



Session 5A: Inclusive Pattern of Growth

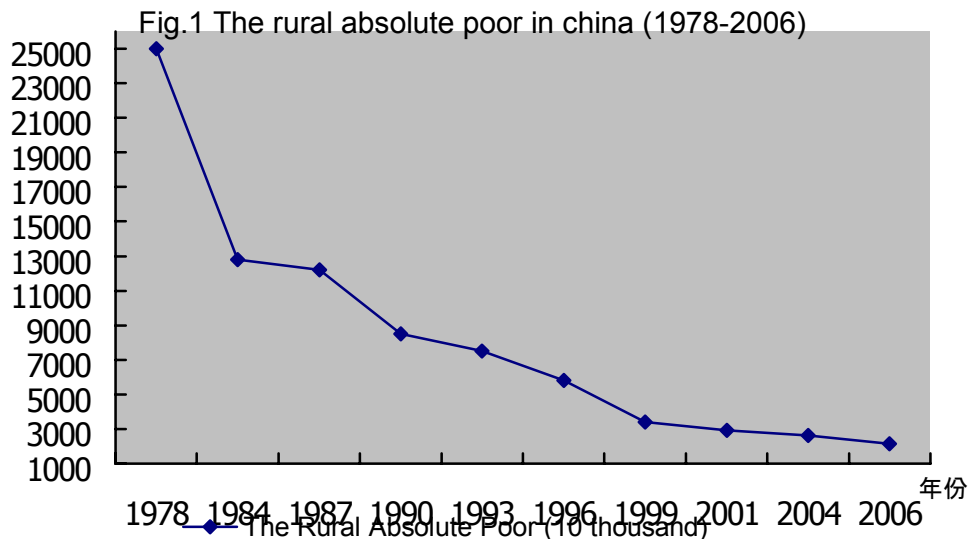
## MANAGING REGIONAL DISPARITIES THROUGH URBAN TO RURAL PUBLIC TRANSFERS

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### 1 POVERTY ALLEVIATION AND DEVELOPMENT IN CHINA

#### 1.1 Achievements

1. Chinese government has always devoted itself to promoting productivity and alleviating poverty. Especially from 1978, when China introduced the policy of reform and opening to the outside world, the Chinese Government, while devoting considerable efforts to all-round economic and social development, has implemented nationwide a large-scale program for development-oriented poverty relief in a planned and organized way. With the main objective of helping rural poor to solve the problem of food and clothing, between 1978 and 2000, the number of rural poor without enough to eat and wear in the rural areas decreased from 250 million to 30 million, and the proportion of poor people in the total rural population dropped from 30.7 percent to about 3 percent. The strategic objective set by the Chinese Government for enabling all rural poor to have enough to eat and wear by the end of the 20th century has basically been realized. And the MDG put forward by UN for reducing the rural poor by half was also achieved ahead of time.



2. With the increase of national financial power, Chinese government has continuously increased the input into poverty alleviation program, and arranged more special fund and significant projects in poor area. Meanwhile, it has established a series of policies to benefit rural poor, including 1) East-west Cooperation, 2) Poverty Reduction Efforts by Party and Government Organs, 3) Food for Word, 4) Voluntary Resettlement, 5) Supporting minority development, and so on.

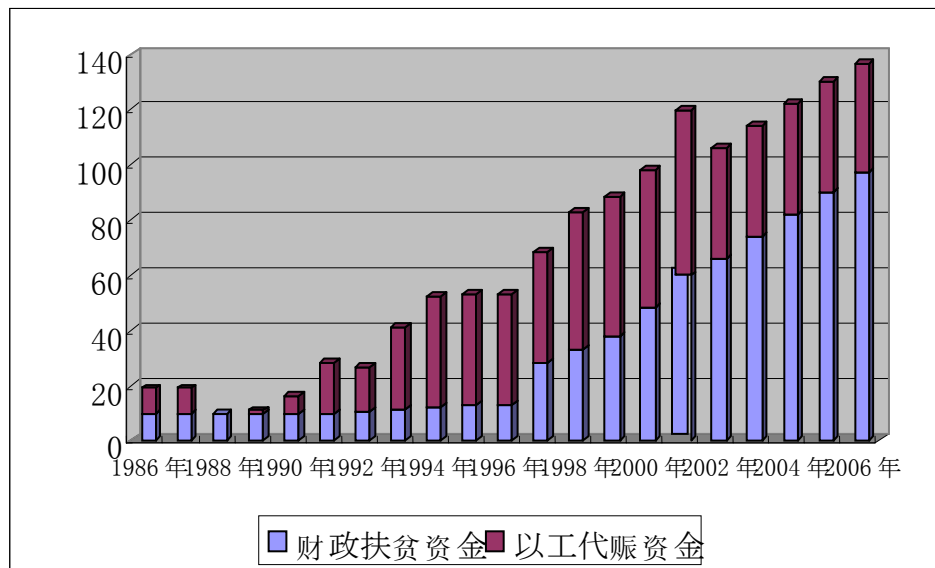
## 1.2 Poverty Reduction and Development in new period

3. In 2001, Chinese government established “The Development-oriented Poverty Reduction Program for Rural China (2001-2010)”, which heralded a new period of China’s development-oriented poverty alleviation effort. In this period, there are some new characteristics : 1) there is still a great deal rural poor; 2) besides income poverty, regional disparities has increasingly hindered rural development; 3) most of the poor concentrate at ethnic, revolutionary, border and extremely poor areas; 4) the counties in depressed area are lack of development capacity; 5) the cost of governmental anti-poverty has risen and the speed of poverty reduction slower year by year.

4. The main tasks of poverty reduction and development were 1) to free those poor population lack of food and clothing from poverty as soon as possible; 2) to help those poor people who have secured a semblance of subsistence to further improve their living and productive condition, consolidate the results, upgrade the quality of life and their personal comprehensive quality; 3) to intensify the build-up of infrastructure, to improve the ecosystem and gradually transform the social, economic and cultural backwardness so as to pave the way. Finally, reduce the geographical divides between different areas, and between rural and urban areas.

5. Therefore, Chinese government on the one hand keeps the increase of budgetary fund and loan for poverty reduction (see fig. 2); on the other hand heighten the poverty criteria according to international criteria and national situation (see tab. 1).

Fig.2 Grant funds, Food for work funds



6. In accordance with the latest poverty criteria of China, farmer’s net income per capita up to 693 Yuan, the number of rural poor in China was 21.48 million by the end of 2006. The rural poverty incidence was 2.3%. And there were still 35.5 million people whose annual net income was 694-958 Yuan. However, the poverty criteria, which were continuously adjusted with INP and the situation of the country, are quite low. It is only a criterion for sufficient food and clothing. If we calculate by the WB’s one dollar one day consumption standard, the population of poor in China would amount to about 100

million. Therefore, relieving and alleviating poverty will be a historical task for China in a rather long period.

Year	Rural poor			Low income		
	Criteria (Yuan)	Population (Million)	Rural Poverty Incidence	Criteria (Yuan)	Population (Million)	Rural Poverty Incidence
2001	630	29.7	3.2%	872	61.02	6.6%
2002	627	28.2	3%	869	58.25	6.2%
2003	637	29.0	3.1%	882	56.17	6.0%
2004	668	26.10	2.8%	924	49.77	5.3%
2005	683	23.65	2.5%	944	40.67	4.3%
2006	693	21.48	2.3%	958	35.50	3.6%

Tab. 1 the change of poverty criteria and rural poor in China

## 2 POVERTY REDUCTION AND REGIONAL BALANCED DEVELOPMENT

### 2.1 Poverty Reduction and Rural Development

7. Since 2001, Chinese government has established a series of policies, which benefit for rural productivity and rural people, and the policies are more and more incline to west area, depressed area and rural poor. These policies have made positive effects in improving rural livelihood, which are about 1) compensation to ecological benefits of forest, 2) reform of agricultural taxes and fees, 3) subsidies to grain, improved varieties and agricultural machines in major grain production areas, 4) natural forest protection, 5) **return cultivated land to forests**, 6) converting pastoral land to grassland, 7) “System of One-time Payment” for rural education, 8) “Two exemptions and one subsidy” in rural education, 9) **minimum living allowance for rural residents**, 10) new-type rural cooperative medical scheme, 11) comprehensive agricultural development, 12) rural power grid upgrading.

#### Box 1 return cultivated land to forests

Since 1999, the central government has totally invested more than 13 billion into project provinces for Return Cultivated Land to Forests Program. 32 million rural households, 124 million population has benefited from the program fund directly. It has become a main approach of income increase, especially the cash increase. The average subsidy to rural household participating in the program is 35 thousand yuan.

It is confirmed that China has completed forestation area more than 340 million mu since the program initiated. The forest coverage has increased 2 percent. Besides income increase, environment protection is another achievement. The program also helps to rural economic, social and cultural development, especially to labor transfer.

In 2007, the government has established a significant decision on consummating policy of Return Cultivated Land to Forests. More than 200 billion yuan will input into the program for next 8-year subsidies, which will benefit rural population of 124 million.

#### Box 2 Minimum living allowance for rural residents

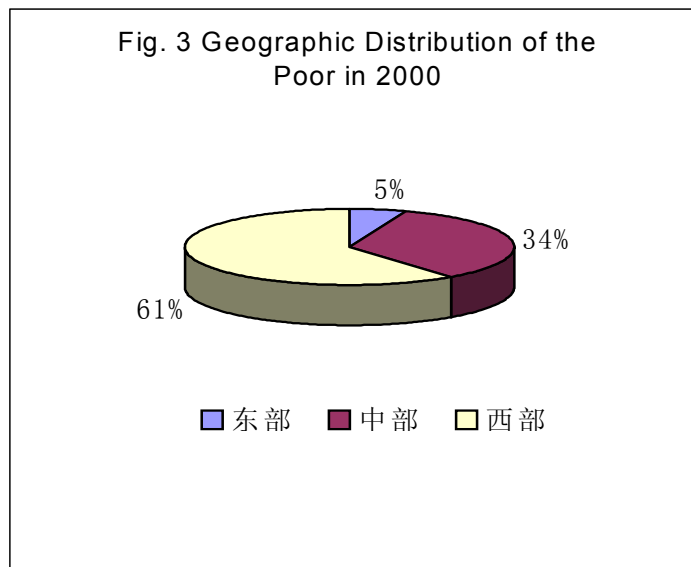
Minimum living allowance for rural residents, which is called Dibao for short, is a part of social salvation in social security system. According to the required living expenditure, the local government confirms the standard of minimum living allowance. And the poor family whose income is below the criteria could draw the margin from civil administration without any obligation of payment.

By the end of Jun. 2007, the system of Minimum living allowance for rural residents has covered 31 provinces, 20.68 million people. It is hoped that the total rural residents will be covered by the system by the end of this year.

In 2007, the budget fund from central government, which will enhance with system consummation and standard improvement, is 3 billion Yuan. In the first half of this year, the local governments have totally input 3.56 billion in Minimum living allowance and extreme poverty family salvation for rural. And the annual input is forecasted up to 7 billion, more than that of last year, 5.55 billion.

## 2.2 Poverty Alleviation and West Development

8. Most of the rural poor distributed at remote and frigid mountainous areas and western desertification area where natural condition are exceptionally bad.



9. In 2000, Chinese government initiated West Development Program. It has arranged preferential construction projects of infrastructural facilities, ecological environment and resource development in the western region, and has steadily increased its investments and financial transfer payments to the western region.

10.

11. The state has made a distance goal that would achieve by the end of 2010: 1) free that poor population from problem of food and clothing; 2) and help those people of low-income steadily improve their income; 3) have the GDP per capita twice more than that of 2000; 4) struggle for new breakthrough in infrastructure and ecological environment, 5) have the key industry in key area up to a higher level; 6) make a good effect in public service equalization.

12. 2007, the central government established Chengdu and Chongqing as the innovative and experimental urban-rural integration regions. It indicated that the state

has made great efforts to explore system innovation, promote the integrated development of economy and society in both urban and rural.

### **2.3 Poverty Alleviation and Middle Part Development**

13. Besides the western part, there is still a part of rural poor distributing at the middle part, living in hills, reservoir regions or salt-affected waterlogged lowland. Out of the 592 poverty-stricken counties named by the Chinese Government on its priority poverty relief list, 151 counties situated in the middle part, account for 25.5%. It has to be confronted with many difficulties in poverty alleviation and development because of the continuous blocks of poor areas, low-lying land in lake areas, mountainous and revolutionary regions.

14. In 2004, the state advanced “accelerate the development of middle part of China”, and “Middle China Rising Program” was initiated in 2006. It stressed on construction on transportation system, tertiary industry, urban-rural integrated development, public service, ecosystem conservation and sustainable development. These measures have obviously changed the basic situation, accelerated the economic growing and integrated development in middle part. It is also an exploration of consolidating the fundamental status of agriculture, bridging the regional disparities, and solving the problem of “rural, agriculture and farmer”.

## **3 EXPERIENCE**

15. After nearly 30 years of practice, the Chinese government has broken a new path in poverty alleviation and development that are tailored to the national conditions. The major approaches adopted by the Chinese government include: leading role played by the government, social mobilization, self-reliance, development-oriented and all-round development.

## **4 INTERNATIONAL COOPERATION**

16. Up to now, Chinese government has implemented many projects cooperated with international multilateral/bilateral organizations and NGOs, achieved great success. Among them, the projects cooperated with World Bank, of which capital investment were more than 0.68 billion dollars, were the largest one.

17. Inspired by ADB, China has participated regional cooperation, and gained notable achievements. Among them, the Greater Mekong Subregion Economic Cooperation Program and Tumen River Regional Cooperation and Development Program have accelerated the communication between China and neighbouring countries both in resources and information, improved regional infrastructure, promoted the spreading of agricultural technologies, and created a favourable environment for trade. The regional cooperation has promoted the development in Yunnan province and Yanji in Jilin province, and contributed a lot to poverty alleviation in this area.

18. At the same time, China also paid great importance on financial assistance and experience share. Take the Greater Mekong Subregion Economic Cooperation Program for example; China has devoted great human and material resource into program research and implementation, participated in the construction of the Thruway from Bangkok to Kunming and Tran-Asian Railway. Especially has cooperated with neighborhood countries in substituting crops for opium poppy and in spreading new technology, which were considered as a contribution to poverty reduction.

19. Going deep into Poverty Reduction and Development, China is confronted with some new problem. Such as expanding financial investment, attaching public attention to depressed area and rural poor, and integrating various resources. Furthermore, China has increasing concentrate on environmental poverty. So we look forward to cooperating with international community in some fields as climate change, land change, water and soil protection, safe water supply and so on.