

NPRS-PRF

Helping Accelerate Poverty Reduction in Asia and the Pacific

CHALLENGES TO REDUCING POVERTY IN THE PEOPLE'S REPUBLIC OF CHINA

The Asian Development Bank (ADB) provided support to the PRC Government in developing its poverty reduction framework for the next 2 decades through a technical assistance project.

Over the past 25 years, the People's Republic of China (PRC) has implemented market-oriented reforms in all sectors. Throughout the 1980s and 1990s and into the new millennium, the PRC was among the world's fastest-growing economies. This economic growth has led to the incomes of over 200 million people rising above the poverty line since 1978. The PRC has already attained the Millennium Development Goal of having income-based poverty from the 1990 level.

Although significant progress has been achieved, the PRC still faces serious poverty problems. Twenty-nine million people in the countryside do not have enough food and clothing.¹ According to the Government's poverty benchmark, the PRC has 85.17 million poor people.² While absolute poverty has reduced significantly, comparative poverty is a concern with rapidly growing inequality. The gap in wealth between urban and rural areas is particularly pronounced.

In 1986, the Government, at both central and local levels, introduced specialized institutions with a focus on poverty alleviation. These included management of poverty funds.

The Government encouraged program collaboration with international agencies and local civil society organizations. These joint undertakings enabled the PRC to develop skills in participatory poverty reduction and development planning.

Poverty Reduction in the Next 2 Decades

The Asian Development Bank (ADB) supported the PRC Government in developing its poverty reduction framework for the next 2 decades. The framework presents and opportunity to tackle current challenges that the PRC faces in reducing poverty. Support was provided through a technical assistance—TA No. 4222 *Policy Study on Poverty Reduction Strategy: Trends, Challenges and Future Directions*.

The goal of the technical assistance was to support the PRC develop a poverty reduction strategy that would address the emerging challenges over the coming decades. The outputs of the technical assistance include six thematic papers and an integrative final report, the results of which were presented during a World Bank-sponsored international conference on poverty reduction at Shanghai in May 2004.

TA 4222 conducted an in-depth analysis of the constraints facing PRC's anti-poverty measures. Important findings include:

- The PRC has experienced a slowing down of rural poverty reduction; in fact, absolute poverty increased by 800,000 between 2002 and 2003.
- PRC's poverty patterns have changed over the decades of rapid economic growth. Poverty is now geographically dispersed, with a rural focus. Income gaps are increasing between urban and rural areas and different regions as well as within urban and rural areas.
- Poverty patterns indicate growing inequalities and marginalization. Poverty is increasing among groups in the minority, such as people with disabilities.
- Inequalities are experienced not only in income wealth but also in access to resources and services such as health and education. Unequal access mirrors income poverty patterns.
- The rapid increase in urban poverty is due to increased unemployment, in part resulting from a reform of state-owned enterprises.
- The proportion of the rural-urban migrant population living in poverty is increasing.

The findings emerging from the technical assistance's work has led to the following policy recommendations:

Recommendations

1. Develop the economy according to comparative advantage especially the labor intensive industry and enterprise to reduce unemployment and help promote greater equity in income distribution.
2. Improve institutional arrangements to support poverty reduction. This would include:
 - expanding the context, coverage, and coordination of poverty reduction policies and government departments;
 - defining and reinforcing the role played by nongovernment organizations (NGOs) and the private sector;
 - improving coordination across government departments;
 - introducing a market-oriented approach to poverty reduction such as through provision of small loans;
 - ensuring that inclusion of both rural and urban areas in poverty reduction policies and implementation; and
 - improving the monitoring and evaluation of poverty reduction efforts.
2. Improve social protection mechanisms in both rural and urban areas. This would include:
 - expanding the coverage of social protection mechanisms according to the need (including people living with disabilities);
 - defining an acceptable minimum for living standards
 - in urban areas, improving the current unemployment insurance system, the minimum living standard support system, and the medical insurance system;
 - in rural areas, establishing a minimum living standard support system and a new cooperative health care system; and
 - ensuring that funds reach poor communities and attract additional funding.
4. Improve development projects to support poverty reduction by:
 - ensuring a focus on developing human resource capabilities; and
 - designing projects so that they have improved targeting and are better able to bring at the household level.

Significant Achievements of TA 4222

TA 4222, though small-scale, has had a large policy impact in the PRC. The technical assistance highlighted the need to ensure that aid is appropriate for the many different groups of poor people. The PRC Government used the outputs of the technical assistance to help formulate its country report, which was 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. As a token of appreciation, TA 4222 became one of the technical assistance projects that received an award presented by the Government.

Knowledge sharing and lesson learning from other countries were particularly helpful in enabling the PRC Government officials to realize the crucial role of the non-government sector in rural poverty reduction. This has contributed to the policy shift towards work with local non-government organizations. This major shift is manifested in TA 4580⁴ under which, for the first time, the Government directly channels resources to NGOs. The success of the TA 4222 is particularly noteworthy as it is the first-ever technical assistance undertaken by the PRC Government and the PRC Mission.

Endnotes

- ¹ The State Council Leading Group Office of Poverty Alleviation and Development. 2004. Poverty Alleviation Efforts of China: Report on World Poverty Reduction Conference in Shanghai, Task Force Group on Poverty Alleviation Efforts of China. 26 May.
- ² See footnote no. 1.
- ³ TA 4222 PRC. Executing Agency: State Council Leading Group Office on Poverty Alleviation and Development. TA Amount: US\$150,000. TA Approval Date: December 2003. Completion Date: October 2004.
- ⁴ TA 4580 PRC: NGO - Government Partnerships in Village Level Poverty Alleviation was designed to formulate and demonstrate replicable models and mechanisms for NGO participation in government-funded village-level poverty alleviation efforts, with consensus built behind a comprehensive framework for mainstreaming NGOs' role in national poverty reduction efforts. The TA is funded by the Poverty Reduction Cooperation Fund.

This case study was written by Social Development Direct (RETA Consultant) under the Regional TA 6270: Facilitating Knowledge Management for Pro-Poor Policies and Projects with inputs from Lourdes Adriano, Project Officer of TA 4222, and Sonomi Tanaka, Senior Social Development Specialist, ADB. The views and assessments contained herein do not necessarily reflect the views of ADB or its Board of Directors or the governments they represent. ADB does not guarantee the accuracy of the data and accepts no responsibility for any consequences of their use.

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