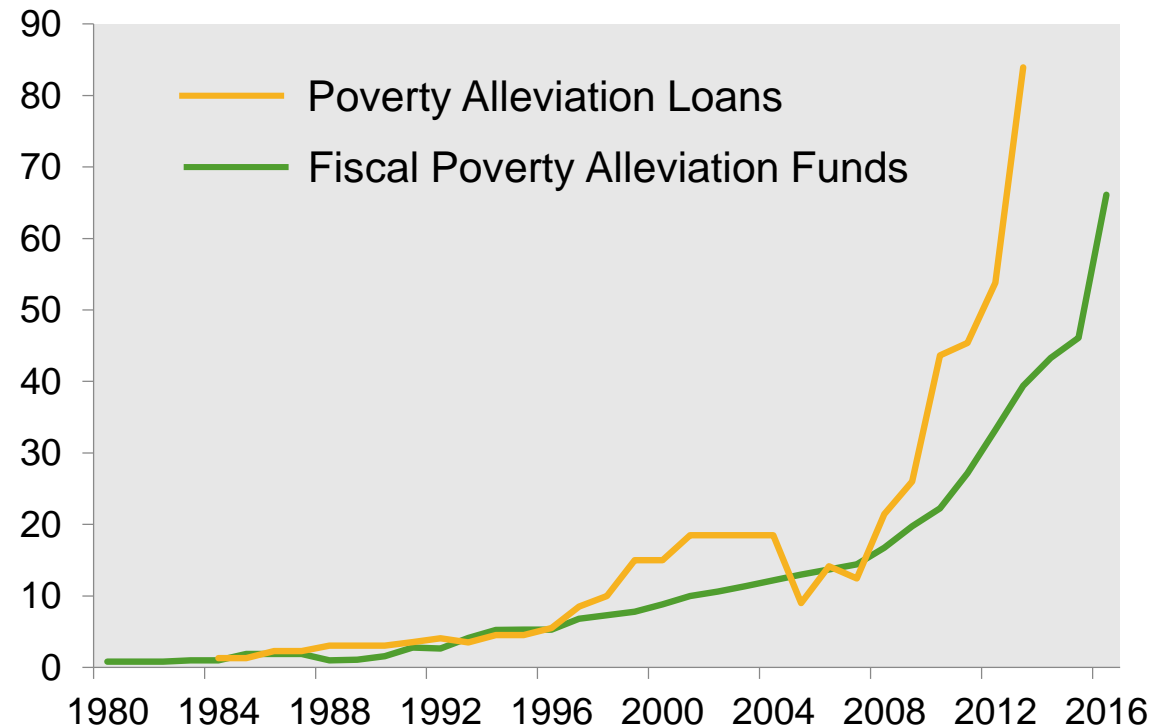
- Strong political commitments
  - Strong institutions from the top to the bottom
  - Increasing public investments on poverty reduction
- Rapid economic growth
  - Increasing agricultural productivity
  - Expansion of labor intensive manufacturing
  - Let some get rich first
- Institutional innovations
  - Sequencing development policies and targeting on poverty reduction
  - Poverty reduction through industrial development
  - Pair-wise aid policy
- International cooperation

# Poverty Governance



Annual Investment on Poverty Alleviation by Central Government, 1980-2015

Billion RMB



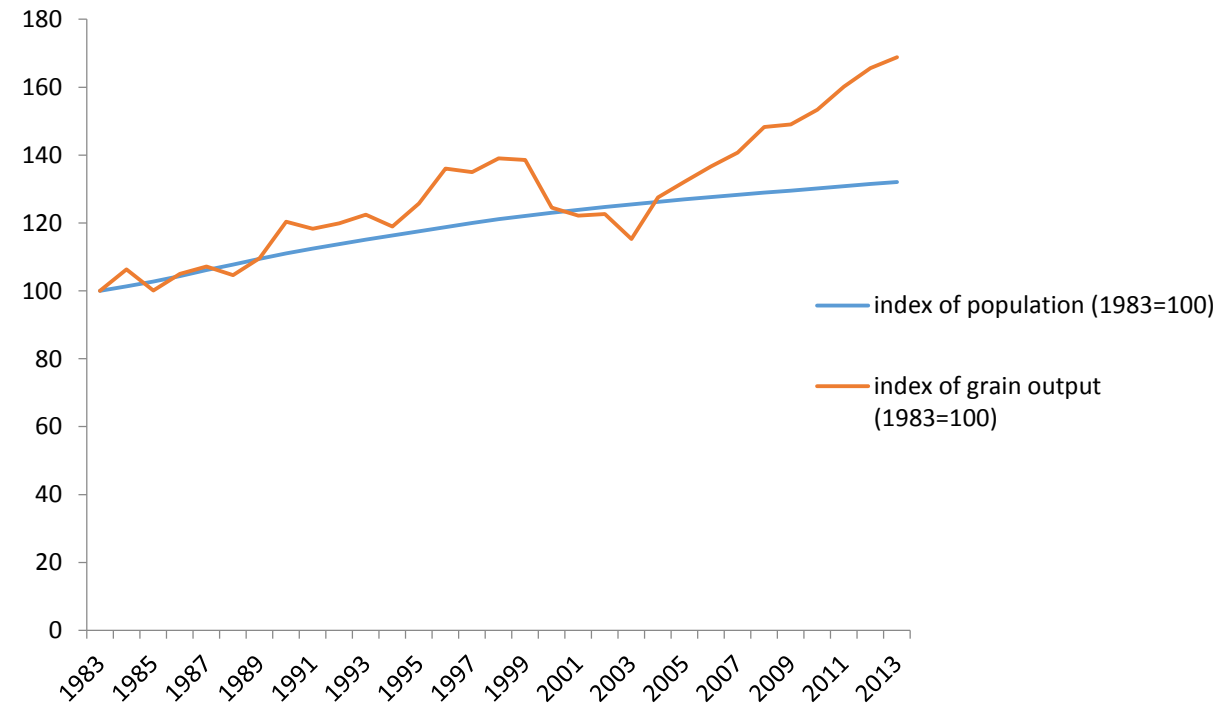
Source: World Bank



# The Role of Agriculture

- Land and Other Institutional Reforms
  - Rural Household Responsibility System
- Agricultural R&D
  - Green revolution (*i.e.* hybrid rice and maize)
- Improved Rural Infrastructures
  - Roads, irrigation, and electricity
- Government Agricultural Support

Index of Population and Major Grain Output in China, 1983-2013 (1983=100)



# Speed of Structural/Rural Transformation and Rural Poverty Reduction

		Rural poverty reduction	
		Fast	Slow
Fast ST	Fast RT	China Vietnam	
	Slow RT	Laos Cambodia	
Slow ST	Fast RT	Indonesia	India
	Slow RT		Philippines Pakistan Bangladesh

Source: IFAD 2016

# Policy Sequencing and Targeting on Poverty Reduction

Stage	Economic transformation	Major Economic Policies	Major Poverty Policies
Stage 1: 1978-1985	Agricultural production and diversification	Opening up and household contract responsibility system.	Limited Targeted "Three Most Poor Prefectures" in 1978 Targeted mountain areas, ethnic minority areas, revolution base areas, and remote areas in 1984 Adopted "Work-Relief" program
Stage 2: 1986-2000	Expansion of labor intensive manufacturing and Income gap widened.	Market reform, infrastructure, agricultural science & technology, and rural SMEs policy	Set up the first agency for poverty alleviation in 1986 National plan for lifting 80 million rural poor out of poverty from 1994-2000( so-called "8-7 Plan") Started poverty reduction through development Targeted 592 poverty counties
Stage 3: 2001-2010	Agricultural specialization, nonfarm employment, and agricultural mechanization	Land/labor market, urbanization, and land consolidation	National Poverty Reduction Guideline in Rural China (2001-2010) Targeted poverty villages (148,131)
Stage 4: 2011-present	Integrated rural urban and sustainable development	Policies to reduce rural-urban gap, social protection, and sustainability	National Poverty Reduction Guideline in Rural China (2011-2020) Precision poverty reduction 13th Five-Year Plan period : 56.35 million rural poor, 128,000 poor villages, and 839 poor counties

# Poverty Reduction through Industrial Development

- Local economic development through development of natural resource intensive and labor intensive industries
- Agribusiness development through inclusive food value chain development
- Linking the poor farmers with new markets
  - Enterprises + Cooperatives + Farmers
  - Cooperatives + Farmers
  - Dragonhead enterprises + Farmers
- Various forms of PPPs
  - Land as a share
  - Joint stock partnership
- Emerging E-Commerce

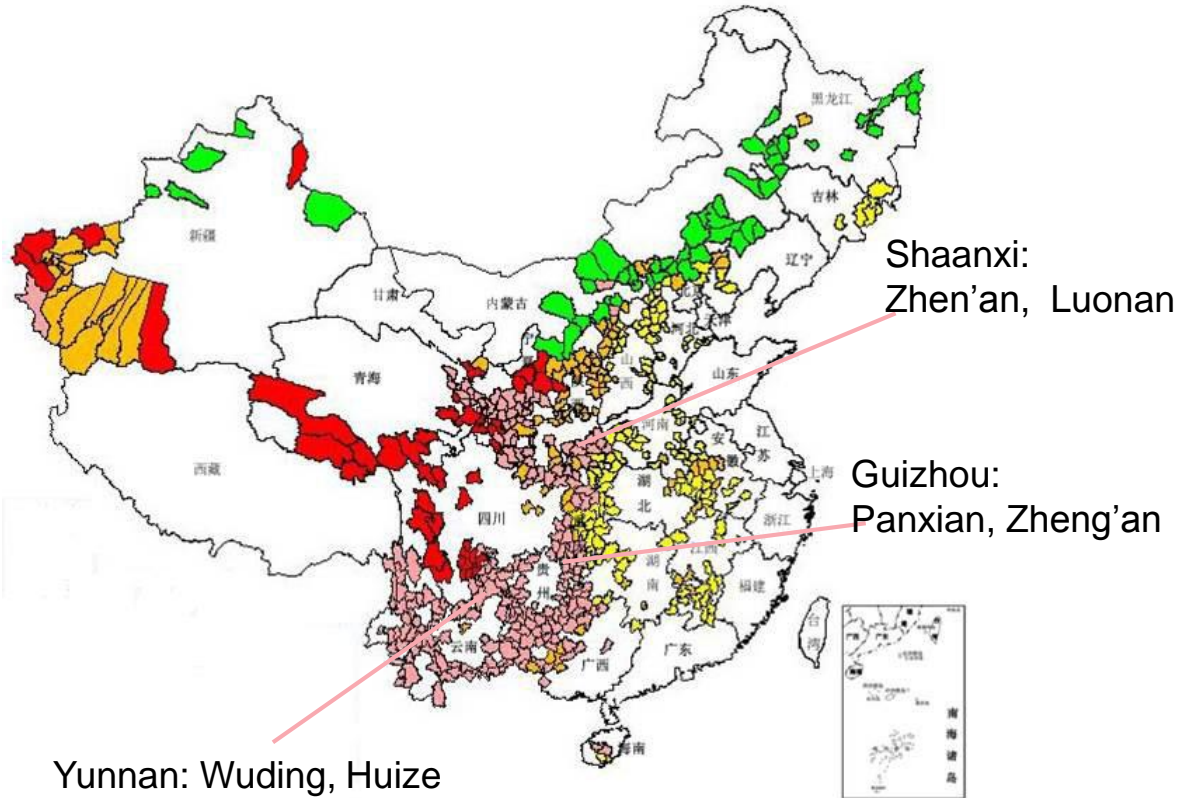
## Pair-wise Aid Policy

- East-West Cooperation for Poverty Alleviation (Beijing, Shanghai and other 7 eastern provinces and 9 eastern cities support 10 provinces or cities in the West)
  - Financial assistance; Enterprise development; Human resource
  
- Various practices of pair-wise aid policy
  - Government
    - ✓ The First Village Secretary
    - ✓ The officially registered poor household pairing
    - ✓ Ministry of Water Resources to carry out water projects in targeted poverty villages
  - State owned enterprises (*i.e. supporting the leading enterprises in poverty areas*)
  - Research institutions, Universities

# Poverty Challenges for Post-2020

- Poverty standards
  - Relative poverty VS Absolute poverty
  - Poverty measurements and identification
- Increasing inequality
- Urban poverty
- Vulnerable groups - Migrants, Elderly, Children, Women
- The dynamics of poverty

# Poverty Identification: Evidence from 6 Poverty Counties



■ 114 villages and 1,368 rural households in 6 poverty counties

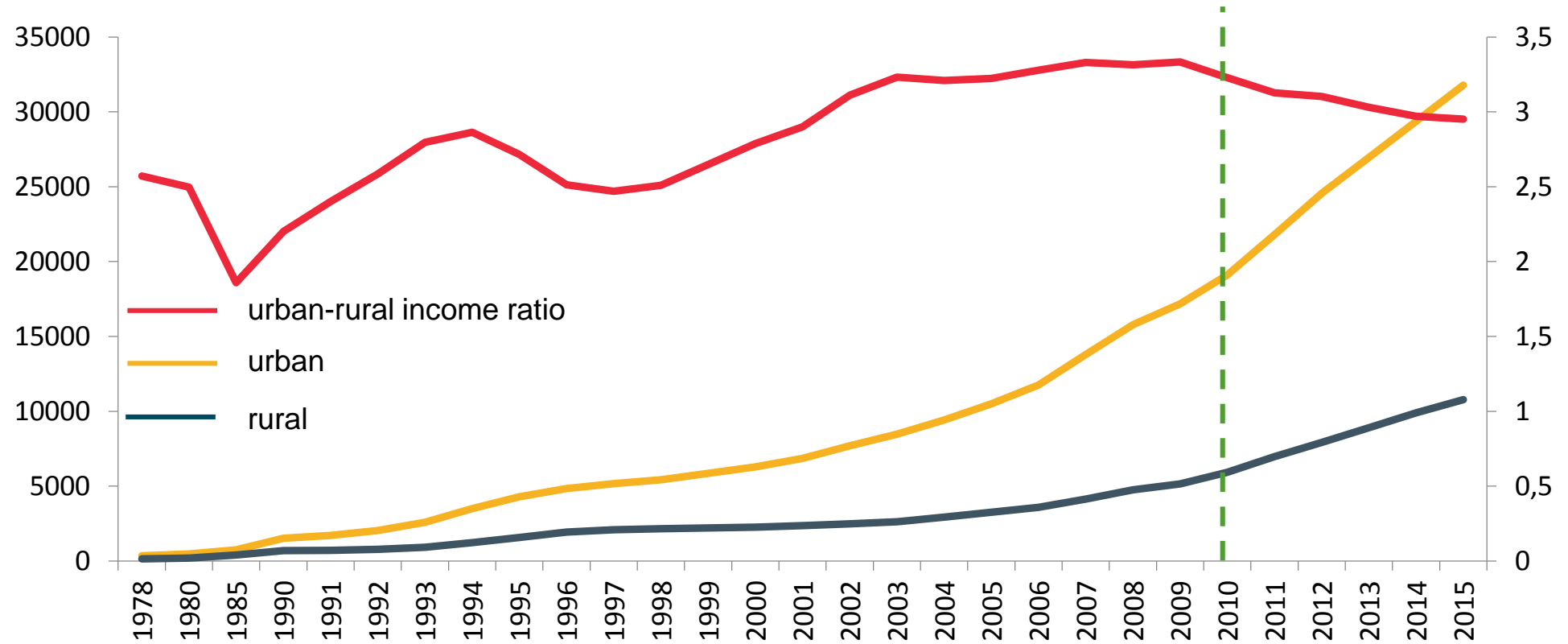
	2010 (%)	2012 (%)
MPI poor	31.3	20.8
Income poor	39.4	28.5
Expenditure poor	10.4	7.5

	2010 (%)			2012 (%)		
Income poor	MPI poor			MPI poor		
	No	Yes	Proportion of income poor in MPI poor	no	yes	Proportion of income poor in MPI poor
No	46.6	14.0	<b>44.6</b>	59.2	12.3	<b>59.0</b>
Yes	22.1	17.3	<b>55.4</b>	20.0	8.6	<b>41.0</b>
Proportion of MPI poor in income poor	<b>56.0</b>	<b>44.0</b>	100	<b>70.0</b>	<b>30.0</b>	100



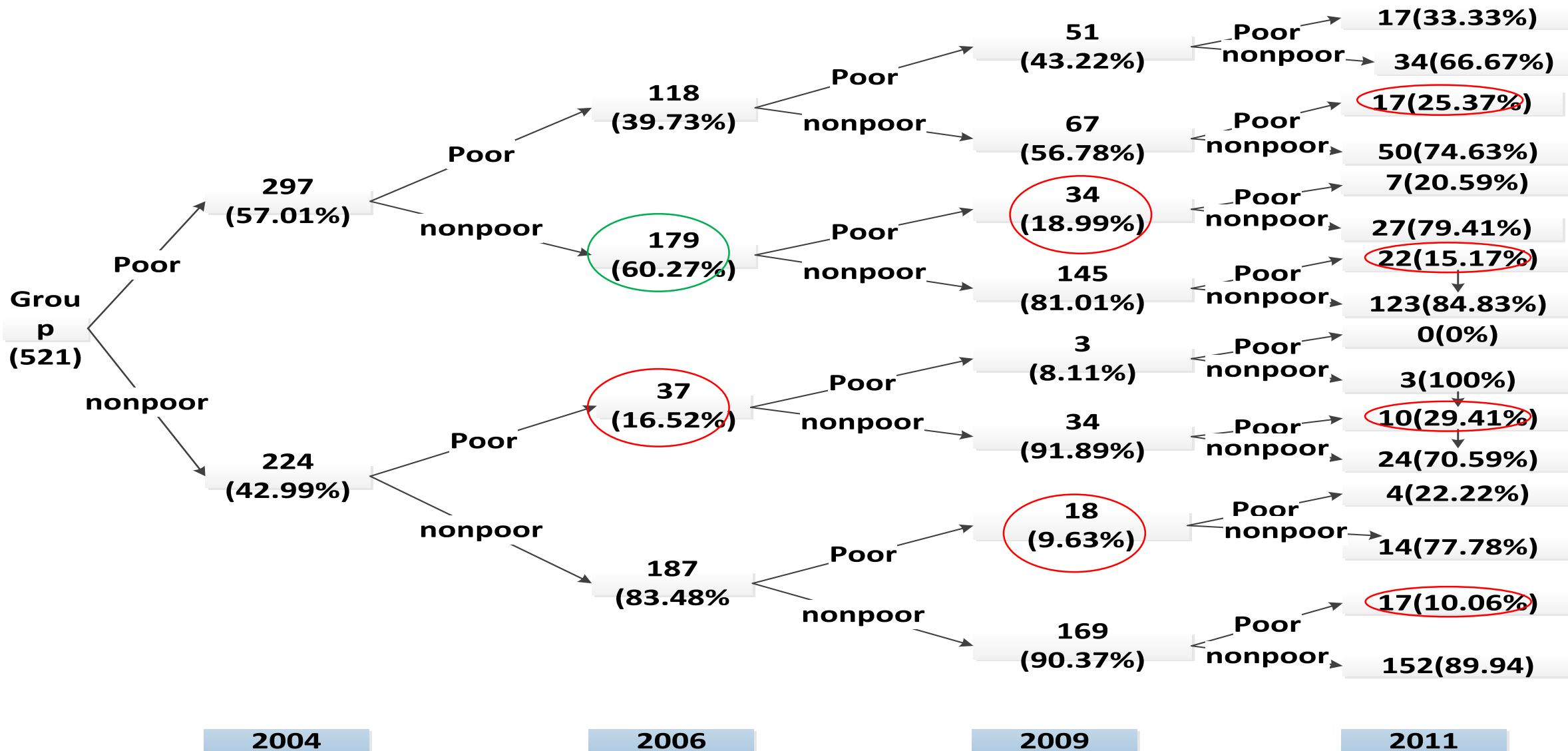
# Inequality

## Per capita Rural and urban income since 1978



Source: China Statistical Yearbook (various years)

# Poverty Dynamics (4 waves village census, Puding, Guizhou)



# Poverty Entry and Exit

- Whack-a-mole



- Who entered? Income mainly from agriculture, ethnic minorities, no "Guanxi"
- Reasons for entry: shocks (loss of assets, major sickness, gifting)
- Reasons for exit: migration for work, increased government transfer

# Key Lessons for Developing Countries

- Continuing political commitments
- Effective governance from the top to villages
- Strong and continuing emphasis on the role of agriculture
- Promoting market oriented measures and rural transformation
  - Development of labor intensive manufacturing
- Innovative poverty reduction measures
  - Sequencing and experimenting on poverty targeting and reduction
  - Poverty reduction through inclusive industrial development
  - Cross regional learning and pair-wise aid policy

# International Interest in Poverty Reduction in China



Merkel: The World should learn from China's experience in poverty reduction



# Key Chinese-Led Initiatives

- The Belt and Road (B&R) Initiative since 2013
  - Infrastructure
  - Industrial reallocation – flying geese
- South South Cooperation and Development Fund (\$US 3 billion)
  - Agriculture and poverty reduction are two of ten key areas
- South South Cooperation Fund on Climate Change (\$US 3 billion)
- \$US 60 Billion Aid Package to Africa
- Others? FAO, WFP, and IFAD?

## International Knowledge Platforms Led by Chinese Institutes

- Specialized in poverty knowledge sharing - IPRCC
- Global Research Consortium on Economic Structural Transformation (GReCEST) – led by the Center for New Structural Economics, IFPRI, and Africa Center for Economic Transformation with 34 leading institutes around the world
- SiLKS – the B&R International Think Tank Network – led by the Development Research Center of the State Council of PR China with 41 members and 13 partners worldwide

# Key Issues

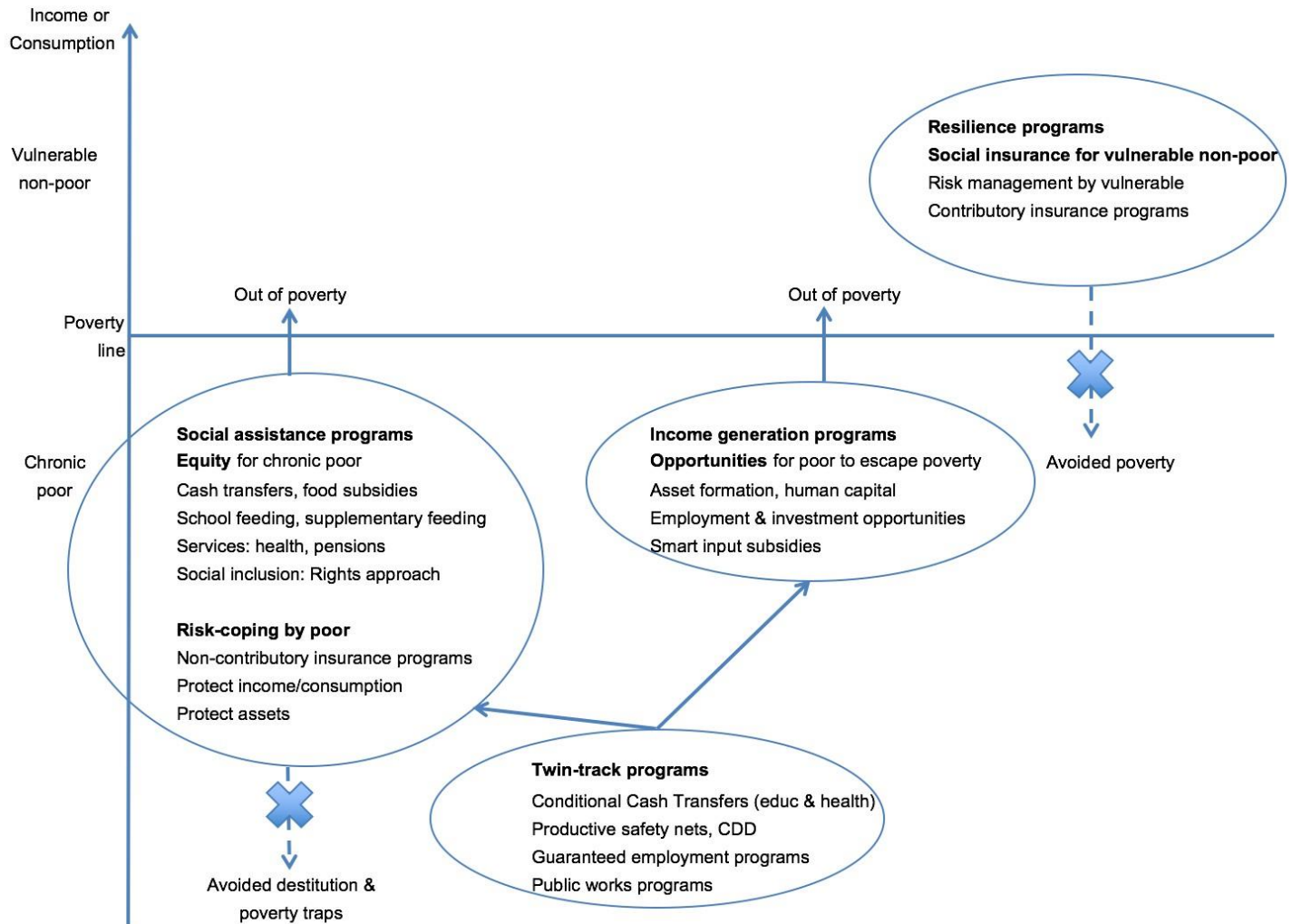
- How these new funds can be effectively utilized in supporting the SDGs through better links between Chinese aid and the country's own initiatives and priorities
- Lack of evidence based research on China's successes that have international implications
- Lack of development theory that can effectively summarize the Chinese experience
  - Justin Lin's New Structural Economics?
- Lack of effective communication between China and the rest of World
  - More internationally recognized research is a priority



# Rural poverty reduction in China: Achievements and lessons for developing countries

## Comments by Alain de Janvry

### 1. Usefulness of a conceptual framework



Shows need for a **comprehensive approach** to poverty reduction: complementarity between Income generation programs + Social assistance programs + Twin-track programs + Resilience programs + Risk-coping by poor programs

## 2. Main lessons from Chinese experience for developing countries and caveats (IFPRI's five key lessons)

### a. Continuing political commitment

- i. This is endogenous, unless altruistic/dedicated leaders: need allow/favor political representation/organized pressure groups of the poor to obtain political commitment
- ii. Need allow/promote civil society organizations and access to information; citizen report cards evaluating service providers

### a. Effective governance from top to villages for good policies and programs

- i. A unique advantage of China, but also China's exceptionalism
- ii. Half of world poor today are in failed states and low-growth countries: need programs to strengthen governance (very difficult); need approaches that are less reliant on capacity of the state (social funds, NGO, private sector)
- iii. Other half of the world poor are in middle-income countries, but harder to take out of poverty through growth than under MDG: need more targeted, customized, inclusive approaches. Keep control over rising inequality.

### **c. Role of agriculture**

- i. Not only Green Revolution, but Agricultural Transformation (labor intensive farming systems with diversified crops smoothing out labor calendars) and Rural Transformation (non-farm incomes)
- ii. But deficit of profitable technologies, water control, infrastructure, value chains in SSA
- iii. Need more investment in technological options for rainfed agriculture (SSA); need overcome constraints to adoption, especially information, credit, insurance, local availability

### **d. Market-oriented measures**

- i. Role of secure property rights to induce investment (decollectivization and household responsibility system). But most of SSA has incomplete property rights
- ii. Strong profitability of technological innovations to induce adoption. But price policy, infrastructure, and heterogeneity of conditions imply that innovations are not profitable in many contexts.
- iii. Labor intensive manufacturing: yes, but premature de-industrialization and high wage costs. May need focus more on demand for services driven by agriculture and primary exports. Skills development.

### **e. Innovative poverty reduction measures**

- i. Cash transfers or conditional cash transfers? Conditionality can be in implementing a strategy out of poverty (Chile Solidario)
- ii. Better targeting through self-targeting (workfare programs, NREGA as legal right)  
and through community participation (China's new approach to be evaluated) but risk of elite capture
- iii. Need more attention to vulnerability to shocks and risk of irreversibilities (poverty traps): ex-ante social safety nets such as guaranteed employment and right to food

# Questions and Answers



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