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Growth and Poverty Reduction in the People's Republic of China

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I. Process of the PRC's Poverty Reduction Effort

Since the founding of the People's Republic of China (PRC), the Chinese government has always been dedicated to developing production and eradicating poverty. But the poverty reduction effort in real sense was initiated after the reform and opening to the outside world. The two-decade poverty reduction process in the PRC can roughly be phased into three stages.

A. Stage One (1978-1985): Structural Reform Facilitated the Process of Poverty Reduction

It is estimated that there were 250 million poor before 1978 based on the national poverty line set by the Chinese government, representing 33 percent of the total rural population. Factors contributing to widespread poverty during this stage were varied, but the key factor was the dampened enthusiasm of the farmers under the People's Commune System, which resulted in low land productivity. Therefore, the primary way for alleviating poverty was structural reform. First, the land system was reformed, that is, the collective farming system under the People's Commune System was replaced with the household contracting responsibility system. Reform of the land system tremendously mobilized farmers' enthusiasm for production, liberated productive force, and upgraded land productivity. Second, gradual liberalization of prices of agricultural products allowed reestablishment of an agricultural products market system; liberalization of investments in industrial and commercial sectors contributed to rapid growth of township and village enterprises; and reestablishment of land rights and land mobility system made it possible to fully develop and utilize land. These changes led to rapid growth of the national economy and benefits were delivered to the poor, who escaped from poverty and became rich via three channels: raising prices of agricultural products, shifting the agricultural structure to higher added value sectors, and rural labor migrating to off-farm activities. According to the Ministry of Agriculture, grain availability per capita grew by 14 percent, 73.9 percent for cotton, 176.4 percent for oil-bearing products, and 87.8 percent for meats from 1978 to 1985. Average income per capita for farmers increased by 2.6 times. Poverty in the PRC in 1978-1985 primarily resulted from underdevelopment of rural resources. On one hand, traditional agricultural resources and natural resources were not fully developed and utilized due to severe lack of capital and development personnel in some poor areas. On the other hand, many

people had not resolved their feeding and clothing problems, and backward production approaches and low productivity could hardly maintain simple reproduction and meet basic subsistence needs. Increased farmland productivity from structural reform during this stage contributed enormously to improvement of rural poverty and tremendous alleviation of rural poverty. As a result, the number of absolute poor decreased from 250 million to 125 million, or from 33 percent of the total rural population to 17 percent. On average, 17.86 million absolute poor were lifted out of poverty annually. Poverty incidence dropped from 30.7 to 14.8 percent.

During this stage, reform of the rural land system, market system, and employment system played the key role in alleviating poverty. For this reason, we can say the predominant antipoverty strategy during this stage was the structural reform. Though the government did not establish a special poverty reduction organization during this stage, the overall growth of the national economy, particularly the growth of rural economy directly, helped the inadequately fed and clothed farmers to escape from poverty. It was because large-scale poverty reduction effort was the predominant direction of the development of the national economy that the central government undertook double tasks of reducing poverty and developing economy during this stage.

During this stage, the Chinese government, starting from 1982, annually allocated 200 million yuan of earmarked funds to support the development in arid areas in Dingxi and Hexi in central Gansu Province, and Xihaiqu in Ningxia where the eco-environment was severely sabotaged and farmers lived a destitute life. The 10-year poverty reduction program in Sanxi (three west) area marked the beginning of the PRC's poverty reduction effort (see Box 1).

B. Stage Two (1986-1993): Launch of Planned and Organized Large-scale Poverty Reduction Interventions

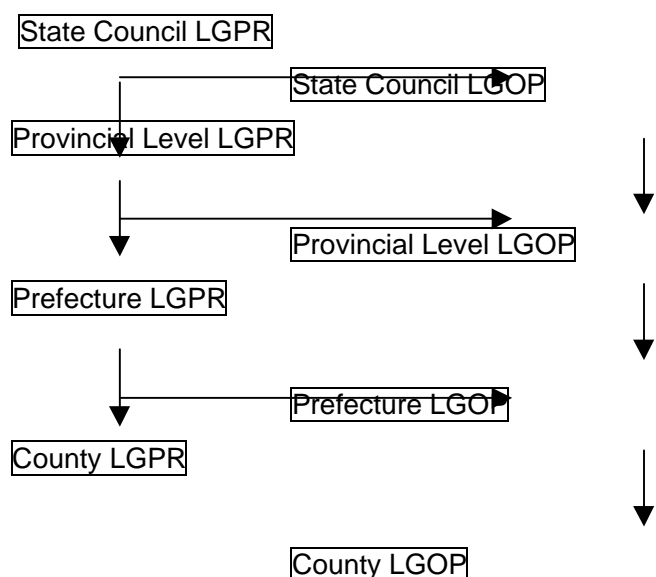
In the mid-1980s, the overwhelming majority of rural areas experienced rapid economic growth by making best use of their own advantages. But due to social, economic, historical, and geographical constraints in some areas, the gap between the poor areas and the national average, particularly the economic, cultural, and social gap between poor areas and the coastal developed provinces was widening. Uneven rural development started to emerge. While national net average income per capita in rural areas kept on rising, there were also low-income groups whose net

income was far below the national average. A large proportion of these low-income people could not maintain an appropriate income level for their subsistence. As a matter of fact, they were inadequately fed, clothed, and housed. Whether the poor picture of the poor areas could be improved and whether the feeding and clothing problems of poor farmers could be adequately resolved would have direct impacts on the PRC's reform and opening to the outside world, its political stability, national unity, social security, and coordinated development of the national economy. For this reason, the Chinese government made a range of important decisions to reduce rural poverty:

In 1984, in order to help the poor out of poverty and further upgrade production conditions, improve productivity, develop commodity production, and keep pace with the national economic development, the Chinese government issued a circular for changing the status of poor areas as soon as possible. The circular called on governments at all levels to attach great importance to poverty reduction and adopt a positive attitude and practical measures to resolve problems in a dozen continuous blocks of poor areas (see box 2) to strengthen the internal vitality of these areas and develop the commodity economy.

In 1986, the 4th Session of the 6th Conference of the National People's Congress decided to take poverty alleviation (PA) in the "old, minority, remote, poor" areas as one of the top priorities and incorporated it into the 7th Five-year Plan (1986-1990).

In June 1986, the Chinese government established the State Council Leading Group for Economic Development in Poor Areas (renamed State Council Leading Group for Poverty Alleviation and Development), which is responsible for organizing, leading, coordinating, reviewing, and supervising economic development activities in poor areas (see Figure 1).

Figure 1. **Poverty Reduction Institution of the Chinese Government**

Since then, the Chinese government has launched nationwide, organized, planned large-scale poverty reduction initiatives, marking that the PRC's poverty reduction work has entered a new era. The poverty relief approach has been thoroughly reformed and replaced with an approach of reducing poverty through development activities. A special poverty reduction organization has been established and special policies and measures targeting poor areas and poor populations have been developed. Priorities have been placed on development of the 18 continuous blocks of poor areas; poverty standards for poor counties have been set and poor counties identified. Some are designated as national poor counties and some are designated as provincial poor counties.

Poverty reduction policies during this stage were:

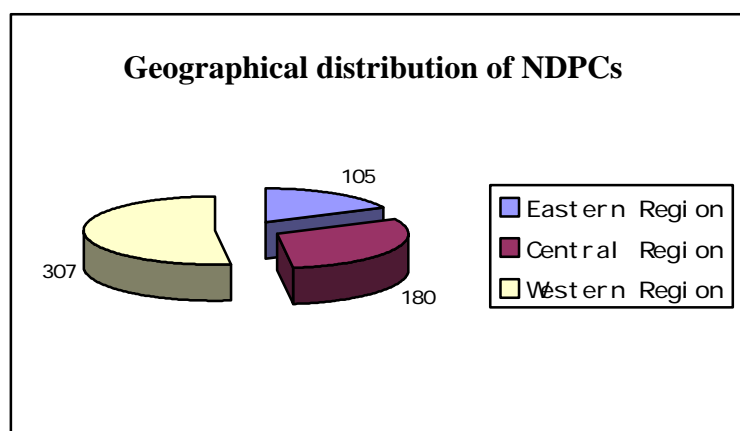
- (i) Adhere to the principle of reducing poverty through development activities. That is, while receiving necessary support from the government, poor areas take advantage of their natural resources for production and acquire the capacity of self-accumulation and self-

development. They have to mainly rely on their own efforts to escape from poverty and live a well-off life.

- (ii) Egalitarian distribution of poverty funds has been replaced by distribution of funds based on project benefits. Poverty reduction initiatives have been mainly implemented by economic organizations rather than purely by administrative systems and poverty input has changed from pure funds input to integrated inputs of funds, technologies, goods, training, and associated services.
- (iii) Counties have been chosen as the basic units for support from the central government. This has laid the foundation for region-based implementation of poverty reduction initiatives.
- (iv) Inputs of poverty funds and goods for development projects with which poor farmers could be involved in economic development opportunities have been expanded.
- (v) Population growth has been controlled and the quality of the poor population has been improved to enhance their capacity to take advantage of employment opportunities and self-development.
- (vi) Government administrations and people from all walks of life have been mobilized to participate in the process of poverty reduction.

Though this stage focused on poverty reduction effort driven by regional development, most poor regions opted for economic growth driven by industrial development from the mid-1980s to early 1990s. There are several reasons behind this. One view is that investment in industrialization could bring about rapid economic growth, make best use of local natural resources, change the monotonous production structure (mainly agriculture enabling economic growth in poor regions to keep pace with or surpass other regions). County-run township and village enterprises (TVEs) may pay more tax and profits to local government, thus mitigating fiscal pressure. Distribution of poverty funds is based on projects, and it is more feasible for enterprises to apply for credits. Accelerating industrial development in poor regions could help expand off-farm employment opportunities, absorb a large number of surplus labor, and improve the income level of poor households. Consequently, in

some poor regions, the strategy of reducing poverty through development projects as driven by regional economic development has evolved into a development strategy driven by investments in industrial projects in poor regions. Practice has proven that, though such an approach is favorable for county economic development, it lacks direct linkage with poor farmer households.



During the eight years from 1986 to 1993, net annual per capita income for farmers in national poor counties grew from 208 yuan in 1985 to 483.7 yuan in 1993. Over 800,000 orchards, tea plantations, mulberry plantations, and medicinal herb plantations were established; 50,000 TVEs were built; 20 million mu of farmland was developed; over 100,000 roads were constructed; and drinking water was provided to over 25 million people and 30 million large animals. The number of rural poor decreased from 125 million to 80 million, averaging an annual decrease of 6.4 million poor people. Poverty incidence dropped from 14.8 percent to 8.72 percent.

C. Stage Three (1994-2000): Attack Hard-core Poverty

From 1986 to 1993, the number of rural absolute poor dropped from 125 million to 80 million, averaging an annual decrease of 6.2 percent. This rate was 3.2 percent less than 9.4 percent achieved from 1979 to 1985.

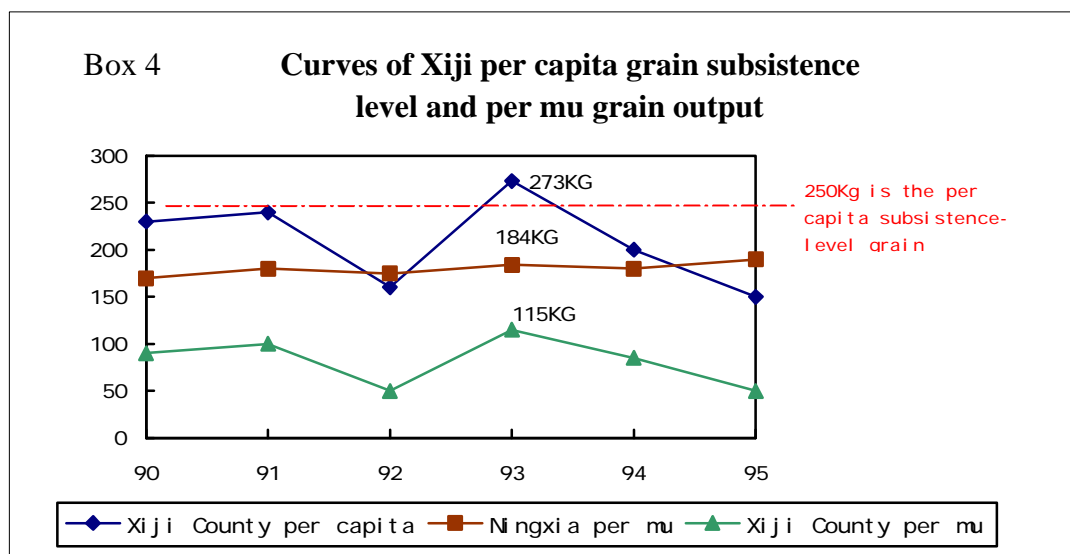
At this time, the rural economy maintained the momentum of steady growth, but the gap of economic development between the east and west widened. By 1994, out of the 592 nationally

designated poor counties (NDPCs), 82 percent were located in central and western PRC and 80.3 percent poor people lived in central and western PRC. Higher poverty incidence was witnessed in central and western PRC.

This indicates that along with deepening of rural reform and driven by economic development, the number of poor decreased and the types and causes of poverty also changed substantially. Such changes were reflected in the following:

- (i) The number of rural poor dropped gradually.
- (ii) The poor started to concentrate in mountainous areas in southwest PRC (with lack of soil), the loess plateau in northwest PRC (with severe shortage of water), Qinling and Dabashan Mountains (with steep landscape, limited arable land, poor transportation, and severe water and soil erosion), and Qinghai & Tibetan high-altitude mountains (with low temperature accumulation). These poor are geo-poor, that is, poverty is primarily caused by tough natural conditions, weak infrastructure, and poorly developed social service.

Due to such changes, project development became the only way for poverty reduction rather than the three approaches in the past (e.g., structural-reform-driven, economic-growth-driven, and project development). Since there did not exist such problems as uneven distribution of land among farmers in these areas, nor administrative obstacles to farm product market systems and employment, poverty was caused by extremely harsh natural conditions and insufficient normal inputs to help the poor acquire enough food and clothes. No matter how the structures were reformed and how regional economic growth was facilitated, the poor could not surpass the basic subsistence line and enter the development stage.



Box 4 shows the curves of average production per mu and grain production per capita in Xiji County, Ningxia from 1990 to 1996. We can see from this box that the tough natural conditions of geo-poverty resulted in fluctuations of production per mu and grain production per capita in the county. If 250 kg grain was chosen as the basic subsistence line (for poverty measurement, 300 kg is used as grain poverty line), then in the grand cycle of seven years, farmers reached the basic subsistence level only for one year, whereas in the remaining six years, they needed to buy grains from the market to maintain their basic subsistence level. Under such circumstances, land reform would not produce an impact on farmers' poverty. Rather than bringing benefits to farmers, rise of farm product prices was a disaster to them.

Therefore, for geo-poverty, concrete and well-targeted project development activities are needed for reducing poverty. In other words, prior to addressing the issue of regional economic development, the pressing task is to provide enough food and clothes for the poor and properly address their basic subsistence rights. Against this background, the Chinese government made a solemn commitment to the international community to basically resolve the feeding and clothing problems of the rural poor by the end of 2000.

The central government prepared and implemented the National 8.7 Poverty Reduction Plan, calling to mobilize human, physical, and fiscal resources and effort in all walks of life to lift 80 million rural poor out of poverty within a time framework of seven years from 1994 to 2000. Based on the changed distribution of the poor population, this Plan redesignated 592 national poor counties, which cover over 72 percent of the rural poor in the country. Since resolution of the feeding and clothing problems of the poor in these counties is directly related to attainment of the objectives set in the 8.7 Plan, the poverty reduction policies and measures formulated by the central government subsequently mainly focused on helping the poor in the 592 NDPCs. In accordance with the Plan, non-national poor counties would have to rely on local governments to raise funds for reducing poverty.

The National 8.7 Poverty Reduction Plan is the first ever poverty reduction plan in history that has a definite objective, definite target, definite measures, and definite time framework. With implementation of this Plan, rural poverty in the PRC has been tremendously alleviated. As of the end of 1996, the number of rural poor dropped to 65 million, representing 5.4 percent of the national population, averaging an annual reduction of 5 million poor people. At this pace, it is still challenging to achieve the objective of the Plan.

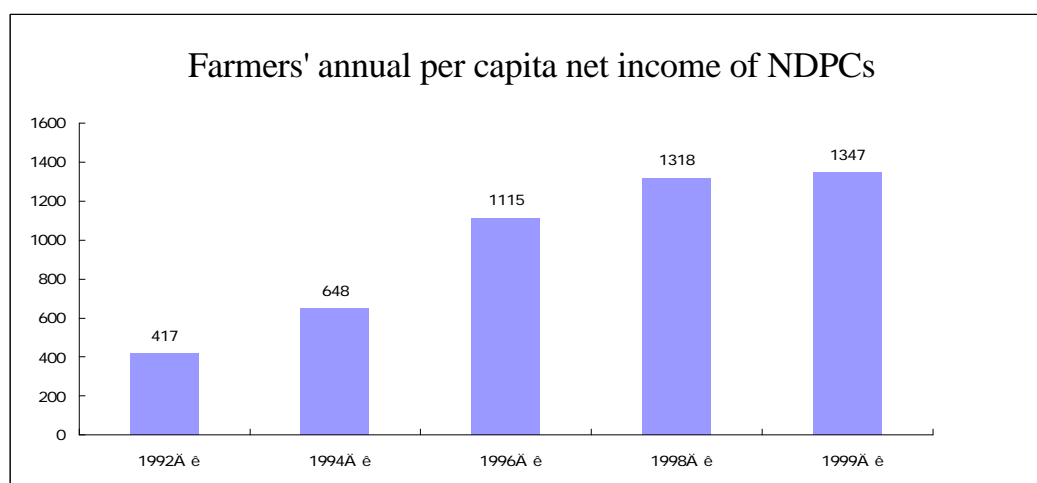
In September 1996, the Chinese government held a conference on poverty reduction and development. The conference produced a document entitled Decision by the Central Committee of the Chinese Communist Party and the State Council on Resolving the Feeding and Clothing Problems of the Rural Poor on An Early Date. The Decision called for adherence to the policy of reducing poverty through development activities and placing priority on development of crop and animal farming as well as farm-products-based agroprocessing. It also called for reducing poverty with science and technology and implementing family planning policy, targeting support to poor households, and mobilizing initiative in all walks of life for involvement in the poverty reduction cause. In addition, a set of important and significant measures were taken, such as expanding funding support for the poverty reduction effort, placing large-scale development projects in key poor areas, and organizing coastal developed provinces to help poor provinces in western PRC. An outstanding feature of this conference is the establishment of a provincial poverty reduction

responsibility system, that is, the poor provinces would take the lead in reducing poverty. Poverty reduction funds, power, tasks, and responsibility were decentralized down to the provincial level. These well-targeted measures greatly accelerated the pace of the progress of poverty reduction initiatives throughout the country. The years 1997 and 1998 each witnessed 8 million poor being lifted out of poverty, the highest level for the 1990s.

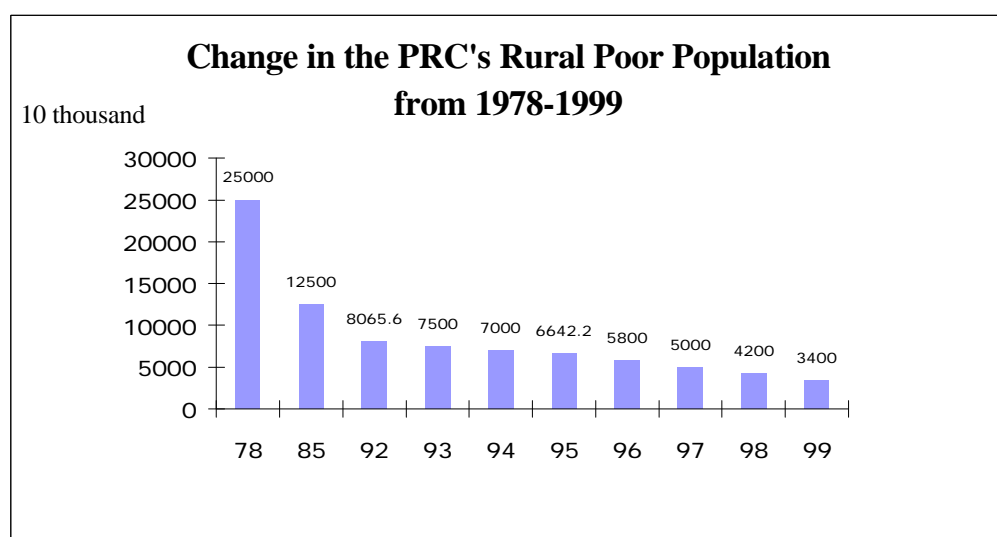
In February 1998, the State Council convened a conference on poverty reduction, further clarifying that the principal target and work priority would be the poor households during the period of attacking hard-core poverty.

In June 1999, the Chinese government held another central conference on poverty reduction and development. The purpose of this conference was to remobilize and rearrange poverty reduction work in the last two years of the 8.7 Plan to ensure attainment of the objective set in the Plan. Following the conference, a document entitled Decision for Further Intensifying Poverty Reduction Effort was issued and distributed, stressing the importance of adhering to the success experience of poverty reduction work, taking poor villages as the base unit and poor households as the target, placing priority on improving basic production and living conditions, and developing crop and animal farming. It also stressed the importance of raising poverty reduction funds through diversified sources and involving civil society in poverty reduction cause. The core of this conference was to target poverty reduction initiatives to poor villages and households. The conference clearly stated that the core of targeting poverty reduction initiatives to poor villages and households was to target poverty funds and measures to poor villages and households. It also stressed the importance of stabilizing poverty reduction institutions and clearly stated that the PRC is a developing country and the PRC, particularly rural PRC, is in an underdeveloped stage at present and would be in an underdeveloped status for a long time to come. For this reason, poverty reduction would be a long-term historical mission that will run through the entire process of the preliminary stage of socialism. Resolving feeding and clothing problems of the poor is only completion of a phasal mission. There is still a long way to go to achieve the objective of living a well-off and rich life. It takes even longer time to fundamentally change the backward social and economic status of the poor regions and narrow

the regional development gap. People and officials in poor regions should keep in mind that poverty reduction is a long process.



This conference is an important one in the sense of encouraging and consolidating the confidence of the people and officials in poor regions throughout the country to escape from poverty and resolve the poverty issue in due course; in expanding poverty reduction inputs; and in intensifying efforts in poverty reduction work.



Though a wide range of rural areas were hit by natural disasters in 1999, agricultural products market was saturated, prices for agricultural products remained stagnant and farmers in poor areas had great difficulty in generating more income, 8 million rural poor were lifted out of poverty—the same level as that in 1997 and 1998. As of the end of 1999, 34 million poor were still inadequately fed and clothed, representing approximately 3 percent of the rural population.

With poverty reduction effort in the past two decades in the PRC, a total of over 200 million rural poor have been lifted out of poverty. This is an unprecedented record in Chinese history and it is also a miracle worldwide (see box 5). While the number of poor increases by over 10 million annually in the world, it is particularly encouraging to see such a great achievement made in the PRC. Reviewing this history, we can draw the following conclusions:

- (i) The “differential development strategy” developed by the Chinese government encourages and supports certain regions and certain people to get rich first. While attaining rapid economic growth, it has always been paying great attention to the fundamental human rights of providing adequate food and clothing to the poor.
- (ii) The approach of reducing poverty through development activities, targeting poverty initiatives to poor households, and placing priority on improving basic production and living conditions as well as developing animal and crop farming has played a positive role in rapidly improving farmers’ production and business skills and in raising farmers’ income level. This is a truly poverty reduction initiative.
- (iii) The importance of restructuring-driven rapid economic growth should not be underestimated. The slow poverty reduction pace in the early 1990s and accelerated pace in the late 1990s demonstrates that overall economic growth will not necessarily alleviate the poverty of special groups. For small pockets of low-income poor, poverty reduction interventions directly targeting these special groups have been proven more effective in reducing and eliminating poverty.

II. Characteristics of Poor Areas and Poverty Standards in the PRC

A. Characteristics of Poor Areas

From the perspectives of natural conditions, eco-environment, and social base, poor areas in the PRC have the following common characteristics:

(i) Tough Natural Conditions

The natural factors leading to poverty in the PRC's poor areas include climatic, topographical, and geographical conditions. The PRC is located in the Euroasia Continent with high terrain in the west and low terrain in the east. It has a continental monsoon climate, which is complex and changeable. It is arid in the west with limited rainfall. There is big disparity of temperature and humidity between the south and the north. The entire country spans over three climatic zones including tropical zone, subtropical zone, and cold temperate zone. The coastal areas are frequently hit by typhoons, while the hinterland always suffers from cold wave.

There is a large area of deserts in northwestern and northern PRC, whereas southern PRC frequently suffers from landslides and flooding during rainy seasons. Disastrous climatic conditions such as drought, water-logging, frost, wind, and sand hit the country frequently. Poor areas are often located in places with poor conditions. They are mainly concentrated in the upland, mountainous, hilly, desert, and Karst mountain areas in northwest and southwest PRC. These areas are either extremely dry, with most rainfall concentrated in the summer season; or surface water cannot be utilized and water seepage a serious problem in karst mountainous areas. Or, these areas are located in high-altitude places with inadequate effective temperature accumulation, thus making it unsuitable for agricultural development; or are steep high mountains with serious soil and water erosion and frequent natural disasters. In addition to poor natural conditions, most of these areas are located in remote places far away from economic centers. They are geographically disadvantaged and isolated from the outside world due to poor transportation. Based on the natural conditions of the developed regions, many of these areas are considered inadequate for human beings to live in.

(ii) **Resource Deficiency and Weak Infrastructure**

- a. *Shortage of water resources.* Poor areas in the PRC are often short of water. In the mid-1980s, 240 million people (or 27 percent of the rural population) and 150 million animals did not have enough drinking water, and over 80 million people and 60 million animals were short of water all the year around. Some 55.74 million of the 80 million people (or 70 percent) were distributed in poor areas.
- b. *Insufficient supply of electricity.* In 1992, the household electrification rate in 195 counties in the country was lower than 50 percent and less than 95 percent in 1389 counties (representing 58 percent of the total number of counties in the country). Some 28 counties, 1453 townships, 63120 villages, and 120 million rural people had no access to electricity. Out of the 28 counties without access to electricity, 21 were located in Tibet, six in Xinjiang and one in Qinghai. The 120 million people with no access to electricity were distributed in eastern Inner Mongolia, Shaanxi, Gansu, Ningxia, eastern Henan, western Anhui, Three-gorge area, Guizhou, Yunnan, Guangxi, Sichuan, Qinghai, and Tibet, all of which are located in poor areas in central and western PRC.
- c. *Inconvenient transportation.* Poor areas are mostly located in remote mountains isolated from the outside world. The poorest western PRC accounts for two thirds of the country's land area, but its railway mileage is less than one fourth of the national total. So far there is no railway in Tibet. In Yunnan Province, there are only 4.5 meters of railways and 170 meters of roads per square kilometer. In the vast bordering and remote mountainous regions, over half of the villages have no access to roads, making it extremely difficult for transaction of goods and transportation of commodities.

(iii) **Rapid population growth and poor basic social services including health and education**

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- a. *High population growth rate.* As a contrast to slow economic growth, the PRC's poor areas have the highest population growth rate. Statistics show that the population growth rate for Guizhou from 1949 to 1987 was 16.7 percent higher than the national average. The population growth rate for poor mountainous areas in Hebei Province from 1949 to 1988 was 33 percent higher than the provincial average. Due to limited land availability and large population base, the fundamental living environment deteriorates. Consequently, the basic nutrition supply cannot be guaranteed and the health of people in poor areas keeps on deteriorating. In addition, endemic diseases resulted from marriages among close relatives and poor water and soil conditions severely harm the health of the people.
 - b. *Poor education.* Poor people live in remote areas and are dispersed. This makes it more difficult to establish education facilities. In addition, poor households always live a hard life and they cannot afford to send their children to school. Consequently, school-age children are always found out of school; dropout and illiteracy rates for young and middle-aged people are extremely high. 1997 statistics showed that rural labor on average completed 6.12 years of primary education and semi-illiteracy and illiteracy rates were as high as 21.9 percent, one time higher than the national average during the corresponding period.
 - c. *Low level of health service and health care.* Based on UNDP1994 data, the PRC ranked 108th in the world in terms of human development index. Maternal and infant mortality rates are the two indicators that can best reflect the level of health service. The PRC's maternal mortality rate is 6 to 8 times higher than that of the developed countries, whereas maternal mortality rate in poor areas is 20 to 30 times higher than that of the developed regions. The PRC's infant mortality rate is 6 to 8 times higher than that of the developed countries, whereas maternal mortality rate in poor areas is over 20 times higher than that of the developed regions.
- (iv) **Limited financial revenues and extremely insufficient public investments and infrastructure investments**
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- a. *Tough agricultural production conditions.* In 1993, per capita availability of total agricultural machine power in the NDPCs was as little as 50 percent of the national average. Machine-cultivated land areas only accounted for 36 percent of the total arable land and effective irrigated areas represented 31 percent, or 18 percent and 20 percent lower than the national average, respectively. There was even less arable land whose output could be ensured whether there is drought or flooding. It averaged 0.36 mu per capita in 1993, or 54.5 percent of the national average. In some poor areas, farmers are still using bamboo poles, wooden plows, and simple mental farm tools for their production. Even worse, some areas are still using slash-and-burn method.
 - b. *Low financial revenues and insufficient public investments.* In 1997, per capita financial revenues averaged 105 yuan for poor counties, or 30 percent of the national average; accumulated fiscal subsidies for poor counties amounted to 10.1 billion yuan, averaging 17.06 million yuan per county. Due to fiscal deficits over a long period of time, poor counties could not afford to increase their inputs to improve public facilities and basic social services of the poor communities.

B. Poverty Standards

The PRC is a developing country. Its economy is underdeveloped and its rural economy is least developed. This basic national reality determines that the PRC's poverty standard can only be of low standard at present and for a long time to come.

The PRC's current rural poverty line was derived based on the survey of expenditures of 67,000 rural households by the State Statistics Bureau in 1986. After calculation, the rural poverty line in 1985 was set at 206 yuan and this poverty line is adjusted every year based on changes of price index. It was equivalent to 300 yuan in 1990 and 625 yuan in 1999.

The PRC's poverty standard is the minimal expenditure standard for maintaining basic subsistence. Although there is a big gap between this standard and the international standard of 1 dollar per person per day, it is a realistic standard for a developing country like the PRC since it can

help the overwhelming majority of the poor to meet their basic subsistence needs by the end of 2000.

Poverty Measurement in the PRC

Based on international and national minimal nutritional requirements, the PRC takes 2100 calories as its minimal nutritional requirement for the rural poor population.

Use the food consumption list of the lowest-income households and food prices to determine the minimal expenditure of food required to reach the minimal nutritional requirement and use it as food poverty line.

Assume that to sacrifice basic food needs to acquire nonfood needs is imperative and minimal for maintaining survival and routine activities. Use regression model to calculate nonfood expenditure (including expenditure for clothes, housing, fuel, and transportation) of the people whose income is just equivalent to food poverty line and use it as the non-food poverty line.

Derive poverty line by adding food poverty line (accounting for 60 percent) to nonfood poverty line (accounting for 40 percent).

III. Poverty Policies in the PRC

A. Poverty Reduction through Development Interventions

Alleviating poverty through development interventions represents a reform on and shift from the traditional scattered relief approach. It is central and fundamental to the PA policies applied by the Chinese government. To adhere to this approach means centering on economic construction to support and encourage the local officials and masses to develop local resources, promote commercial production, improve production conditions, and increase self-accumulation and self-reliance capacity. This policy includes five components:

- (i) Advocate and encourage the spirit of self-development and assiduous work, overcoming the mentality of “waiting, depending, and asking” among most poor households. In the practice of this approach over the past years, a number of innovative spirits have emerged in poor areas, such as the Linzhou Spirit of “Self-reliance and arduous struggle”, and the Qianjiang Spirit of not waiting and not relying – “Hard work rather than enduring suffering” (see Box 6 and 7).

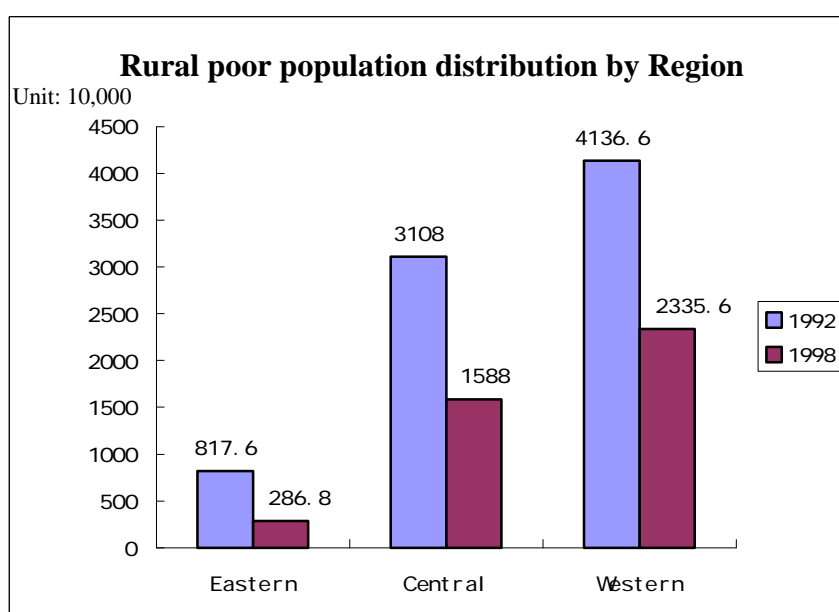
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- (ii) As countermeasures against the weakness in infrastructure and the vulnerability against natural disasters in the poor areas, budgetary funds were allocated and poor households were encouraged to contribute labor, so as to implement infrastructure work on farmland, water resources, and roads, which in return create the physical base for expanded production.
 - (iii) Allocate subsidized earmarked PA loans and preferential terms to assist the poor areas and poor households expand market-oriented crop establishment, animal raising, and corresponding agroprocessing projects to increase output and generate income.
 - (iv) Carry out training on improved agricultural applied technologies, and upgrade the science and technology knowledge of poor farmers to enhance their own capabilities.
 - (v) PA in combination with water and soil conservancy, environmental protection, ecological construction, apply a strategy of sustainable development, strengthen the development potentials of the poor areas and poor farmers.

B. Leaning toward West PRC, Focusing on Assisting Nationally Designated Poor Counties

(i) Priorities given to West PRC

Ever since the introduction of reform and opening up policies, the eastern and coastal provinces took full advantage of the encouraging policies accorded by the country and their respective advantages and assumed a leading position in development. The central region took the second and the western region the last. The regional feature of the PRC's economic development is obvious. In this regard, the vast majority of the rural poor of the country have been concentrated in the central and western regions, especially the western region (see the diagram). Therefore, giving the western region more support has been the basic policy of poverty reduction and development strategy. In 1994, the national 8/7 plan explicitly required: restructuring of regional distribution of the national PA funding allocations. Specifically, from 1994, within one or two years, redirect the national-budget-supported PA lending that was then concentrated in the six coastal and relatively developed provinces, including Guangdong, Fujian, Zhejiang, Jiangsu, Shandong and Liaoning, to the worst poverty-stricken central and western

provinces. It also required that the incremental national budgetary PA funds can be only distributed to the central and western provinces. Meanwhile, the Chinese government formulated preferential policies from the overall perspective of the country. The government actively promoted broad horizontal union and partnership in poverty reduction between the eastern and western provinces participated in by governments, civil society, enterprises, and others. It attempted to push forward the poverty reduction process in the western region by ushering in the economic competitive edge of the comparatively developed eastern areas.



(i) Focus strength and resources to support NDPCs

The Chinese government identified NDPCs among the counties twice, one in 1986 and the other in 1994. These NDPCs covered over 70 percent of the poor population of the country at that time. It was intended by the government that through the emphasized support to these counties the problem of rural poverty throughout the country can be tackled proactively. Toward this end, to a large extent, the poverty reduction policies developed were directed at those NDPCs. In particular, with regard to the funding

assistance, it was clearly regulated that access to PA funding of various types from the central budget shall be limited to these NDPCs. In 1996, the central government further required that the provinces shall allocate a minimum level of resources (ranging from 30 to 50 percent) from their own budgets as counterpart funds; furthermore, to ensure the major places and priorities, such counterpart funding, was also required to be used in the NDPCs only.

The implementation of this policy has substantially increased assistance provided to the NDPCs; as a result, the progress in solving the food and clothing difficulties in the NDPCs has been faster than the other areas. According to statistics, with the increased support over the past year, as of the end of 1999, the poor populations in the NDPCs had dropped from 18.58 million in 1994 to 20 million. The NDPCs were the areas where the number of the poor had decreased by the greatest margin during the corresponding period. This has also created a key condition for the realization of the targets set in the 8/7 plan. On the other side, due to the financial difficulties of the local government and insufficient input for poverty reduction, non-NDPCs had faced a slow progress of getting rid of subsistence problems; this helped bring about a picture of disparities on the progress of national poverty reduction among different areas.

C. Strengthened Management on PA funds

The specially allocated PA funds can be classified into three categories: budgetary funds (grants), Food for Work program funds, and PA lending. In 1997 to strengthen the management on these funds and ensure their best use, the State Council formulated the Management Methods on National PA Funds, which in detail defined the recipients, conditions, criteria and utilization procedures, rights, and obligations for each type of PA funds. It was specially stressed that the PA funds of various sources shall be used in a coordinated manner so as to form synergy and bring about overall effectiveness in accordance with the general goals and requirements for tackling poverty. The focused areas the PA funds covered are: budgetary funds mainly used for land improvement and development, provision of drinking water, science and technology training, and extension of applied agricultural technologies. Food for Work funds are to be used for the construction of basic farmland, small-scale irrigation schemes, and rural roads projects. The PA

credits are mainly applied to support plantation and livestock development activities that can generate income for poor households. It was required that authorities of PA work at all levels shall take concrete measures to strengthen inspection and supervision in the application of PA funds. The auditing departments of the governments should conduct strict inspection on the use of PA funds to detect problems and execute solutions and punishment. These initiatives played a key role in raising the effectiveness of use of PA funds and in realizing the objectives of tackling the food and clothing problem of the poor with the set time frame.

D. Provinces Taking the Major Role in Implementing PA Programs

The arrangement of implementing poverty reduction work was such that each level of the governmental system had their corresponding responsibilities. It was decided in 1994 in the 8/7 poverty reduction plan that poverty alleviation adopt a head responsibility system wherein each level of government shoulders accordingly its task and function with the poor provinces as the major players. It also required that provinces, in particular those that have a large poor population, shall place poverty reduction on their top agenda, and detailed implementation plans shall be worked out based on the 8/7 plan for each. In order to further strengthen this system, in 1996, the Chinese government gave out *On Solving the Food and Clothing Problem of the Rural Poor at an Earliest Date*, requiring that PA funds of various sources shall be made available at the beginning of each year to the provinces and regions; the power, responsibilities, and tasks associated with the funds shall be assigned to each of the province and region. The use of all PA funds will be arranged in a united fashion by provincial governments, and this is specifically under the charge of the provincial Leading Groups of Poverty Reduction (LGPR), which shall organize relevant departments to carry out planning and project implementation. Further to this, it was stressed that addressing the food and clothing problem shall be the central part of their work in the poor areas. Local governments at all levels especially the government in the poor counties shall take poverty reduction as their overarching mission with a high sense of responsibility, focussing on subsistence of the poor. Furthermore, it was required the objectives in reducing poverty shall be broken down, with each level having a detailed and concrete mandate and performing the tasks within the required periods.

E. Tap the Advantages of Line Agencies to Support the Development and Construction of Poor Areas

Over the years, the central ministries and departments in light of the requirements of the central government have formed a series of policies for assistance to poor areas, in view of the overall subsistence problem of the poor and the realities in the poor areas. In 1987, in order to invigorate the economy of Dabie Mountain through the development of technology and science, the State Science and Technology Commission (later called the Ministry of Science and Technology) promulgated Provisional Methods on Encouraging Science and Technology Staff to Participate in the Economic Development of the Key Poor Counties in Dabie Mountains. The Methods regulated preferential policies on the evaluation of those with professional technical rank, specifically their salaries, welfare, education, and employment of their children, to encourage the science staff to provide technological services for the Dabie Mountains. In 1999 the 8/7 Plan required that governmental departments, including departments of planning, trade, agriculture and forestry and water resources, science and education, industry and transport, labor, civil affairs administration, ethnic minority affairs commission, culture and health, and family planning, shall make their own detailed implementation plans in accordance with their respective conditions, and shall make more contribution to the development of the poor areas by using their funding and technical and physical strengths. Later, the Agricultural Bank of China clearly regulated that the conditions on guarantees and collateral for the provision of microfinance to the poor households shall be relaxed where appropriate, and adopted the credit lending approach. The Ministry of Railway put forward that preferential policies would be given to the transportation of coal, grain, farm goods, and agro-products in the poor areas; in particular good transportation arrangements would be ensured for the disaster relief materials and donations provided to the disaster-stricken areas and the poor areas. Other departments adopted various packages of similar preferential policies favorable for the development of poor areas and solution of the subsistence problem of the poor. These initiatives make up an integral part of the PRC's PA policies and they are also the important features of the poverty reduction undertaking of the PRC.

F. Providing Preferential Policies Encouraging the Development of the Poor Areas and the Poor Households

The PA preferential policies including assisting the poor households to address the subsistence problem and supporting the development of the poor areas cover two levels:

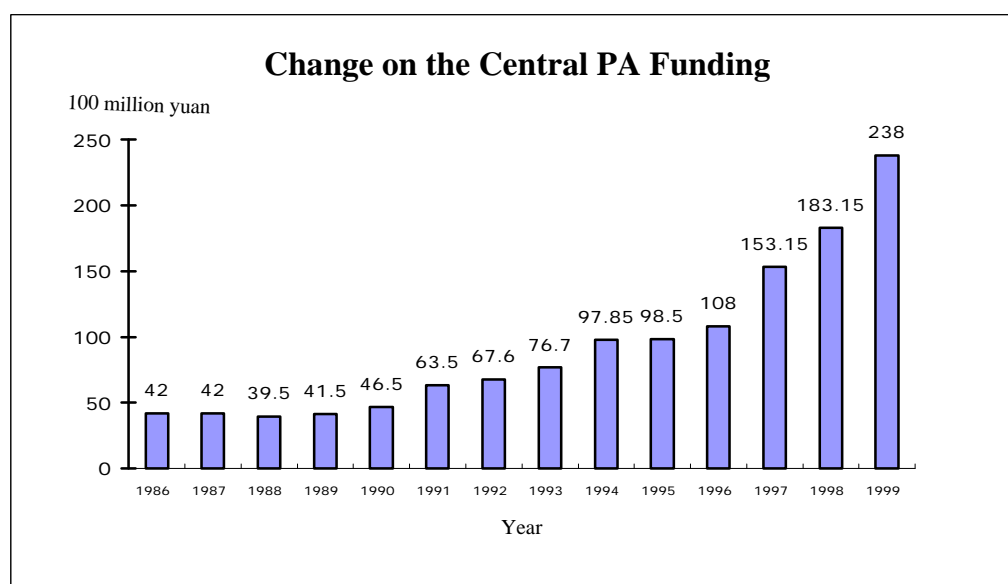
- (i) Favorable policies given for the development of the poor households include: for those households that still are faced with subsistence problem, the compulsory grain contribution as quotas to the government shall be waived; in accordance to the characteristics and needs for the poverty reduction, the repayment period should be prolonged where appropriate, the conditions on collateral and guarantees should be relaxed where appropriate; for all the households who still face with food and clothing problem, by referring to the regulations on agricultural taxes, the farming products and specialty produce taxes should be removed.
- (ii) Preferential policies given to the supporting the development of the poor areas include: Increase the payment transfer to the poor areas, all provinces and autonomous regions should establish two-tiered payment transferring system the soonest possible, so as to provide more financial support to the poor areas; for the enterprises created by poor counties and the enterprises invested by the developed areas in the poor areas, they should be exempted of income taxes for three years; by practicing the principle of who benefit who take the burdens, the funding standards for the reservoir construction and maintenance shall be increased appropriately and these funds should be earmarked to address the poverty of the settlers from the reservoir areas.

IV. Poverty Reduction Initiatives in the PRC

A. Annually Increased Poverty Alleviation Funding Input

Over the past some 20 years, as the country's budgetary strength continuously grows, the special allocated PA funding from the central government has been increasing. In 1999, the earmarked PA funding from various sources reached 24.8 billion yuan; compared with that of 800 million yuan in 1980, it is an increase of 30 times. The cumulative amount of funding allocated for poverty reduction programs have been as high as 13.781 billion yuan by the arrangement of the central government. Of this amount, budgetary funds made up 27.36 billion yuan, FFW program

funds made up 34.9 billion yuan, and PA loans funding made up 75.55 billion yuan. As required by the central government on the counterpart funding ratios (after 1996, the rate has been 30-50 percent), the input of funding from the local governments also increased accordingly.



B. Emphasize Targeting Poor Households

Since the 1990s, poverty reduction has shifted from regional economic development to the level of villages and individual households. The 8/7 Plan not only listed poverty reduction targeted to households as an important measure, but also required that various indicators and targets be quantified and broken down in relation to the solution of the subsistence problem among poor households. The national conferences on poverty reduction work held in 1996 and 1999 further reiterated the household-based poverty reduction approach, requiring that all poor counties shall conduct household-by-household investigations on the poverty status of the poor households and obtain baseline data. Name lists and books in counties and townships shall be established for poor households, and information on each poor household will be tracked through separate household

cards, forming the basis to monitor work, projects, services, and benefits reaching the poor households.

Over the past few years, in many places innovative and effective poverty reduction approaches have been explored and developed. One of them was the system of letting officials be responsible for assisting designated poor households. Individual officials at various levels were organized to forge partnerships with individual poor households in an attempt to help them out of poverty. Responsibility contracts were signed to clarify the task and terms of references for the officials involved, thus concrete and good deeds are done for the poor families. The second approach is linking the poor households to economic entities that benefit the poor (mainly agroprocessing industry enterprises) to pull them out of poverty. Through the backward linkage with the entities, the problem of food and clothing of the poor is tackled. The principal model is "Company + Households + Production Base", where the enterprises and households are encouraged to set up agricultural production bases and to facilitate the virtuous cycle from agroproduce production to supply to marketing, thus generating incomes for the poor. The third main approach is off-home development and resettlement for poor households. Specifically, this is relocating poor households from areas where living and production conditions are outrageously unfriendly to areas where natural endowment is better and economic development relatively better. The fourth one is that all social sectors assist the individual households. That is, social forces in various walks of life are organized to provide aid to the poor households.

The critical element in poverty reduction that targets poor households is for assistance funding to reach the poor households. By adopting the good poverty reduction practices of other countries and international organizations, the Chinese government organized the implementation of household-based microfinance projects. In 1998, the State Council Leading Group on Poverty Reduction convened the national seminar and workshop on poverty reduction interventions targeted to the poor households. The seminar-workshop defined the basic principle and methodology for replicating the microfinance approach throughout the country, that is, actively carry out pilot programs, carefully summarize experiences, standardize and regulate the approach, and gradually extend the approach to a wider area. In the past two years, the scale of such funding and the scope of the experiments have been enlarged continuously. In 1999, countrywide total funding input

amounted to approximately 3 billion yuan, covering over 2.4 million poor households. At present, the microfinance projects have been initially localized and regularized based on the lessons from international experience, and have entered into a stage of expansion in terms of scope and scale (see Box 9, 10, and 11).

In April, 2000, the LGOP in collaboration with the Agricultural Bank of China held a training workshop on household poverty reduction through microfinance to accelerate the promotion and extension of the microfinance approach. The workshop also drew on the successful experiences on standardizing the operations of microfinance in Shangluo Prefecture of Shaanxi Province.

C. Participation by Various Sector Social Forces in Poverty Reduction

In the mid-1980s when the national poverty reduction program was initiated, over 10 central departments of the government including the Ministry of Science and Technology took the lead in assisting the poor areas. Later, increased departments and units have been participating in the poverty reduction efforts on a larger scale. Institutions responsible for poverty reduction in designated areas have been clear about their targeted groups and areas and their tasks. It was required that such responsibility and linkage be maintained as long as the designated areas and groups are still in poverty. After the implementation of national 8/7 plan, more and more poor areas have been assisted and become more and more powerful, as more central governmental agencies, enterprises, democratic parties, and civil groups became actively involved in the process. The number of the institutions responsible for assisting designated areas has increased from 81 to 138. As of the end of 1999, 3,147 officials from these agencies have been sent out to assume temporary positions in the poor counties. Accordingly, 4.4 billion yuan funding has been channeled to these areas, while 10.5 billion yuan funds of other various sources from home and abroad has been ushered in through the facilitation of these officials.

On the other hand, officials from the local governments at all levels from the provincial down to county level have also been required to assist poverty alleviation in the designated areas. During 1995-1999, cumulatively, there have been 46,000 officials dispatched to poor counties and villages to assume governmental positions, and 8.762 billion yuan worth of funds and goods have been directly input into these areas. Through the assistance of the assigned officials, 10.268 billion yuan

and over 20,000 projects have been introduced to the poor areas; furthermore, over 13,000 technical staff and 7,000 technologies have been introduced to these areas.

A variety of poverty reduction programs have also been carried out by various social organizations and civil groups to support development of the poor areas, producing extensively positive responses from society. Some examples of these programs include Project Hope, Brilliant Cause, Assisting the Poor through Cultural Development, Project Happiness, Spring Buds Program, and Self-reliance Project for Poor Farmers (Box 12 and 13).

D. East-west Poverty Reduction Cooperation Program

Since the adoption of reform and opening up policies, the PRC has implemented a differential development strategy, encouraging some regions with better conditions to develop ahead of other regions. This strategy has promoted the rapid economic growth of the PRC's economy; in particular, the eastern coastal regions advanced faster. Difference in development is not the end, however. When the development of the coastal areas had reached a certain level, the Chinese government shifted its policy to the ultimate goal of common prosperity. In order to attain balanced and healthy development of the national economy and amplify the efforts in reducing poverty, the government harnessed the coastal rapid growth and developed areas to assist in the development of designated areas in western PRC. According to the detailed arrangement for the east-west poverty reduction cooperation made at the Central Working Conference on Poverty Reduction in 1996, it was clear that such partnerships shall be Beijing to Inner Mongolia, Tianjin to Gansu, Shanghai to Yunnan, Guangdong to Guangxi, Jiangsu to Shaanxi, Zhejiang to Sichuan, Shandong to Xinjiang, Liaoning to Qinghai, Fujian to Ningxia, Dalian and Qingdao and Shenzhen and Ningbo to Guizhou. Since then, in the principle "complementary advantages, mutual benefit, long-term cooperation and common development", the partners under such cooperation arrangements have carried all-around poverty reduction collaboration at various levels including cooperation between enterprises, technical assistance, talent exchange, etc. In March 1999, the State Council LGPR further pointed out at the national conference on east-west cooperation program that:

- (i) cooperation shall emphasize improvement of living and production conditions and eco-environment of the poor areas, including the food and clothing problem of the poor population in the rural areas;

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- (ii) market economic rules shall be followed by adequately using the science and technology advantages and mobilizing the social forces of various sectors. Besides the efforts in providing assistance and aid to the partners, economic cooperation of various forms should be explored, thus moving the cooperation program into a new stage.

Over the past 4 years, the governments and all sectors of social forces in the 13 provinces and large cities have raised and donated 1.64 billion yuan of funds and goods in support of the program. Some 4146 agreements on projects have been signed between these sides with a total investment of 20.6 billion yuan, of which 4 billion yuan has been translated into reality. Around 428,000 laborers have been transferred from the poor areas and generated over 1.33 billion yuan of labor income. Moreover, fruitful work has been carried out in the field of official exchange, human resources development and training, school building through assistance, construction of basic farmland, roads construction, and solution of drinking water difficulties (see Box 14). In April 2000, the Ministry of Education and the State Council LGPR jointly initiated the measures and requirements that the schools in eastern developed provinces support the counterparts in the western region, which created a new component for the east-west cooperation program.

E. Voluntary Resettlement

In order to tackle the subsistence problem of the extremely poor areas “where the local people cannot eke out a living from the local natural resources”, the Chinese government put forward a guidance of “where there is water, develop by tapping water resources, if this does not work, then develop by tapping land resources, if both of these still don't work out, let's try to find a way out (migration)”. At the initial stage of implementing Sanxi Development Project, poor households living in extremely adverse environment were encouraged and assisted in escaping from poverty through resettling and off-home development, which is a new way of solving the food and clothing problem. Thereafter, some related documents on poverty reduction over the past years clearly state that for a few of the poor areas that lack the basic conditions for living and production and where one cannot find other ways, poverty can be reduced through resettlement programs. In addition to preferential policies that provide for the poor population, local governments shall develop related policies and measures for the relocated population and entitle them to preferential conditions, so that all the resettled households can be well maintained and be lifted out of the poverty of food and clothing.

The resettlement and development program of the PRC has four principles. One, it is organized on a voluntary basis. Two, the resettled should be moved to the most possible closest sites. Three, the program should be conducted in accordance with the actual strength. Four, modest and appropriate subsidies should be provided. Over the past year, various effective and good methods of resettlement have been created under many of the programs. The main good practices and approaches include the following. One, integrating the settlers with the households in host areas. Specifically, the poor households arrange the resettlement themselves by joining their relatives and friends in the move-in areas in a scattered manner while the government provides some subsidies. In Ningxia, for instance, the receiving counties allocated 2 mu of existing irrigated land and two house rooms to each of the settler households. Two, the governments constructed the move-in sites. Before such construction, thorough investigation is conducted on the surroundings of the receiving places and the feasibility study worked out. The purpose of this is to ensure that the subsistence living difficulties can be solved, and equally important, the eco-environment of those places would not be jeopardized and destroyed. Three, homestead movement (Diao Zhuang) resettlement is phased. In the implementation of the Sanxi Resettlement Program in Ningxia and Gansu, at the initial stage of the program, the participating household had two homes, one in the originating area, the other in the receiving area. Only when the host sites have been fully prepared and developed with the living and production conditions basically addressed, that all households are moved to the new sites. Additionally, some places developed the “3 Threes” approach, which means that part of the villagers are to be resettled, part of the villages are to go outside for new jobs, and the rest are to remain in the original places to solve the basic subsistence problem.

According to incomplete statistics, over the past years, governments at various levels through many approaches and ways that are best suited to the local conditions have resettled 2.6 million poor, of which 2.41 million have been living in the new settlement sites on a sustained basis. This represented 92.9 percent of the relocated population. Thus the poor population that needs to be lifted out of poverty through resettlement in the country has dropped from 7.50 million to around 5 million.

F. Assisted Labor Mobility

Since the resettlement approach faces many limits including the availability of resources and input, social, and cultural difficulties, the number of poor that can be settled through such an approach is very limited. In order to encourage more workers in the poor communities where living conditions are extremely harsh to go out of their homes and obtain employment and income sources, the Chinese government encouraged and facilitated the transfer of laborers from rural poor villages and promoted employment beyond the poor areas.

Labor mobility to off-home areas not only increases the employment and income of the poor laborers, more importantly, through their work in these places, migrant workers can learn new techniques, living styles, working approaches, and broaden their mind. By learning new concepts and knowledge, their self-esteem and confidence can be boosted and their self-development furthered.

In addition to incomes remitted by the migrant workers to their original places, the resettled participants can be the carriers and missionaries to disseminate the living and production patterns as well as culture and knowledge and technologies acquired from the eastern region to the western region. Through them their relatives can be introduced to the eastern regions, creating a snowball effect. Sichuan Province for example, is the province that has the largest number of migrant workers; each year there are 8 million to 10 million of people working outside and remittances from these workers to their hometown families reach as high as 20 billion yuan.

G. Strengthened Village-level Organizations Building

Addressing the food and clothing problem of the poor masses in essence depends on the diligent and concrete joint efforts by the officials in the poor areas. The key is to build a good village-level organization (see Box 16). In this regard, the Chinese government attaches great importance to the village-based organization and to increased autonomy of the households, leading the poor households to take active participation in the process.

The key point in relation to the village-level organizations that needs to be addressed is that in the rural communities “there are people who actually manage the matters, necessary funding ready in place for supporting the matters, and handling matters should follow the regulations and rules”.

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- (i) “There are people who manage the matters” means that the rural communities should select good leaders who are capable of facilitating the development of the local economy and the generation of income for the poor. The first step is to build a strong and powerful village-level organization. For example, the end of the food and clothing problem in Yimeng Mountains has demonstrated that strong and powerful grassroots organizations are integral and important to ensure the successful implementation of poverty reduction programs. The second step is the extension of “villager directly election system” throughout the poor areas. This means applying the principle of openness, fairness, and equality only to those candidates who are respected and supported by the local people and are capable of leading the people to change the poor picture, who can be elected through the direct election system. This work has been carried out in full scale throughout the poor areas and was greatly welcomed by the masses and yielded good impact. Three is the strengthening of training of officials at the rural village level, in order to improve the quality of the grassroots officials.
 - (ii) “Necessary funding ready in place for supporting the matters” means that the development activities should be carried out to raise the economic level of the rural community and expand the collective economy. The main effort is to strengthen and enhance the service function of the collective economy, to boost the strength of the collective economy through the provision of services to farmer households, which in return will better serve the communities.
 - (iii) “Handling matters should follow the regulations and rules” means the following. First, strictly implementing public disclosure of village matters; requiring that financial issues be made known to the general villagers, including revenues and expenditures in the village budgets, distribution and utilization of PA funds, and signing and adjustments on contracting agreements for the villages; and imposing quotas and controls on family planning. These matters shall be inspected and supervised by all the villagers. The second point is to strengthen village-level democratic management and improve self-rule at the village level. This will systematize and standardize the establishment of village-level organizations in the poor areas.
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H. Expanded Collaboration and Exchange with International Organizations in the Fight against Poverty

Since the beginning of the 1990s, the Chinese government has been actively searching and borrowing international antipoverty experiences, and cooperation with international organizations has continuously expanded. In 1992, the government and the World Bank jointly held a Symposium on China's Poverty Reduction Strategies in 1990s. After the seminar, the Southwest Poverty Reduction Project was implemented in the poorest region of the PRC, Southwest PRC, in 1995 under the agreement of two parties. The project is a multisectoral comprehensive poverty reduction program, which became the starting point for cooperation with the international community in the field of poverty reduction. The LGOP for this particular purpose set up the Foreign Capital Project Management Center on poverty reduction, to enlarge and expand international collaboration, and assume the mandate of organizing, coordinating, and managing foreign-assisted poverty reduction and rural development projects. Remarkable impact has been attained.

With regard to international cooperation in the field of poverty reduction, the World Bank has made the largest investment in the PRC on poverty. To date, three phases of cooperation have been implemented through the Southwest Poverty Reduction Project, the Qinba Mountains Poverty Reduction Project, and the Western Poverty Reduction Project. The total investment reached 610 million USD, covering nine provinces or 91 poor counties with a population of 8 million (see Box 17).

Other international organizations, governmental, and nongovernmental organizations have carried out extensive cooperation in relation to poverty reduction in the PRC. The United Nations Development Program has implemented a number of experimental poverty reduction programs and training and research programs in the PRC. The European Union, British Government, Government of Netherlands, GTZ, Asian Development Bank, Ford Foundation, CARE Japan, Japan Bank for International Cooperation, World Xuanming Association, Hongkong Oxfamd, and other international agencies have also actively conducted and supported poverty reduction programs of the PRC, which have yielded good benefits.

V. Poverty Reduction Effort for Special Groups

A. Poverty Alleviation in Ethnic Minority Areas

The PRC is a multinationality country. Due to historical, social, and geographic reasons, a substantial part of areas where ethnic minorities are concentrated is lagging behind economically and socially. Around 1949, some of the Tibetans in poor areas of the southwest and northwest PRC; Dai nationals in Yunnan; Uigur in Xinjiang; and Mongolians in Inner Mongolia had remained in the feudalist serf system and the suzerain style economy had been the predominant role. In southwestern PRC, the society of Lishu nationals, Wa nationals, and Jingpo nationals still had some elements of the slavery system with the practice of paternalistic slavery and patriarchic slavery. The society of Dulong, Bulang, Jinuo, and Nu nationals; E'lunchun, E'wenke, and Haoze nationals in northeast PRC; and Li nationals in Hainan were in the later stage of the primitive society. Although various sectors and industries in these ethnic minority areas have undergone unprecedented development after the founding of the new PRC, their development is still relatively lagging behind that of other parts of the country because of their low starting points and later starting dates for the process. Among the 55 ethnic minorities in the PRC, over 90 percent are residing in poor areas; specifically, all of the ethnic minorities in five ethnic minority autonomous regions and 24 autonomous prefectures and 55 autonomous counties are all poor populations. In light of this, the Chinese government attached great importance to poverty reduction in these areas and priorities and special treatments have been extended to them. These are mainly reflected in:

- (i) Relaxed criteria in a wider range of ethnic minority areas. In 1986 when the government was identifying the key poor counties eligible for special assistance, the standard applied was the farmer's per capita income of 150 yuan in 1985. In contrast, the standard for the ethnic minority counties was relaxed to a lower standard of 200 yuan. For the ethnic minority counties in pasturing and semipasturing areas, the standards adopted were the average annual per capita incomes of the farmers of the year 1984-1986, which were 300 yuan and 200 yuan respectively. In 1994 when the government was defining and selecting the NDPCs, special favorable treatment was applied in the ethnic minority areas. Among the 592 NDPCs, 257 are ethnic minority counties, accounting for 43 percent of the total.

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- (ii) Distribution of central funding inclined toward the ethnic minority areas. To increase efforts in poverty reduction in ethnic minority areas, priority was not only given to areas with regard to fund distribution. As comparatively more funds were allocated to areas in the western provinces where ethnic minorities are densely concentrated, including five autonomous provincial-level regions and the provinces of Yunnan, Guizhou, and Qinghai, another specially arranged 300 million yuan Food and Clothing Problem Solving Fund was set up to support these provinces and regions. Based on incomplete statistics, from 1996 to 1998, the central government in total had provided 16.95 billion yuan of PA funds to the 257 ethnic minority NDPCs, representing 45 percent of the total funding input in NDPCs countrywide.
 - (iii) Under the social poverty reduction program and the east-west assistance partnership, the ethnic minority concentrated in poor areas have received assistance and special treatment.

Through the state's strong support and through the efforts of the officials and common people, significant achievements in poverty reduction have been gained:

- (i) The poor registered a large decrease, and the incidence of poverty dropped by a great margin. According to statistics, in the five autonomous regions and the other three provinces that have significant proportions of ethnic minorities, the number of the poor was reduced from 20.86 million in 1995 to 13.15 million in 1998, a 7.71 million decrease within a period of three years. Accordingly poverty incidence in those areas was brought down from 15.6 percent in 1995 to 9.7 percent in 1998, a reduction of 5.9 percent.
 - (ii) Rapid increases marked farmers' income. The per capita net income of the five regions and three provinces rose from 630 yuan in 1995 to 1189 yuan in 1998, an 88.7 percent increase. This increase is 28 percentage points higher than the average increase of all the 592 NDPCs.
 - (iii) Significant improvement of infrastructure. From 1995 to 1998, in the 257 ethnic minority counties 10.92 million people and 15.14 domestic animals were provided with proper drinking water, over 10 million mu of basic forms of farmland were newly constructed, a
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length of 70,000 kms of roads was built. Meantime, various social sectors in the ethnic minority areas have undergone rapid development, including education and health.

B. Women's Participation in Poverty Reduction

Poverty among rural women has been always a focus of attention of the Chinese government. In 1994 the national 8/7 poverty reduction plan advocated that women's organizations should do more work to mobilize the women in poor areas to take an active role in participating in the Double Learning and Double Competitions (see Box 19), and to develop family sideline businesses and garden economy. It also required that labor-intensive industries oriented toward poverty alleviation that are suitable for women participation should be established, and that women be organized to learn applied agricultural technologies and increase their abilities in getting rich. Efforts have been made in concert with the illiteracy eradication campaign of the education departments and the labor out-migration by the labor departments.

Some measures taken by the Chinese government in supporting women include:

- (i) "Double Learning and Double Competition" implemented all over the country, to facilitate women's active participation in the development of the rural economy (see Box 19).
- (ii) Help women out of poverty through microfinance interventions.
- (iii) Train officials in women's federations and rural women in general in poor areas; upgrade the education, science, and technology capacities of poor women; gradually increase the proportion of poor educated women in various education programs; raise the quality of poor women laborers comprehensively.
- (iv) Mobilize extensive social forces to pay attention to poor women, and support and take part in various social relief activities for women in poor areas. For instance, the Happiness Project aimed at assisting poor mothers, Project Hope aimed at helping student dropouts in poor areas, and Spring Buds Program provided funding and assistance to female dropouts in the poor areas.
- (v) Integrate family planning with poverty reduction and development programs.

After 10 years worth of efforts, among the poor whose basic subsistence problem had been addressed, over half were rural women. Production and living conditions for majority of rural poor women have been greatly improved, and their social and economic status significantly raised.

C. Poverty Reduction for the Disabled

The disabled are one of the unique and needy social groups. The poor disabled account for a substantial proportion among the total poor population, thus addressing poverty for this group is an important part of the PA efforts in the PRC. In 1998, the PRC specially formulated the Poverty Reduction Plan for the Disabled (1998-2000), and a series of more powerful and effective measures and policies have been adopted to solve the basic subsistence difficulties of the disabled, including the arrangement of Healing/Recuperation Poverty Alleviation Loans (in 2000, amounting to 800 million yuan).

The poverty reduction efforts for the disabled in the PRC attached high importance to building the service system in grassroot associations of the disabled, to increase their capacity in delivering services to the disabled. In accordance with the Decision on Strengthening the Development of Grassroots Associations for the Disabled,¹ and the Implementation Method in Reducing Poverty for the Rural Disabled (1998-2000),² on the principle of "Promote Construction and Development by Assigning Tasks, Ensure the Performance of Tasks by Carrying out Construction", social services centers have been established in 2,129 counties, representing 79.8 percent of the total number of the counties. Subcenters for the disabled have been established in 27,742 townships accounting for 60 percent of the total number of townships of the country. With this, initial PA services system have been developed for the rural disabled at the grassroot level, providing an organizational and institutional foundation and guarantee for reduction of poverty the disabled. In recent years, poverty reduction microfinance programs with outreach to households and individuals have been expanded in many places; they have been the main approach of reducing poverty for the disabled. For the poverty reduction programs for the disabled in 15 provinces including Henan, Guizhou, Inner Mongolia, Yunnan, and Helongjiang, over 70 percent have adopted microfinance services.

1. Issued by the State Council Coordinating Committee on the Work for the Disabled.

2. By the LGPR comprising six ministries and departments.

The PRC's efforts in reducing poverty for the disabled have made significant achievements. Through the poverty reduction and development interventions, the food and clothing problem has been solved for 6.06 million of the disabled that can take part in production and labor activities. Some 3.34 million disabled that lack working abilities have been provided with relief and social security program services. Consequently, the number of the disabled that are faced with subsistence problems was reduced from 20 million in 1992 to 10.60 million in 1998. Accordingly, the disabled in the rural areas that are suitable to take part in labor activities was brought down to 6.96 million.

VI. Poverty Reduction Effort in Early 21st Century

Despite the fact that poverty in most rural areas has been significantly alleviated as a result of the poverty alleviation efforts over the years, and that the incomes of the poor have been substantially increased, the per capita income of the poorest 10 percent of the rural population is less than one third of the national farmers' per capita net income. Furthermore, the difference between the income of the farmers in poor areas and that of the developed areas has not been minimized but has been enlarged. The per capita income proportional ratio among the eastern region, central region, and western region in 1999 was 1.95 : 1.31 : 1, and was changed to 2.4 : 1.55 : 1. This is a significant issue that has implications for overall national development. Therefore, in the new century, the Chinese government unswervingly continues to place the poverty reduction and development task in an important position as one of the priorities for national economic and social progress, and this work will be carried out steadfastly and resolutely.

A. Targets, Objectives, and Mission

One of the targets in poverty alleviation and development efforts will be the low-income poor groups. After 2000, the low-income population in rural areas can be generally classified into three categories:

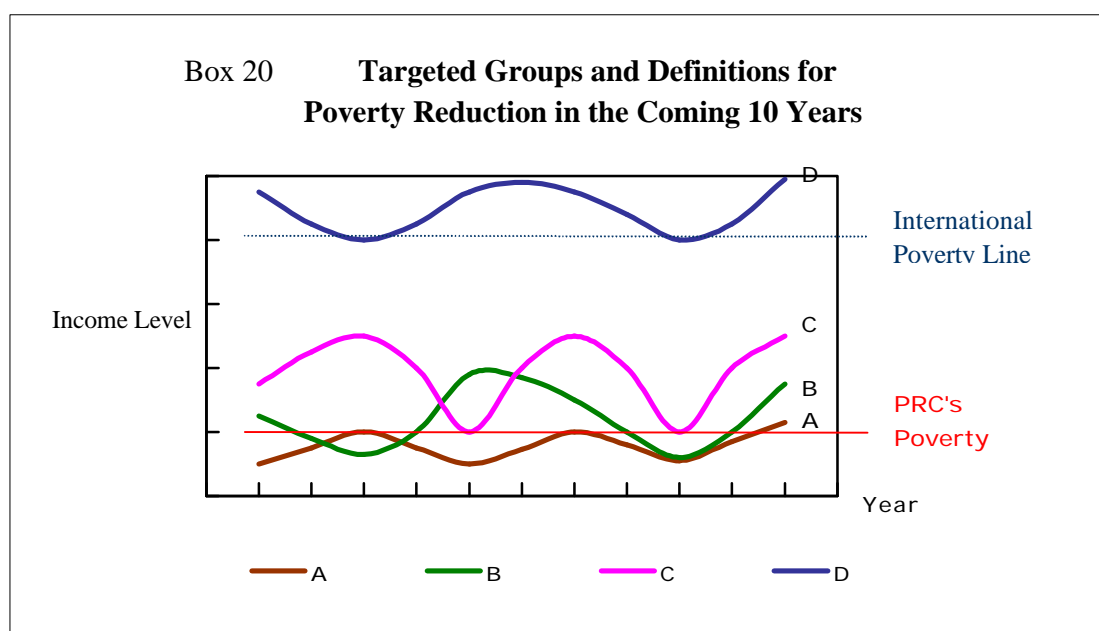
- (i) The poor that are still faced with basic food and clothing problems. Although the number is not large, solving their problems will be challenging and difficult.
- (ii) The poor that have been initially rid of food and clothing problems. Because their production and living conditions have not been fundamentally changed, their resistance to natural disasters is still inadequate so they are likely to slip back into poverty if a natural disaster happens.

The food and clothing poverty standard is a static income-based measurement, but the income of the poor farmers is changeable year by year; additionally, three aspects including asset quality, security system, and ability are vulnerable. For these reasons, the phenomenon of returning to poverty is a big and worrisome problem. The number of such slipping-back-to-poverty will be substantial either resulting from illness and diseases or natural disasters, or resulting from economic crises or macroeconomic policy shocks. Internationally, this type of poverty is called “temporary poverty”. If measured by this standard, the poor population in the PRC can be as high as over 10 percent in the rural areas.

- (iii) Poor populations whose food and clothing problem have been solved. However, compared with international poverty standards, the subsistence problem for these groups has only been addressed at a very low level. Therefore, further facilitating their development and minimizing the disparities between the poverty line and standards of the PRC with that of the international standard, so as to help those just rising above the subsistence level to achieve full development and prosperity, is a long-term mission.

B. Objectives of Poverty Alleviation

The general goal is to further increase the income of the low-income groups; improve basic production and living conditions; and thus improve the backward economic, social, and cultural state of the poor areas. Priorities are given to (i) continue support to groups still below the subsistence poverty line; (ii) prevent those whose food and clothing problems have been solved on a provisional and vulnerable basis from falling into poverty again; and (iii) address the development issues for those whose subsistence problem has been solved on a sustainable basis.



Note: A — population still faced with subsistence difficulty; B — Population whose subsistence problem have been addressed but on a vulnerable basis; C — Population with subsistence problem solved on a sustainable basis; D — Non-poor Population

C. Focus of Difficulties and Challenges

(i) Address the vulnerability and recession back into poverty of the groups that have been rid of food and clothing difficulties

The standards used to solve the food and clothing difficulty are low. Therefore those groups whose problems have been addressed are vulnerable so they are prone to repeatedly slipping back to poverty.

The vulnerability is reflected in the following aspects: One, these groups are located in very remote areas where natural conditions are atrocious, and the assets possessed are of very low quality. Two, the social safety net and system is so weak that the poor are not adequately able to resist risks. Three, the comprehensive quality of the poor is poor, so that their income and accumulation are difficult to increase on current asset basis and level, thus it is difficult to change this weak and passive status. Against this backdrop, whenever there are negative shocks to the micro level, such as illness,

disaster, and unemployment, they are likely to get back into the original state of poverty. They are also liable to be the first to slip back into poverty when macro-level negative shocks occur, such as economic crisis, financial turmoil, employment policy changes, price policy changes, and devastating natural disasters.

(ii) Pressures on employment

The large population base, state-owned enterprise reform, and adjustment in the industrial structure in urban areas that has resulted in an increased number of laid-off workers have created double pressures on the macro economy: the pressure from urban and rural unemployment, and the pressure from the government and enterprises. This will naturally affect the employment of the poor, thus poverty reduction interventions that are viable and effective encounter difficulty in playing its full part and bringing about its impact.

(iii) Poverty standards, definitions, and concepts

Due to strong efforts and achievements made by the Chinese government in the 1990s in reducing poverty, the food and clothing difficulties of majority of the poor have been addressed basically. However, there might be some confusion between the food and clothing poverty line and the concept of poverty, which will probably lead to the misperception that the poverty problem has been addressed. This misinterpretation and reduced attention on poverty will be likely to directly influence the poverty reduction efforts and the input and serious attitude toward poverty in future.

(iv) Those still faced with food and clothing difficulties are the hardest nuts to crack

As the poverty reduction process advances, the conditions of the remaining poor population appear to be poorer. They are living in more adverse living conditions and lower social development status. With a lower level of social services, the investment required increases and it takes longer to reap the benefits.

D. Favorable Conditions for Poverty Reduction in the Early Part of the New Millenium

(i) Higher vantage point for poverty reduction

Compared to the past, poverty alleviation endeavors in the coming 10 or 20 years will have an unprecedented starting point, which paves a solid way to push forward the poverty reduction process of the PRC into a new stage.

The sustained economic growth and the constantly strengthened comprehensive national power of the PRC provide the base for increased support for poverty reduction in future.

Through the efforts in the past 20 years, the living and production conditions in the poor areas have been significantly improved, and the defense against natural calamities has been substantially enhanced, so that a sound physical foundation has been laid for poverty alleviation in the new millennium.

Most of the poor has addressed its clothing and feeding problem and earned certain strength for further development.

A great wealth of experiences have been developed and accumulated and a number of effective and viable practices have been discovered.

(ii) Market playing a more important role

As the market economy system improves throughout the country, the role of the market as the fundamental force in reallocating resources has become more prominent. Because factors such as land, labor, capital, and technology can be combined optimally and the officials and masses have a stronger perception and conception about the market economy, the awareness of observing the rules of a market economy has been enhanced. This will naturally play a positive role in developing the poor areas. On the other hand, the disadvantages in technology, management, and information in poor areas will be fully manifested through market competition; participation and access of the masses in the poor areas into markets will be more difficult. The problems encountered in recent years fully prove this concern, for instance, the national agricultural products market has been saturated, prices keep falling, and the masses in poor areas cannot obtain more income from an increase in output. At the moment, the PRC's entering the WTO has been accelerated, and in the future, the poor areas will face competition from other areas of the country and the world. Therefore, the important

issue to be faced in poverty reduction in the PRC in the future will be how to assist the poor areas make best use of market benefits while effectively avoiding market risks.

(iii) Accelerated development of science and technology

Advancement in science and technology is the determining factor for economic development. For poor areas, an important opportunity and way to shake off poverty is by depending on advanced science and technologies to initiate the “advantage of latecomers” and accelerate the speed of economic development. To this end, over the past years, the Chinese government has paid much attention to improving the science and technology quality of the poor and has increased the application of high technology in poverty reduction projects. A great number of improved applied agricultural technologies have been introduced in the poor areas. However, due to the poor base of poor areas in extension of technology and science, the contribution of agricultural sciences and technologies to economic growth in poor areas has been less than 30 percent, lower than that of other areas, and even lower compared to the 60 percent of developed countries. In the face of market competition, poverty reduction efforts in the poor areas will face with ever greater challenges.

(iv) Implementation of the National Strategy in Developing West PRC

The poor areas in the western region have always been the main battleground and focus for poverty reduction efforts of the PRC. In the transition point between centuries, the Chinese government looking into the 21st century made a strategic decision to develop the western region as its top priority. The strategy mainly includes accelerating infrastructure development; protecting and improving the ecological environment; restructuring and adjustment in industries; and development of science, technology, and education. Implementation of this strategy will boost and push poverty reduction in poor areas in west PRC.

E. Strategic Priorities for Poverty Reduction in the New Historical Period

Fighting poverty is a long-term strategic task. Reducing poverty means a lot. It is not limited to addressing the needs of the poor, it also address the needs of the nonpoor with regard to marketing and employment, the needs in starting domestic demands and promoting economic prosperity, the

need for a balanced and concerted development of the national economy, and the need for the creation of a civil society and harmonious development. In view of the great gap between the poverty standards of the PRC and the world, reducing this gap and further realizing common prosperity for all requires the Chinese government and the Chinese people to carry out long-term and hard efforts. Among them:

(i) Concentrate resources and forces to support poverty reduction in key extremely poor areas

After 2000, focus on the rural poor population remaining below the basic subsistence level and the low income rural poor population whose feeding and clothing problem has been initially solved, namely those in the old revolutionary bases, ethnic minority areas, pasturing areas, and border areas. The continuation of efforts in addressing the feeding and clothing problem and consolidation of achievements in addressing subsistence problems are urgent and formidable tasks and must be treated as priority areas. Human, physical, and financial resources shall be pooled to support these areas. The unified program shall be followed in all interventions, implementation carried out year after year, and development promoted in continuous blocks and tackled comprehensively.

(ii) Optimize the structure of industries in poor areas

The market orientation in poor areas should consider the unique geographic and climatic conditions and features of resources and goods in the poor areas, to develop a specialized economy and sectors with good prospects, so that points of economic growth can be created for the poor areas. The production of basic farm products including grains should be stabilized. Poor areas should use advanced technologies, develop specialty agriculture, practice water saving agriculture and ecological culture, support the extension of agro-processing chains, and explore new sources of income for the low-income poor population.

(iii) Strengthen the social services system

In line with market economic principles, establish and perfect the social services systems in poor areas. Create social services systems of various forms and mixed

ownership, involving the state economic and technical departments, collective economic organizations and farmer self-managed services organizations. Enhance the service function of technology, finance, and market sectors, to provide the masses in the poor areas with quality packaged services for pre-manufacturing, manufacturing, and postmanufacturing stages. Particularly, encourage and guide the development and growth of the nonpublic-owned economies to enable them to be the main body of the rural services system.

(iv) Push the development of science and technology, education, health, and cultural sectors in the poor areas

- a. Focus on the specialty economy and advantageous industries of the poor areas, strengthen the technical training for the poor population, extend the application of improved practical technologies, enhance the poor people's ability in science and technology.
- b. Attach priority to universal education in poor areas through various ways of fund raising, improve teaching conditions and facilities in the poor areas, stabilize the teachers force, ensure enrollment, minimize dropout rates of school-aged children.
- c. Carry out well-tailored primary education programs for targeted groups, eradicate young and labor force illiterates.
- d. Promote the prevention and treatment of endemic diseases, improve the health care and medical services conditions in the poor areas, so as to let the most of the poor have access to primary health care services and to improve the health and physical quality of the poor.

(v) Highlight ecological environment building

- a. Following ecological economic principles and laws, replicate and extend ecologically friendly farming systems and practices and technologies in poor areas, form the virtuous economic and ecological cycle.
 - b. Integrate with the national strategy and plan the development of west PRC. Strengthen the improvement of basic farmland and supplementary facilities construction in the poor areas, raise the unit area yields and tap the potentials, facilitate the change from a
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quantity-oriented extensive expansion model to a quality-oriented intensive development model.

- c. In line with the principle of unified planning and comprehensive improvement and development in continuous areas, make special efforts in the poor areas to promote the small river valley integrated treatment model. This includes to bundle development and improvement in the mountains, water, farmland, forestry, and roads; strengthen the improvement in water and soil run-off; facilitate regional sustainable development.

(vi) Stress social poverty reduction programs

In addition to its mobilization of resources for poverty reduction, the government needs to further mobilize this third sector to take part in poverty reduction. This not only increases poverty reduction resources from the society, but also introduces the guidance of the conscientious and the benevolent, thus society can progress toward more civility and harmony.

(vii) Actively promote poverty reduction efforts for the poor population in small cities and towns

Because in recent years reform in the SOEs in poor areas has not been able to keep pace with national reform, and with the poor foundations in technology, management, and transport, poverty issues have been emerging in medium- and small- size cities and towns in poor areas. This is reflected in quite a many enterprises suffering serious losses, great difficulty in finding employment for laid-off workers, and constraints on the local budget that make it difficult to provide necessary relief and welfare security, thus some of the urban population face difficult living. Therefore, the PA work must be extended to small cities and towns in the poor areas, through measures that include lengthening the chain linkage of industries to create employment opportunities and provision of microfinance services.

(viii) Continue the regulation and standardization of poverty reduction work

As poverty reduction and development in poor areas deepen, the PRC's efforts in reducing poverty will be institutionalized and standardized and operated on a legal basis.

By implementing the above measures and long-term efforts, the low-income population will be assisted in improving their living and working conditions and developing and building on their assets. For instance, in the Karst mountainous areas in southwestern PRC, the poor will be assisted to explode rocks and terrace the hillsides into farmland, collect earth and thicken the soil layers, and provide a drainage system. By doing this, their asset quality would have been upgraded, high yields and harvests can be maintained, and vulnerability removed, thus the basic subsistence of the poor would have been solved on a permanent basis. In the Loess Plateau arid areas, the poor will be assisted in leveling land and constructing rain collectors and cisterns for irrigation, thus improving their asset quality to create high yields on a sustainable basis, after which the basic feeding and clothing problem can be addressed.

The poor will be assisted in setting up a social security system in the rural communities for the poor, to include medical services, education, rural infrastructure construction, management of river and lake problems. Enhancement and improvement in these can be conducive in strengthening risk resistance, awareness, and ability of the poor, thus the risk of slipping back into poverty can be mitigated, and accretion can be increased. This will help the poor rise above poverty and be better off on a stable basis.

Human resources development in the low-income poor will be undertaken, by upgrading their comprehensive quality and abilities, and improving their abilities in technology, management, movement, and psychology.

Box 1. Agricultural Development in Sanxi

In December 10, 1982, the State Council decided to implement agricultural development program in the arid areas in Dingxi and Hexi, Gansu Province and Xihai in Ningxia Autonomous Region. The State Council allocated a total amount of 2 billion yuan of earmarked funds (200 million yuan per year) for a 10-year program in the "Sanxi" Region. The target to be met is to reverse environment destruction in three years, to resolve feeding and clothing problems in five years and the remaining two years is for consolidation of the attained achievements. In the implementation process, a development strategy of making the best use of the advantages in Hexi areas to help reduce poverty in the central areas was developed. In particular, in the special arid areas where people can not survive, they decided to implement large-scale resettlement programs.

In order to further development in Sanxi Region, the State Council decided in 1992 to extend the Sanxi agricultural development program for another 10 years. It was decided to properly address the issue of "stably's", that is, stably secure economic sources for poor farmers and stably resolve the feeding and clothing problems of the majority of poor households. After review in 1999, Sanxi Region was accepted as overall resolving the feeding and clothing problems.

Box 2. The PRC's Poor Areas

Based on statistics, 125 million rural people, or 14.8 percent of the total rural population at that time, had an annual per capita net income of 200 yuan (about 50 percent of the national average per capita net income), of these poor, about 40 million, or 4.4 percent had an annual per capita net income of less than 50 yuan of the total rural population. Most of these poor lived in 18 continuous blocks of poor areas, including Yimeng mountainous areas, southwestern and northeastern Fujian areas in eastern the PRC, Nuerhu mountainous area, Taihang mountainous area, Luliang mountainous area, Qinling & Dabashan mountainous areas, Wuling mountainous area, Dabieshan mountainous area, Jinggangshan mountainous area and southern Jiangxi mountainous area in central the PRC, and Dingxi arid mountainous area and Xihaigu area in western the PRC. Since most of these areas are located in economically less developed mountainous areas in central and western parts of the country and many of them are old revolutionary bases, ethnic minority areas and remote areas, the areas where the poor concentrate are traditionally called "old, minority, remote, poor" areas.

Box 3. Designation of nationally designated poor counties

Rural poverty in the PRC is concentrated in a number of pockets of poor areas. For this reason, a key approach of poverty reduction effort is to identify key national poor counties so that poverty interventions could be focused rather than dispersed. The central government set a line for national poor counties in 1986: those counties whose county-wide per capita net income fell below 150 yuan were listed as the poor counties eligible for assistance from the central government; in ethnical minority counties, the poverty line was set at 200 yuan of per capita net income; in the old revolutionary bases, which are well known both at home and abroad and made a great deal contributions to the country during the democratic revolution period, the line was set at 300 yuan. When the National 8.7 Poverty Reduction Plan was announced in 1994, the central government re-adjusted poverty standard for national poor counties. Specifically, all the counties whose net annual per capita income in 1992 was below 400 yuan were listed as national poor counties and all those counties whose net annual per capita income in 1992 was higher than 700 yuan should be taken away from the list of national poor counties (based on estimation at that time, in the counties whose net annual per capita income was higher than 700 yuan, over 90 percent of the poor had basically been adequately fed and clothed). Base on this new poverty line, 592 national poor counties were listed in the National 8.7 Poverty Reduction Plan, distributed in 27 provinces, autonomous regions and municipalities, including 73 poor counties in Yunnan, 50 in Shaanxi, 48 in Guizhou, 43 in Sichuan, 41 in Gansu, 3 in Guangdong, 3 in Zhejiang, 5 in Jilin , 5 in Hainan and 5 in Tibet. The majority of these poor counties are located in the 18 continuous blocks of poor areas.

Box 5. Key Accomplishments of the PRC's Poverty Reduction Effort**Over the Past Two Decades**

Over 200 million rural poor were lifted out of poverty. Number of rural poor dropped from 250 million in 1978 to 42 million in 1998. Rural poverty incidence decreased from 30.7% to 4.6%. Average income per capita for farmers in NDPCs increased from 206 yuan in 1985 to 1318 yuan in 1998.

Production and living conditions in poor regions have been tremendously upgraded. During the 13 years from 1986 to 1998, 88 million mu of farmland were developed; 62 million people and 75 million large animals had access to drinking water; 350,000 km of new roads were constructed and percentage of townships with access to roads grew from 83.9% to 97.6%; about 400,000 km of transmission and distribution lines were installed and percentage of townships with access to electricity increased from 77.8% to 97.1%.

Science & technology, education, culture and health have developed rapidly. Population growth in poor areas decreased from 20‰ in 1986 to 11.5‰ in 1997; education conditions have also been remarkably improved and drop-out rate of school-age children dropped to 6.9%; 98 townships have health clinics and hospitals and the situation of lack of doctors and medicine has been improved; a large number of applied agricultural technologies have been disseminated and the level of farming with science and technology by farmers has been greatly upgraded; people's cultural life has also been ameliorated.

Some continuous blocks of poor regions have overall resolved feeding and clothing problems. People in Yimeng Mountain, Jinggangshan Mountain, Dabieshan Mountain and southwestern Fujian Mountain are adequately fed and clothed, economic and social status in these mountainous areas have undergone profound changes. With poverty reduction effort for a dozen of years in Yimeng Mountain, the number of poor dropped from 1,794,000 to 199,000 and poverty incidence decreased from 24.7% to 2.7%, per capita income of farmers increased from 258 yuan to 2035 yuan. All the villages are connected with roads and all the households have access to electricity. Other key poor areas, including some remote mountainous areas, ethnic minority areas have also experienced fundamental changes. With years of efforts, the once poorest Dingxi region in Gansu and Xihaiqu region in Ningxia have seen tremendous improvement of infrastructure, production and living conditions and alleviation of poverty.

Box 6. Rural Development Trilogy in Linzhou City of Henan Province

Linzhou City (former LinXian County) is located in the Taihang Mountains and has 16 townships with 536 administrative villages and 980,000 population. It was known as a poor highland area where natural conditions are extremely adverse and resources poor. It faced with prolonged water shortage over years. In the past thirties years, local people carried out reconstruction through their own steadfast and arduous efforts and changed the backwardness of the area through their diligent hands. As a result, the area has been in the way toward industrialization and well-off. The rank of its comprehensive economic power rose from some fortieth to around tenth among the counties in Henan Province. The spirit of self-reliance and hardship entrepreneurship upheld by Linzhou people underscored the Trilogy of Rural Development and created the achievements of today.

One embodiment of this spirit is the construction of Hongqi (Red Flag) Canal, which was praised as one of the two miracles of the PRC in 1960s. The construction of the project was started in 1960, with a total investment 125 million yuan, of which 78.76 million yuan was raised by the local people through savings on food and clothes, accounting for 63 percent of the total investment. At that time, the total population of the city was over 700,000, but over 200,000 had taken part in the construction, in many cases, husbands and wives, children and parents worked shoulder by shoulder, in some cases, several generations were included in the force. This happened in the most difficult three-year period when the workers at the site could have 0.3 kg grain for daily food. In the Hongqi Museum today tens of varieties of wild fruits, vegetables and tree leaves that had been the food of the project workers are displayed. The people of the city, with bare hands, leveled 1250 hills, built 157 overhead channels, dug out 211 canals, excavated 1818 cubic meters of stone and earth, constructed a man-made sky river of 1500 kms. Through these constructed facilities, the water from Zhanghe River in Shanxi Province was channeled to Linzhou for irrigation. Over 500,000 mu of arid land has been transformed into irrigated farm land. The volume of the works on main canals and secondary and tertiary canals is equivalent to that of constructing a Great Wall from Harbin to Guangzhou of 3 meter high and 2 meter wide.

This Spirit has been also reflected in establishing the construction industry by organized labor mobility. What is most appreciated is that the people of Linzhou were not content with the feat of Sky River and entrepreneurship has been developed further by initiating the second bold exploration. By taking advantage of local traditional expertise in earth and stone works, a construction business was developed with the use of local labor temporary out-migration. When entering the 80s, a labor force of 130,000 people has was mobilized by the county to go out of the deep mountains into the countryside, which has been the start of primary asset accumulation for escape from poverty. Although the salaries of these laborers were not low, they lead a thrifty living, moreover they had to get up at five or six o'clock in the morning to start working and called a day when the moon light came out, which means they had to work for over ten hours per day. People could not but admit that the work done by them is of great

challenge and difficulty and admire their courage to undertake the contracts, despite this the work performed by them was of high quality.

The third of the Trilogy is to spare no efforts in developing the township and village enterprises. The total production of the TVEs in Linzhou in 1992 was 2.9 billion yuan, ranking the third place in the province, with 96 million yuan tax revenue contribution that took the first place of the province. Within less than 4 years, the production of TVEs has been doubled twice.

**Box 7. The Spirit of “Rather hard work than enduring suffering”
in Qianjiang Prefecture in Chongqing**

Qianjiang is a unique poverty-stricken area. Five counties under its jurisdiction are all ethnic minorities' residential area including Youyang, Xiushan, Qianjiang, Pengshui and Shizhu. These counties are all NDPCs. They are the typical deep rocky mountains with high mountains and unfathomable gullies. The people of Qianjiang recognized that their hope lay in their own diligent and hard working, and there will be not way out if they were going to just take the suffering for granted. In the past some ten years, in particular following the establishment of Qianjiang Prefecture in 1988, they increased pressures for themselves as way to encourage more efforts. Through their own unremitting struggle, achievement had been attained. From 1987 to 1995, the economic growth of the area not only was higher than the other high ethnic minority province and regions, but also surpassed the average level of the whole country.: GDP increased by 12.9 percent on average annually, Gross Industry Production increased by 18.6 percent annually on average, fiscal revenue increased by 22.3 percent annually, the farmer per capita net income was raised from 253 yuan to 823 yuan. What's more, the provision of infrastructure of the prefecture as a whole has been greatly developed.

The factor why Qianjiang could emerged from the difficulties is the Spirit of Qianjiang. In brief term, this spirit can be called “Rather Hard Working not Enduring Suffering”.

Huping Village, a village of Xiushan County within the counties in the prefecture, has 225 households and a population of 1014 and 1539 farmland. The per capita grain was 254 kgs, per capita net income 211 yuan. But in 1995, the per capita grain was 665 kgs, which was doubled, per capita net income reached 663 yuan, which was a increase of 452 yuan. In the village, 51 families have built their own new houses, 183 households had TV sets, even there was one family that possessed a car, representing a sustained solution of food and clothing problem. The one of the key reasons behind this success and achievement was the solidarity and unity of the village leadership that was able to mobilize the masses to work together overcoming hardship. Huping village was just miniature of the Qianjiang prefecture. The spirit of hard working have become the prevalent atmosphere of the Prefecture, specifically, both the leaders and all the walks of lives made utmost efforts to work hard despite of various difficulties. The local prefecture and county leaders established themselves as good examples ahead of others, and the district and township officials followed their suit, in the end 2.78 million people of the prefecture took concrete and effective measures and initiatives to change of deplorable picture of the prefecture. This is the essence of Qianjiang Spirit.

Box 8. Food for Work Program

Food for Work Program (FFW) is a plan aimed at improving the infrastructure provision in the poor areas. The FFW was started in 1984. Prior to 1995, the approach of implementing FFW was that: the residents in poor areas are mobilized to contribute their labor in the construction of roads and irrigation projects between the intervals of their farming seasons, then the central government subsidizes their work in form of grain, cotton, cloth, and daily consumption industrial goods that have been overstocked by the state. But from 1996, the FFW was included in the national budget, so the payment and subsidies provided was changed to monetary form in cash instead of physical payment.

The main project supported with WWF include road, irrigation, drinking water projects and basic farmland construction, as means to ameliorate the infrastructure and living and production conditions in the poor areas and create development environment for the economies of the poor areas. At the meantime, it provides short-term employment opportunities for the farmers when they are at leisure period, increasing the income level of the farmers. This fits into the basic realities of the country.

As of the end of 1999, the central government had input 34.9 billion yuan (the physical input before 1995 was measured as 16.9 billion yuan in terms of money) in FFW program. During the 14 years between 1984 to 1997, under FFW, 207200 kms of county and township level roads were built, the difficulty in accessing drinking water was solved for 43.3 million poor and for 23.12 million domestic animals, 60.31 mu of farmland was complemented with small scaled irrigation facilities, farmland terracing was carried out for 83.34 million mu steep hillsides, water and soil conservancy works was provided for an area of 41.46 million mu, a total capacity of 274900 megawatts of small hydraulic power plants was installed, 15.08 mu of cash and fruit trees was established. The program brought remarkable results.

Box 9. Old Hens Vs. Large Cattle

The family of Li Xinzhi, a poor woman of Bade Village, Cuihua Township of Luquan County in Yunnan Province, had been handicapped for lack of basic labor tools and been faced with a difficult living.

In 1996, when Yunnan Province was conducting the experiments on microfinance scheme in 25 township throughout the province, Cuihua Township was included. Li Xinzhi heard that the microfinance project provide "lending to the poor not to the rich, and to women not to men", and voluntarily participated in the microfinance project. She formed a joint group with the other households, and borrowed 1000 yuan of loans. To the surprise of most people, she purchased a cattle with this credit.

Microfinance scheme requires installment repayment according to the set intervals. By savings on food and clothes, she stored up the eggs and old hens and sold them at the marketplaces for cash income so that the principal and interests of the loans she borrowed could be repaid. Only within a year, Li Xinzhi successfully repaid all the loans. As the villagers cited, microfinance has enabled Li Xinzhi to "obtain a cattle by the exchange of old hens".

Box 10. Poverty Reduction through Microfinance Services to Households in Shangluo Prefecture in Shaanxi Province

Shangluo Prefecture of Shaanxi Province was the poor area of continuous poor blocks where the poor concentrates. It was the earliest and largest place of the country where the microfinance had been tested when the national campaign on replicating microfinance activities for the purpose of poverty reduction for the poor households. Starting from the pilot and demonstration on microfinance, Shangluo kept exploring the way on microfinance, as the result, a path has been walked out for the development of microfinance that fits in the local conditions in a formalized manner.

The development of microfinance in Shangluo has been through three stages. During June of 1996 to May of 1997, Shangluo Prefecture was conducting the experiment on Gramee Bank Model for microfinance. "One-line (independently)" operated microfinance cooperative for supporting the poor was specially established. But through this approach it faced difficulty because the operating costs had to solely rely on high interest rates. From May of 1997 to the end of 1998, Shangluo Prefecture decided to adopt the "Two-line (joint sponsorship of two parties)" for the operation of the microfinance project where the government and the cooperative were in partnership in the support of the project. By the approach, the government was held responsible for the planning and supervision of the project while the cooperative for the borrowing and repayment of the banks and for the delivery of loans and services to the poor households. Although the impact of this mechanism is obvious in view of channeling funds to the households, it is exposed to great risks as the cooperative was not an legal financial institution and thus operated against the regulation and legislation on banking business and also it exists the potential risk on the part of financial losses. In 1999, Shangluo by referring to the state policies on financial sector made adjustment and standardization for the project. As the result, a "Three-line (Tripartite sponsorship)" new mechanism was introduced. By this mechanism, the project was supported by the government, the cooperative and the banking institutions. Specifically, the government in line with the poverty reduction policy provides guidance and supervision, the banks directly extends the loans to the households, and the cooperative delivers services to the rural households, on the condition that the cooperative would be compensated with a certain amount of operating costs by the banks.

The "three-line" operating mechanism in Shangluo complies the regulations and policies on financial sector of the country, but also is tailored to the specific conditions of Shangluo, meantime, the three major microfinance mechanisms have been maintained including "lump sum borrowing with small installment", "joint liability groups", "center meetings", which is the practical replication with localization. In the year 2000, the LGOP in cooperation with Agriculture Bank of the PRC conducted a training workshop in Shangluo, attempting to disseminate the successful experiences and practices of Shangluo.

Box 11. Microfinance for Poverty Reduction Experiment by the Foreign Capital Project Management Center (FCPMC) of LGOP

Microfinance pilot program has been incorporated as a component in the Qinba Mountains Poverty Reduction Project supported by loans from the World Bank, and managed by the FCPMC.

The pilot program is aimed at testing on localizing and standardizing the microfinance as a means of reducing poverty for the households. The main characteristics are: First, the design of the program focuses more on technical training and management training services instead of the emphasis on lending services, the executing institution was called Microfinance Supportive Service Cooperative for the Poor; Second, professional management has been introduced to the project administration, under the project, the Cooperative as a civil society supported by the government was set up, the staff positions of the organization were filled through a public recruitment approach, the responsibility management and contracting management systems were also adopted; Third, standardize the technical and management services, compile popular video materials and easy-to-be-understood books, so as to improve the farmers' capacity in managing microprojects and the chance of success for the projects; Fourth, Well tailored training programs are designed to improve the farmers' comprehensive ability and psyche; Fifth, Effective and efficient control over the credit risks through the application of strict computerized information management system; Sixth, independent and objective monitoring mechanism to ensure the effectiveness of the system and the rise of management capacity.

To date, the pilot program in two counties has become the largest microfinance project in the country in terms of scale, more importantly, the operating institution has been successful in taking the responsibility of loss and profits and the self-sustaining has been achieved. Furthermore, through the cooperation with the PRC Poverty Reduction Foundation in Guizhou, Guangxi, and Sichuan, the successful experiences on sustainable World Bank loan poverty reduction projects have been extended.

Box 12. Project Hope and Brilliant Cause

Project Hope was initiated and implemented by the PRC Youth and Juvenile Development Foundation in October of 1989 aimed at help the school drop-out children in the poor areas. Two methods have been adopted by the Project to provide relief and assistance. One is to provide tuition assistance (fee for primary school books) to the unenrolled school aged children, dropouts of in-school children and those that are to have to leave schools. The initial funding of 50 yuan is required for the beginning of each school semester for each child, and this is to be continued till the primary graduation. The second method is to assist the renovation of dilapidated school buildings and improve the teaching conditions. The standard for supporting the construction of a primary school is 200,000 yuan, the deficit will be shouldered by the local government if the donation appears inadequate. The third initiative is to strengthen the capacity building of the teachers in the poor areas. Those teachers that have been dedicated to teaching in rural poor areas where conditions are extremely difficult for a long term are to be rewarded in recognition of their deeds. Additionally, Project Hope National Teachers Training Base was established to provide short-term training to the primary school teachers from the poor regions. In 1999, the focus of the Project was shifted to tracking and monitoring the development of excellent students sponsored by the project, faculty training, and modern teaching facilities and instruments.

With the strong support from the whole society, the project has been successfully implemented over the past 10 years. By the end of 1999, cumulatively, 1.842 billion yuan donation has been received from home and abroad, 2.2965 million children have been provided with assistance, and 7,812 Hope primary schools have been built up. The development of primary education in the poor areas has been greatly pushed forward through these activities.

As to Brilliant Cause, in April 1994, in supplementation to the implementation of the 8/7 poverty reduction plan, 10 private economy representatives entrepreneurs, including Liu yonghao, the President of Board of Directors of Hope Group advocated the move of Brilliant (Guangcai) Cause aimed at reducing poverty and the development of the poor areas. With the affirmation and support from the United Front Department of the Chinese Communist Party and National Industry and Commerce Union, Brilliant Cause Promotion Committee was founded to propel the expansion of the move.

Brilliant Cause mainly organizes private entrepreneurs to make investments in the poor areas on a mutual benefit basis. Through the pulling force of the projects, it facilitates the economic development of the poor areas and increases the income of the poor, thus bring about the change of the poverty status. For the past 6 years of implementation, Brilliant Cause has been warmly responded by the country wide private entrepreneurs and the industrial business celebrities in Hongkong, Taiwan and Macaw, and yielded significant achievements. As the end of 1999, 3,508 private entrepreneurs have been taken part in the Cause, 3,829 projects implemented, over 10.521 billion yuan invested, 761500 employment opportunities created, donation for establishing schools and other activities of public

benefits reached 1.217 billion yuan. As a result, 1.9292 million poor have been helped out of poverty of food and clothing problem.

**Box 13. Self-reliance Project for the Poor Households by
the PRC Poverty Reduction Foundation**

During the past ten years after the founding of the China Poverty Reduction Foundation in March of 1989, with the support by personage of various lines of life from home and abroad that are devout for assisting the poor, projects of various types totaling over 500 million yuan have been carried out. The most prominent one is the Self-reliance Project for the Poor Households which comprises the major part of the investments.

The project helps the poor households in tackling bottleneck constraints through the support of the foundation, and increases the efficiency in resources reallocation. Thus the self-managing and governing capacity of the poor can be enhanced in addressing poverty and promoting sustainable development.

Loess Plateau located in the northwest of the PRC has an annual rainfall less than 400 mm with high vaporization. Arid and water shortage results in low and unstable yields of grain production and brings devastating difficulties for the drinking water, which is a threat to the existence and development of human being. Guizhou Province, located in the southwest of the country, faces with scarcity of earth due to the Karst topology, where the water and soil is easy to run off and thus the fertility is difficult to keep. As a result, the farmland has only a thin layer of soil of low quality, the grain production is too low to maintain a living. Liangshan Yi ethnic minority autonomous prefecture of Sichuan Province in southwest of the PRC situates in the high-altitude frigid zone where the development of the society is backward and where people have to share sheltering with domestic animals in narrow and damp broken thatch houses and have a living without clothes and quilts. After field investigations in those areas and the documentation and surveys on the poor households and the completion of project designs, the Foundation identified three self-reliance and development projects, namely Northwest Portable Water Project in tackling the drinking water difficulty of the poor, Southwest Farmland Reconstruction through Stone Works in addressing the subsistence problem, and Daliangshan Yi Nationals House Improvement Project aimed at put an end to the human-animal shared sheltering. These three programs were started in 1997, by the end of 1999, two phases have been completed.

Two phases of drinking water projects have been implemented in Tongwei County in Gansu and Yulin City of Shaanxi, with a total investment of 5.075 million yuan. Accordingly, 1,890 water cisterns and 23 pump stations have been built, thus the problem in portable water has been solved for 2018 households and 8871 persons and 4098 large animals.

A total investment has been put in Guangling County of Guizhou Province, an area of 22315.9 mu of farmland has been constructed, 2959.4 mu of land has been reclaimed, covering 7217 beneficiary households and 33554 people.

For Housing Improvement Project in Daliangshan Yi nationals in Sichuan Province, 14.929 million

yuan was invested, renovations have been provided for 3181 households, the human-animal shared sheltering has been changed for 13193 persons.

**Box 14. Qingdao Hongxing (red star) Chemical Group
Expanded through the East-west Cooperation Program**

Qingdao Hongxing Chemical Group is one the state key major enterprises that produce inorganic salts. It has a history of over 30 years. Its major product is barium salt, which is a resource-intensive. This product faces with increasing market competition, thus the development of enterprises like Qingdao Hongxing will be very difficult for they are far away from the raw material base. After entering 1990s, Hongxing has been fallen into difficult loss-making situation, consequently the crisis arouse for "Iron Bowl" for about 4000 employees of the enterprise.

In 1996, the State Council organized the poverty reduction partnership between the economically developed areas with the inland poor areas. Qingdao was designated as one of the centrally directly listed cities to provide assist Guizhou. Guizhou is a inland province but with abundant natural resources. Its barium salt accounts for 50 percent of the country. Hongxing realized the enormous significance of this policy for its development and took initiative to go to western region. It decided to take Guizhou as its big chemical base for construction. In August 1996, Hongxing set up a subsidiary company in Anshun Prefecture of Guizhou Province with an investment of 120 million yuan – Zhenning Hongdie (Red Butterfly) Barium Industry Company. The annual capacity of output is 450,000 tons of barium product. In 1998, another investment totaling 36 million yuan was injected for the second phase project.

The Zhenning Hongdie Barium Industry Company combines the advantage in resources of Guizhou and the advantages in management, technologies and marketing of Qingdao Hongxing. The strength of both sides have been synthesized with a effect of win-win. Firstly, the cooperation has not save the old factory of Hongxing, but also it has a better chance for large development. In 1998, the production of Hongdie reached 120 million yuan with a sales volume of 80.18 yuan, contributing 11 million yuan of taxes and profits, and creating 15 million USD export earning. The development of Hongdie helps the development of Hongxing, thus the laid off workers of Hongxing have been back to their jobs. Hongxing used this great opportunity and momentum to further explore the businesses in the broader western region.

Hongdie, on the other hand has helped greatly the development of local economy in Zhenning. Since the start of production, 14.30 million yuan of tax revenue has been turned in to the local budget, 650 farmers have been placed in the factory, with its backward linkage, over 1500 employment opportunities have been created. Furthermore, complementing industries including transportation, mining and service sectors have been developed and increased 137 million yuan of income. Through all these benefits, it has made great contribution to addressing the food and clothing problem in Zhenning.

**Box 15. Labor Mobility Program by the China West Human
Resources Development Center (CWHRDC)**

In order to pilot on the approach of transferring the poor laborers from the poor areas to find jobs in elsewhere and developing their human resources in a planned way, the LGOP incorporates Labor Mobility Component/program into the design of the World Bank financed Southwest Poverty Reduction Project and Qinba Mountains Poverty Reduction Project in a bid for the development of human resources. The LGOP took the lead to set up Off-home Employment Guidance Committee for the Poor Areas, and CWHRC was also established to design, guide, manage and monitor the program.

The objectives of the program are: (1) complete household surveys and registration on the identified surplus laborers of the households in the selected poor villages and townships, create a labor force database based on these data as the reference books for selecting the participants; (2) Through market development and signing agreements with receiving enterprises on labor use, clarifying and defining the requirements for the workers, and the terms on obligation and rights of the recruited workers; (3) then select the eligible participants from the labor force database; (4) conduct medical check and orientation training with instruments of specially designed easy-to-be-understood teaching materials and videos, the training covers not only the skills and self-protection necessary for the outside jobs but also self-esteem to enhance the laborers' adaptability after placement; (5) provide the workers with necessary loans; (6) arrange staff to accompany with and place the laborers to the enterprises; (7) implement follow-up management by choose appropriate liaison delegates from the placed workers to fill the reporting forms on their status after the placement; (8) computerized management system and monitoring through sampling inspection, to ensure the sound function of the project and learning mechanism.

Ever since the implementation of the program in 1995, 320,000 poor surplus laborers from the rural poor villages in 57 poor counties have been exported on a stable basis.

A wealth of original documentation and the results from the independent monitoring indicate, the project has not only assisted 320,000 poor farmers from the poor areas to find job in elsewhere, but also their families totaling 1.5 million population have obtained 600 million to 800 million yuan cash income annually. The basic subsistence problem of the poor thus has been solved. More importantly, through the organization and management of the program, the 300,000 workers under the program have learnt about how to meet shocks and make adjustments through working and living outside and experience conflicting concepts, with their enhanced self-development capacities. These groups have become the complete new generations from the poor communities, which has extraordinary significance for assisting the poor families and poor villages to rise above poverty and to develop on a sustainable basis. The program has been highly praised by the World Bank and other international organizations.

Box 16. Leading Masses to Cut Mountains and Build Farmland

He Yuanliang, Secretary of CCP of Daguang Village, Luodian County of Guizhou Province, has led villagers to terrace the hillsides into farmland. It has been over ten years before he recognized such a long period. By their own hands, the villagers has built a huge area of plots and made thorough change of the poor picture of the village.

Originally, Daguang Village was a place where natural conditions are extremely harsh with high mountains and deep valleys and steep slopes with scarcity of soil, typical of Karst topology. It was in destitute. The village had a population of 1312 in 1884 and 62 mu paddy fields. Per capita farmland availability was 0.05 mu, per capita grain availability was 150 kgs and per capita income less than 50 yuan. From 1984, Secretary He mobilized all the villagers to remove the stones from the hills to construct farmland and used the crushed stones to make up the terracing edges, then earth was carried from nearby hills to fill the fields for rice plantation. Over the past 10 years, a total of 100,000 labor days have been input and over 900 mu farmland was built. Cash crops have been planted at large scales 360 mu of *Eucommia*, ginkgo, and yellow cypress totaling 6800 trees have been established, 225 cisterns of various sizes have been constructed. Therefore, the commercial agriculture has been developed. Currently, the per capita farmland availability has been increased to 0.08 mu, with a per capita grain of 410 kgs and per capita net income 850 yuan. 7 kms of rural roads was constructed while the ecological environment has been significantly ameliorated.

Why such a big change can be made for Daguang Village? Five terms can summarize the keys and experiences for such success: Arduous Working, Concrete Actions, Solidarity, Mutual Help. He Yuanliang was highly respected by the local villagers because he has embodied the hardworking, diligence and bravery of the local officials and the general people in the poor areas who have dared to use their own hands to challenge the living existence environment. On the other hand, the great accomplishment of Daguang Village also proved the importance of a strong village level organization. It is said, without such a good leader as Secretary He, the change would not have been so quick. It is with a good leadership a good way can be developed for the solution of subsistence problem and the change of the deplorable picture.

Box 17. World Bank Loan Poverty Reduction Projects in the PRC

The Southwest Poverty Reduction Project was started in July of 1995 in Yunnan, Guangxi and Guizhou, covering 35 NDPCs. The total scale of investment reached 4.23 billion yuan, of which 2475 billion USD is the World Bank loans, with 2.18 billion yuan of domestic counterpart funding. The contents of the project interventions include 8 components on: agriculture, infrastructure, secondary and tertiary industries (TVEs), labor mobility, health, education, institutional building and poverty monitoring. At the full development of the project, 3.5 million rural poor will be lifted out of basic subsistence poverty in the project areas.

The Qinba Mountains Poverty Reduction Project was started in 1997 for implementation formally in Sichuan, Shaanxi and Ningxia, covering the poorest 26 NDPCs. The total investment of the project is 2.988 billion yuan, of which 180 million USD is the Bank's lending. In addition to the project activities of Southwest Project, a microfinance component was included for testing. The completion of the project will help solving the food and clothing problem for 2.3 million poor population in Qinba Mountains on a stable basis.

The Western Poverty Reduction Project covers over the poorest 20 NDPCs of Gansu, Inner Mongolia and Qinghai. The full development of the project will enable 2 million poor rise above poverty of food and clothing problem on a sustained basis.

**Box 18. Main Features of Southwest Poverty Reduction Project
and Qinba Mountains Poverty Reduction Project**

The Southwest Project and Qinba Project were the foreign projects that were designed and managed under the leadership of LGOP. The total investment of these 2 projects reaches 7.3 billion yuan in attempt to firmly solve the food and clothing problem for approximately 6 million population.

These two projects are the collaboration between the World Bank and the Chinese government by testing poor community comprehensive improvement approach. Its main feature is its comprehensiveness. The characteristics are mainly: (1) Most of past projects in the PRC funded by international organizations are single-sector. Their advantages are easy to manage but weakness is that only one aspect of the poor households is supported and thus can not fundamentally address the poverty problems of the poor. Southwest Project and Qinba Project emphasize community planning, comprehensive treatment, solving problem by packaged tools. The project established infrastructure projects in poor communities to tackle the difficulties in drinking water for human and domestic animals, lack of access to roads; Land and farmer development component is also incorporated to the problems related to basic farmland construction, animal raising and crops development; the introduction of labor mobility and microfinance component into the projects is aimed at addressing the unemployment in rural areas and employment in outside areas, and the problems in developing human resources; the establishment of health and education components under the projects is to basic social services and security level at township and village levels; the inclusion of the secondary and tertiary industries into the projects is to absorb the farm produce and the difficulties in marketing and processing; the introduction of institutional building component is to solve the problems related to the project management capacity; (2) In the past, the projects faced with constraints of too broad area coverage and too little money while the Southwest and Qinba projects concentrate resources and strengths to eradicate targeted groups and areas, the per capita investment is over 1500 yuan, thus the investment to a household of 5 members reaches 7000 to 8000 yuan, this fundamentally provides key guarantees for increasing the assets status and income platforms of the poor societies and poor population, that is not only we should focus on what we can do for the poor, but also focus on what problems we have solved for the poor; (3) The uniqueness of Southwest and Qinba Projects have also been reflected in its management. The LGOP specially founded Foreign Capital Project Management Center, in line with international standards, to organize the management, operation and monitoring by introducing advanced management means. Furthermore, computerized information management system has been expanded down to county and township levels. By these measures, the objectives of the project designs are ensured to be realized.

The World Bank Quality Assessment Team recorded as follows in its report submitted the World Bank after its examination on Southwest Project: "The Mission concluded that the preparation and

implementation of the projects are completely satisfactory, some aspects are among the best ones in the World Bank assisted projects. The Project is complicated and large, although the project implementation has achieved great success. The project has not only benefit the poor but also give a platform for testing innovative poverty reduction approaches. The Mission believed that the project on one hand has not only provide a creative poverty reduction model for other areas in the PRC, but also lends good experiences for other developing countries. Although the Bank's experiences in the past proved that the implementation of such type of complex and cross-sectoral projects would encounter a great many problem, the Mission found that the overall implementation of the Southwest Project has been smooth due to a variety of factors including the strong institutional strength of the Chinese government, even it is very complicated. ... There are several other unique features for the project, that is the strong participation at national level, the learning by doing approach and the high coordination spirit, the emphasis on assistance to villages and households, the labor contribution of the beneficiary households and the innovative labor mobility component. "

Box 19. Double Learning and Double Competition

The State Council LGPR in collaboration with All the PRC Women Federation and other departments, totaling 12 (later the number was increased to 14), among the women throughout the country, competition program of "Learning Culture/Knowledge and Technology, Contesting Achievements and Contribution" was implemented (thus it was called Double Learning and Double Competition in brief terms). The activity mainly centers on three areas: (1) Based on science and technology to invigorate the agriculture, deliver training to women on cultural and technological knowledge; (2) centered on improving the comprehensive agricultural production capacity, develop high-yielding and high quality agriculture, and organize production competition that fit with women; (3) oriented to the market, deepen the reform, provide social services to the participating women. During the past 10 years, it has been the most influential program with best impact among the rural women in recent years. The major accomplishments under the program are embodied in the following.

One, science and technical training to upgrade women's quality on culture and science & technology. By emphasizing on the development of women potentials and talents and improvement on women's production skills, centered on the local extension of results of advanced technologies and applied agricultural technologies, training is provided to women of various levels on various types and topics in various forms. For illiterate women, technology learning should be done in combination with literacy education. For women with certain level of education, they are provided with applied technology training; for women familiar with certain technologies, they are provided with professional technical training; For women that have reached adequate level of technical qualifications, they should be organized to attend broadcasting agricultural schools or distant education colleges, for the qualified, Green Certificate and agricultural technician ranks will be awarded. Since the implementation of the program, there have been 20 million women national wide participating in the broadcasting and distant teaching schools and colleges, of which some 10,000 women have obtained technical ranks. There have been 9.24 million demonstration women-headed households for science and technology extension.

Two, carry out labor and work competition and contests to increase women's enthusiasm in participating in production. In the Double Learning and Double Contests program, it follows the local overall agricultural development plans and to tap the advantages of women to organize the regional, technical working contests. According to some representative investigations, 50 percent of the women have made over half of the total income of the households. Particularly those talented hands in agricultural activities among women have been the leading forces for the development relying on science and technologies. So far, 700 women in the country have been evaluated and praised for the honorable title of "Double Learning and Double Contests" outstanding talents. Of them 9 have been awarded the World Rural Women Life Creation Prize.

Third is to develop services system to get rid of the concerns conceived by women that are involved in production. Service organizations in many places have been founded on agricultural technologies, tree crops, finance, purchasing and marketing, These organizations comprising professionals in many fields deliver regular technical, capital and goods and services to women. To date, the numbers of the women science and technology associations and various technical societies throughout the rural the PRC totals 1.03 million. In many places, demonstration bases have been set up that are combining production, research, training and income generation activities together. Women are organized to take part in the demonstration and experiments to learn more techniques.

Box 21. Small River Valley Comprehensive Improvement

The Small River Valley Comprehensive Improvement is an integrated development system and a combination of engineering interventions with biological measures. Details of this approach are: On slopes with over 30 degrees of incline, establish water and soil conserving forestry, a mixture of arbor trees, shrubbery, and grass to increase the intensity of the vegetation, forming the prevention belts for water and soil losses; For slopes below 30 degrees of incline, in combination with the development of crops establishment, forestry, and animal husbandry bases, hold the surface running water by terracing, or water-blocking ditches; in the bottom of the valleys, small dams and ponds are constructed to retain soil and sand and to deter flooding water and develop irrigation. Additionally, supplementary roads are constructed. In this way the comprehensive improvement approach is implemented: through these measures, the improvement on hill tops, slopes and valley bottoms is integrated, accordingly, the development on hills, water, fields, forestry and roads can be also integrated.

Gansu Province lies in the inland northwestern the PRC, covering tributary areas of Yellow River, Yangtze River and inland rivers. In the province, over 1,100 small valley improvement projects have been implemented, totaling 12200 square km, representing 57 percent of the total area of river basins of the province (21400 square km). The examination and acceptance results from 100 demonstration schemes in the provinces indicate that, with the project sites, sand running was reduced by 64.2 percent, water loss by 61.2 percent; the per capita grain production was increased from 333.57 kgs before the project to 524.49 kgs, which was a 57.1 percent increase; the farmers' net income was increased from 382.87 yuan before the project to 1106.35 yuan, an 189 percent increase. In those areas, water and earth is preserved very effectively.