

# ERADICATING ABSOLUTE POVERTY IN HUNAN PROVINCE, PEOPLE'S REPUBLIC OF CHINA

*Haixiang Xiao, Junjun Hou, Min Chen, Weiping Deng, Chuanchen Zhao, Jihong Zhou, and Xiaolu Liu*

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## Eradicating Absolute Poverty in Hunan Province, People’s Republic of China

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Promoting Partnerships for South-South  
Cooperation II.



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# CONTENTS

|  |            |
|--|------------|
| <b>TABLES, FIGURES, AND BOX</b>  | <b>v</b>   |
| <b>ABBREVIATIONS</b>   | <b>vi</b>  |
| <b>ABSTRACT</b>  | <b>vii</b> |
| <b>I. OVERVIEW OF POVERTY AND POVERTY REDUCTION IN HUNAN PROVINCE</b>  | <b>1</b>   |
| A. Size of the Poor Population and Poverty Headcount Ratio   | 1          |
| B. Per Capita Disposable Income and Consumption Expenditure  | 2          |
| C. The Elderly and People with Disabilities Living in Poverty  | 3          |
| D. Migrant Workers   | 5          |
| E. Regional Distribution of Poverty Reduction Population in Hunan Province                                       | 6          |
| <b>II. ANALYSIS OF THE HUNAN PROVINCIAL FINANCIAL POVERTY REDUCTION FUND</b>                                     | <b>7</b>   |
| A. Scale of the Hunan Provincial Financial Poverty Reduction Fund  | 7          |
| B. Effects of the Poverty Reduction Fund   | 7          |
| C. Analysis of International Organization Loans Supporting Hunan's Poverty Reduction and Sustainable Development | 10         |
| D. Features of Quality Assurance and Sustainability Challenges in Poverty Reduction                              | 13         |
| <b>III. FINANCIAL MEASURES TO SUPPORT GOVERNMENT-SUBSIDIZED PROGRAM</b>  | <b>15</b>  |
| A. Financial Support Measures for Vulnerable Groups  | 15         |
| B. Financial Support Measures for Education  | 18         |
| C. Financial Support Measures for Medical Services   | 19         |
| <b>IV. FINANCIAL MEASURES TO SUPPORT TAILORED POVERTY ALLEVIATION</b>  | <b>21</b>  |
| A. Financial Measures to Support Industry-Assisted Poverty Alleviation   | 21         |
| B. Financial Measures to Support Consumption through E-commerce  | 23         |
| C. Financial Measures to Support Employment  | 23         |
| D. Financial Support Measures through Use of Financial Tools   | 25         |
| <b>V. CHALLENGES IN FINANCIAL POVERTY REDUCTION AND CURBING THE RETURN TO POVERTY IN THE FUTURE</b>              | <b>25</b>  |
| A. Sustainability Challenges in Government-Subsidized Poverty Reduction  | 25         |
| B. Sustainability Challenges in Industry-Led Development   | 26         |
| C. Sustainability Challenges in Financial Investments in Poverty Reduction                                       | 27         |

|  |           |
|--|-----------|
| <b>VI. NEXT STEPS</b>  | <b>28</b> |
| A. Diversify Sources of Social Security-Based Poverty Reduction Funds  | 28        |
| B. Enhance the Sustainability of Industry-Led Poverty Alleviation      | 28        |
| C. Optimize the Efficiency of Poverty Reduction Funds                  | 29        |
| D. Improve the Constraint Mechanism                                    | 30        |
| <b>APPENDIX 1: CASE STUDY: POVERTY ALLEVIATION IN PINGJIANG COUNTY</b> | <b>31</b> |
| <b>APPENDIX 2: CASE STUDY: POVERTY ALLEVIATION IN HUAYUAN COUNTY</b>   | <b>35</b> |
| <b>REFERENCES</b>  | <b>38</b> |

## TABLES, FIGURES, AND BOX

### TABLES

|      |   |    |
|------|---|----|
| 1    | Economic Indicators and Poverty Indicators of Hunan Province, 2014–2019                         | 1  |
| 2    | Proportion of People with Disabilities among People over 60 in Hunan Province, 2014–2018 (%)    | 5  |
| 3    | Main Effects of Government-Subsidized Program   | 8  |
| 4    | Main Effects of Tailored Financial Support for Poverty Reduction                                | 9  |
| 5    | Loan Projects for Poverty Reduction and Sustainable Development in Hunan Province Since 2013    | 11 |
| 6    | Industry-Assisted Poverty Alleviation in Hunan, 2015–2019                                       | 21 |
| A1.1 | Basic Indicators of Pingjiang County  | 31 |
| A1.2 | Social Expenditures of Various Funds of Pingjiang County to Support Poor Population (CNY10,000) | 33 |
| A2.1 | Basic Indicators of Huayuan County  | 35 |
| A2.2 | Issuance of Urban and Rural Subsistence Allowance in Huayuan County, 2017–2019                  | 36 |

### FIGURES

|   |   |    |
|---|---|----|
| 1 | Population below National Poverty Line and Poverty Headcount Ratio in Hunan Province, 2014–2019   | 2  |
| 2 | Per Capita Disposable Income and Consumption Expenditure of Poverty-Stricken Counties in Hunan Province, 2014–2018                          | 3  |
| 3 | Distribution of the Elderly in Hunan Province, 2014–2019  | 4  |
| 4 | Proportion of Elderly over 60 Years Old in Hunan Province (%)   | 5  |
| 5 | Number and Growth of Migrant Workers in Hunan Province, 2014–2019   | 6  |
| 6 | Poverty Reduction in 12 Municipalities and Prefectures in Hunan Province, 2014–2016   | 6  |
| 7 | Investment Scale of Financial Poverty Alleviation Funds in Hunan Province, 2015–2019  | 7  |
| 8 | Social Assistance and Urban and Rural Subsistence Allowance Issued by the Civil Affairs Department of Hunan Province, 2014–2019 (CNY/month) | 16 |
| 9 | Urban and Rural Subsistence Allowances in Hunan Province, 2014–2019 (CNY100 million/month)  | 17 |

### BOX

|  |  |    |
|--|--|----|
|  | Case Analysis: Comprehensive Rural Development Project in Central and Western Hunan Province (2012–2017) | 12 |
|--|--|----|

## **ABBREVIATIONS**

- ADB – Asian Development Bank
- ha – hectare
- IFAD – International Fund for Agricultural Development
- PRC – People’s Republic of China



## **ABSTRACT**

This case study describes how Hunan's spending programs were directed at specific vulnerable groups to reduce poverty. The vulnerable groups include the elderly living in poverty, people with disabilities, and migrant workers and their left-behind children. Hunan Province mainly provided subsidies largely funded by the provincial government, with funding assistance from the central government. The government-subsidized poverty reduction primarily included social security, education, and health care-related interventions. The tailored financial support for poverty reduction largely referred to industrial development, consumption, employment, and financial tools including microfinance. Hunan has improved infrastructure to benefit vulnerable groups, through the construction of elderly service facilities, protection centers for minors, nursing institutions for the disabled, and children's homes in villages. The province has achieved 100% coverage of all the elderly people living in poverty with pension insurance. Hunan's poverty alleviation efforts eradicated absolute poverty in the province in 2020, but the problems of relative poverty and rural-urban imbalance persist. More can be done to ensure the sustainability of poverty alleviation approaches, including improving the efficiency and supervision of poverty alleviation funds, increasing investments in disease prevention and exploring the combination of policy and commercial insurance for medical services, and implementing various commercial insurance systems and charitable donations.



# I. OVERVIEW OF POVERTY AND POVERTY REDUCTION IN HUNAN PROVINCE

## A. Size of the Poor Population and Poverty Headcount Ratio

From 2014 to 2019, Hunan Province made rapid progress in poverty reduction and achieved effective results. Both the poor population or population below the national poverty line and the poverty headcount ratio have dropped significantly. In 2014, there were 6.82 million people living in poverty, and the poverty headcount ratio was 10.10%. Five years into its poverty reduction program, the number of poor population had dropped to 830,000, and the poverty headcount ratio<sup>1</sup> was reduced to 0.36% by 2019 (Table 1 and Figure 1).

**Table 1: Economic Indicators and Poverty Indicators of Hunan Province, 2014–2019**

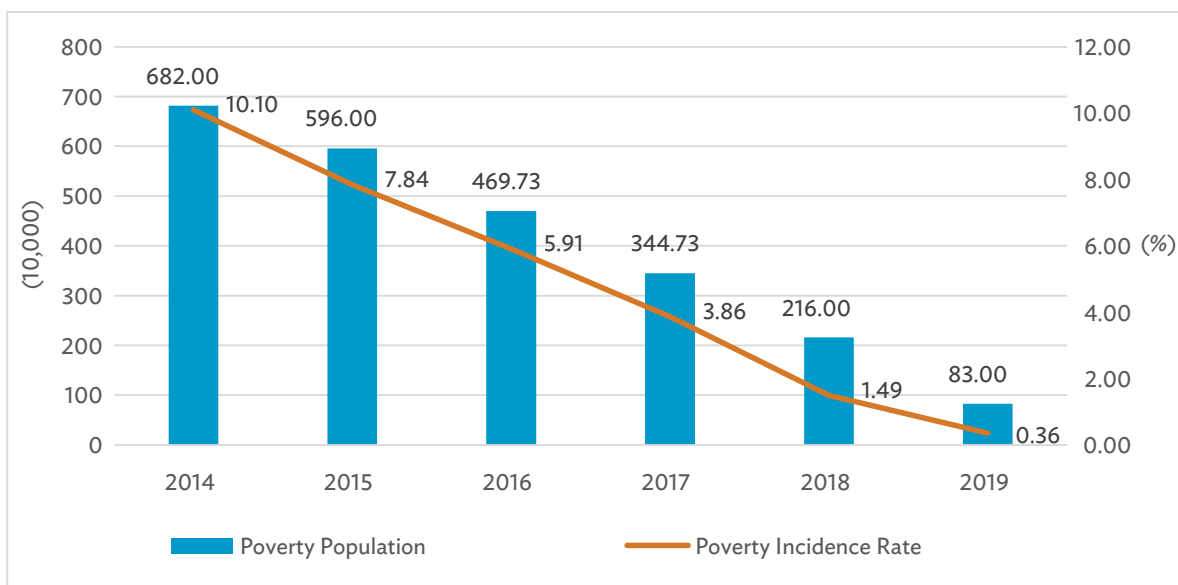
| Indicators  | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   |
|---|--------|--------|--------|--------|--------|--------|
| <b>Economic Indicators</b>                            |        |        |        |        |        |        |
| GDP (CNY billion)                                     | 2,704  | 2,890  | 3,089  | 3,390  | 3,633  | 3,975  |
| Per capita GDP (CNY)                                  | 40,271 | 43,153 | 45,408 | 49,558 | 52,809 | 57,540 |
| Real GDP growth rate (%)                              | 9.50   | 8.50   | 8.00   | 8.00   | 7.80   | 7.60   |
| Unemployment rate (%)                                 | 4.10   | 4.10   | 4.20   | 4.00   | 3.60   | 2.70   |
| Inflation (consumer price index, %)                   | 1.90   | 1.40   | 1.90   | 1.40   | 2.00   | 2.90   |
| Per capita disposable income of urban residents (CNY) | 26,570 | 28,838 | 31,284 | 33,948 | 36,698 | 39,842 |
| Per capita disposable income of rural residents (CNY) | 10,060 | 10,993 | 11,930 | 12,936 | 14,093 | 15,395 |
| <b>Poverty Indicators</b>                             |        |        |        |        |        |        |
| Poor population (10,000)                              | 682    | 596    | 469.73 | 344.73 | 216    | 83     |
| Poverty headcount ratio (%)                           | 10.10  | 7.84   | 6.36   | 3.86   | 1.49   | 0.36   |
| Decrease in poor population (10,000)                  | 102.50 | 124.00 | 125.30 | 139.50 | 131.00 | 62.80  |

CNY = yuan, GDP = gross domestic product.

Sources: *Hunan Statistical Yearbook. 2015–2020*. <http://tjj.hunan.gov.cn/tjsj/tjnj/> (accessed 17 October 2020); *China Statistical Yearbook. 2015–2020*. <http://www.stats.gov.cn/tjsj/ndsj/2018/indexch.htm> (accessed 15 October 2020); and Hunan Provincial Poverty Alleviation and Development Office. <http://hnsfpb.hunan.gov.cn/> (accessed 16 October 2020).

<sup>1</sup> Poverty headcount ratio = number of poverty-stricken population (household)/total population (household)\*100%.

**Figure 1: Population below National Poverty Line and Poverty Headcount Ratio in Hunan Province, 2014–2019**



Notes: The data for 2019 is the number of population below the national poverty line in the first half of 2019. The poverty headcount ratio in 2015 was the poverty headcount ratio in rural areas. The numbers of the decreased poor population in 2017 and 2018 were the registered numbers of the decreased poor population in rural areas.

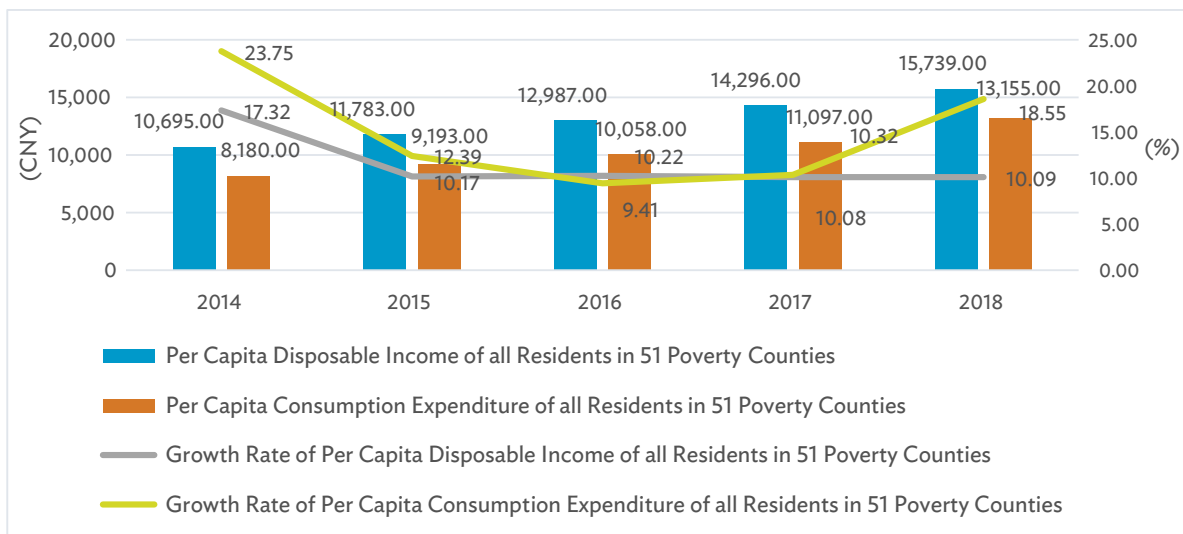
Source: Hunan Provincial Poverty Alleviation and Development Office, Hunan Provincial People's Government.

## B. Per Capita Disposable Income and Consumption Expenditure

From 2014 to 2018, the per capita disposable income and per capita consumption expenditure of residents in 51 poverty-stricken counties increased steadily.<sup>2</sup> In 2018, the per capita disposable income of all residents in 51 poverty-stricken counties was CNY15,739, which was 1.47 times that of 2014 (Figure 2).

<sup>2</sup> Because of unavailability of data, the average per capita income and per capita consumption expenditure of all residents in Hongjiang District and Longshan County were not included in the calculation of the mean value in 2017. The data of 2018 does not include data on per capita disposable income and per capita consumption expenditure of all residents in Hongjiang District.

**Figure 2: Per Capita Disposable Income and Consumption Expenditure of Poverty-Stricken Counties in Hunan Province, 2014–2018**



CNY = yuan.

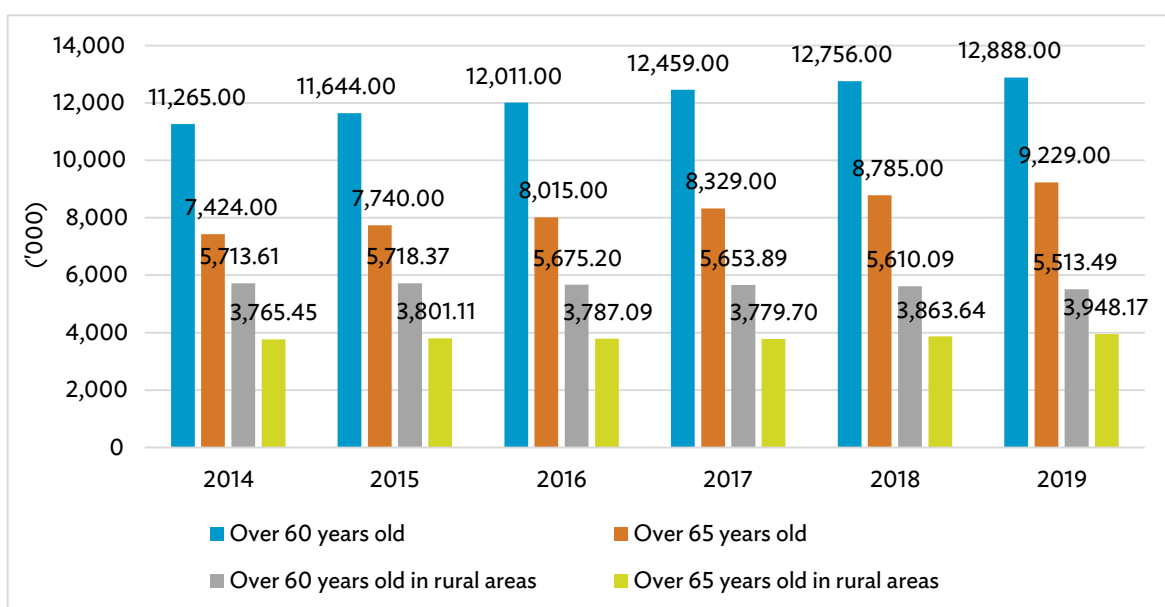
Note: Respondents came from 51 counties.

Source: Hunan Provincial Bureau of Statistics. *Hunan Statistical Yearbook 2015–2019*. <http://tjj.hunan.gov.cn/hntj/English/hs/index.html> (accessed 17 October 2020).

### C. The Elderly and People with Disabilities Living in Poverty

The elderly over 60 years old in Hunan Province is on the rise,<sup>3</sup> reaching 12.89 million in 2019, accounting for 17.60% of the total population, 1.14 times that of 2014. The elderly living in rural areas (whose income are usually lower than those living in urban areas) account for about 42%–50% of the elderly population (Figure 3).

<sup>3</sup> As data on the impoverished elderly population is not available, this section uses the elderly population data as an alternative analysis.

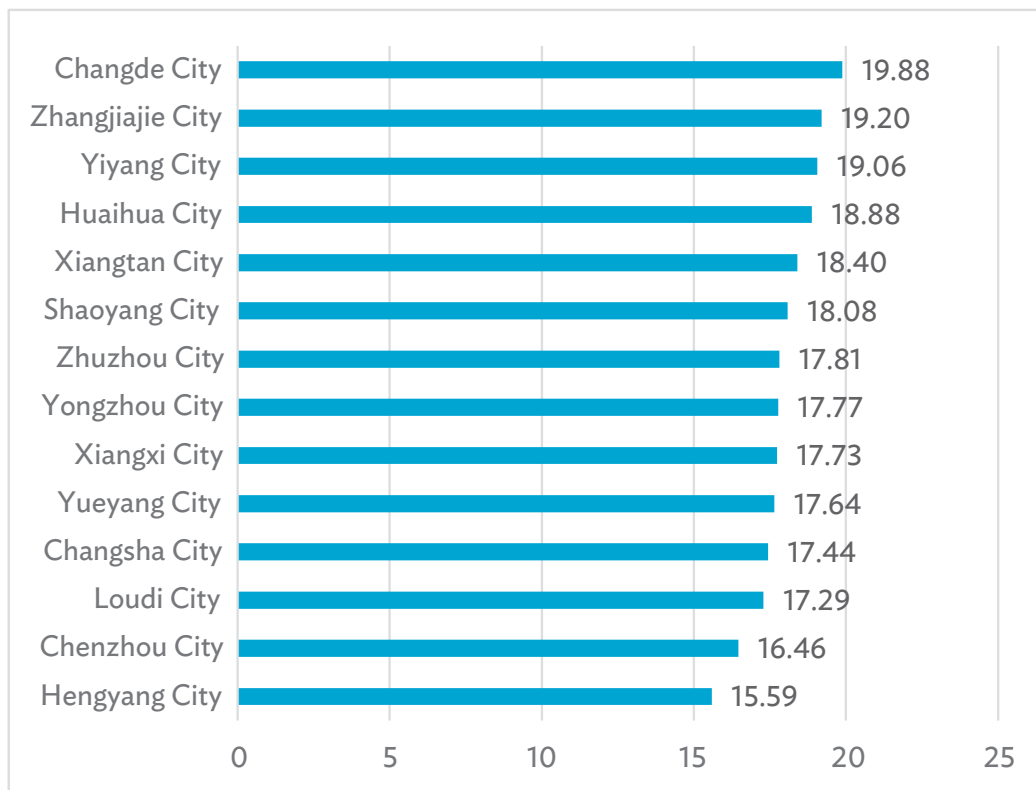
**Figure 3: Distribution of the Elderly in Hunan Province, 2014–2019**

Source: Hunan Provincial Bureau of Statistics. 2014–2019 *Hunan National Economic and Social Development Statistical Bulletin*. <http://tjj.hunan.gov.cn/tjfx/tjgb/jjzgb/> (accessed 17 October 2020).

In 2017, Changde City had the highest proportion of elderly people over 60 years old in the permanent population of all municipalities and prefectures in Hunan Province, accounting for 19.88%; Hengyang City had the lowest proportion, accounting for 15.59%. There are more poverty-stricken counties among cities and prefectures with a high proportion of elderly people. Among the top six cities and prefectures with the highest aging rate, there are 27 poverty-stricken counties, accounting for 52.94% of all 51 poverty-stricken counties. The details are shown in Figure 4.

In 2018, there were 1.72 million registered people with disabilities in Hunan Province. At the end of 2019, there were 50,800 people with disabilities among the 199,000 poverty-stricken population in the province, accounting for 25.50% of the poor population; 14,000 people with disabilities were on the verge of poverty; and 12,000 people with disabilities were at risk of returning to poverty. From 2014 to 2017, the proportion of people with disabilities among people over 60 years old in Hunan Province has been increasing, as shown in Table 2.

**Figure 4: Proportion of Elderly over 60 Years Old in Hunan Province (%)**



Note: The ranking is aggregated from each municipality and prefecture.

Source: Hunan Provincial Department of Civil Affairs. 2017. *Hunan Provincial Aging Development Report*. [http://mzt.hunan.gov.cn/xxgk/mt/201809/t20180925\\_5101375.html](http://mzt.hunan.gov.cn/xxgk/mt/201809/t20180925_5101375.html) (accessed 21 October 2020).

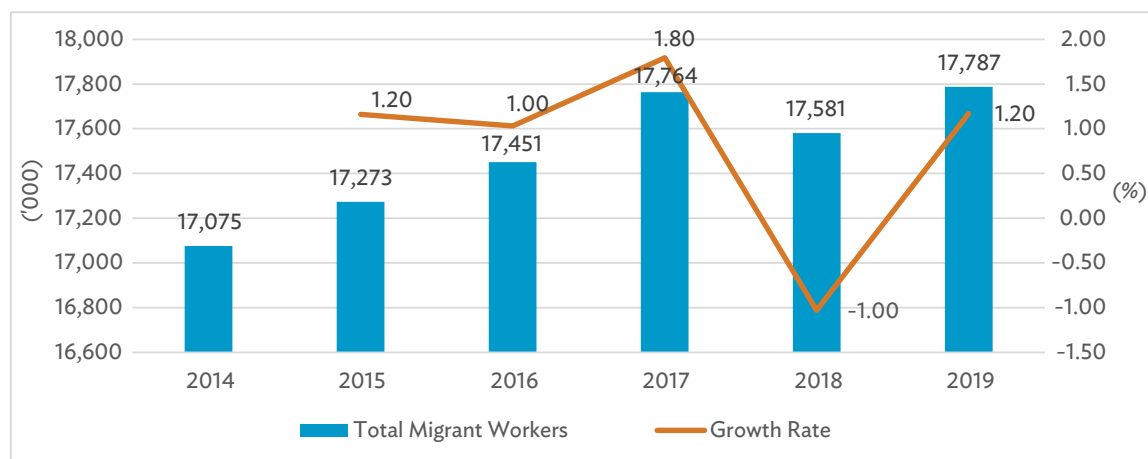
**Table 2: Proportion of People with Disabilities among People over 60 in Hunan Province, 2014–2018 (%)**

| 2014 | 2015 | 2016 | 2017 | 2018 |
|------|------|------|------|------|
| 4.27 | 4.86 | 5.15 | 5.47 | 5.59 |

Source: China Statistical Yearbook on the Work for Persons with Disabilities. 2015–2018. <https://navi.cnki.net/KNavi/YearbookDetail?pcode=CYFD&pykm=YCJST&bh=> (accessed 19 February 2021).

#### D. Migrant Workers

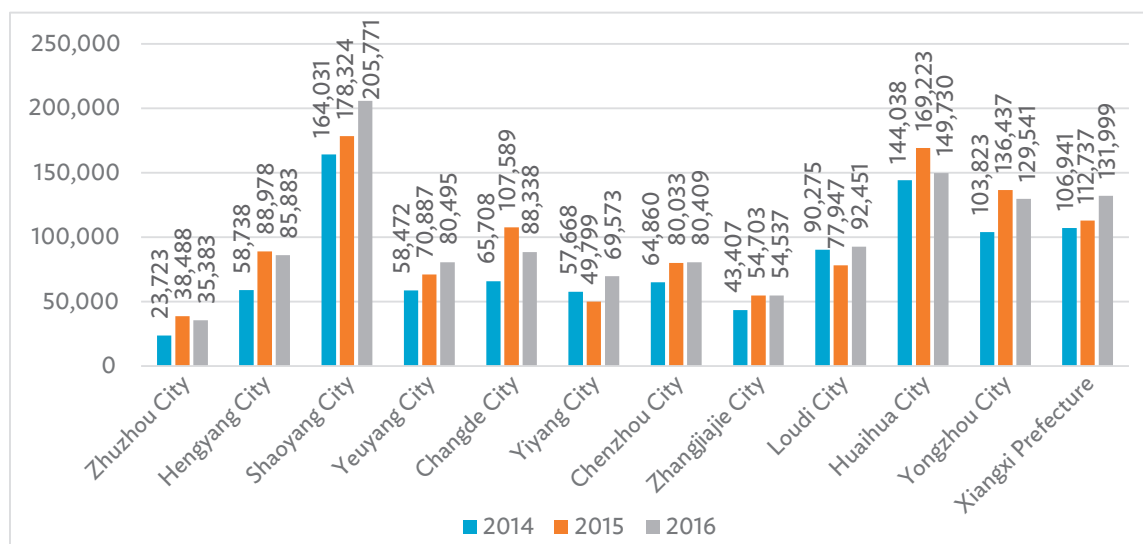
The number of migrant workers in Hunan Province from 2014 to 2019 shows an increasing trend. In 2019, the number of migrant workers reached 17.79 million, 1.04 times that of 2014. The largest increase appeared in 2017, reaching 1.80%. The details are shown in Figure 5.

**Figure 5: Number and Growth of Migrant Workers in Hunan Province, 2014–2019**

Sources: For 2015–2019 data: Hunan Provincial Bureau of Statistics. *2016–2020 Hunan National Economic and Social Development Statistical Bulletin*. <http://tjj.hunan.gov.cn/tjfx/tjgb/jjfgzb/> (accessed 17 October 2020). For 2014 data: *Netease News*. 2015. Implementation Opinions of Hunan Province on Further Providing Better Services for Migrant Workers in 2015. <https://www.tulu.com/read-14232.html> (accessed 11 May 2021).

## E. Regional Distribution of Poverty Reduction Population in Hunan Province

Hunan's efforts for poverty alleviation were mainly in 51 poverty-stricken counties (including 11 provincial poverty-stricken counties), distributed in 12 municipalities and prefectures. From 2014 to 2016, a total of 2,402,137 people were lifted out of poverty in 12 municipalities and prefectures. Among them, Shaoyang City has reduced the most poverty-stricken population by 548,126 people (Figure 6).

**Figure 6: Poverty Reduction in 12 Municipalities and Prefectures in Hunan Province, 2014–2016**

Source: Hunan Provincial Poverty Alleviation and Development Office. <http://hnsfpb.hunan.gov.cn/> (accessed 16 October 2020).

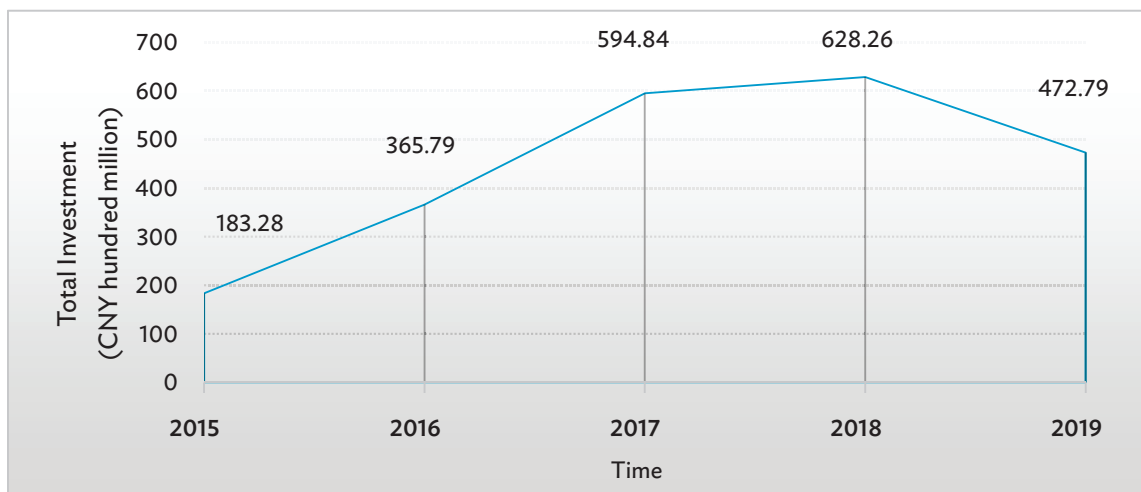


## II. ANALYSIS OF THE HUNAN PROVINCIAL FINANCIAL POVERTY REDUCTION FUND

### A. Scale of the Hunan Provincial Financial Poverty Reduction Fund

In order to lift the population out of poverty in a holistic and stable manner, the Hunan provincial government continuously increased its financial investment in poverty alleviation funds. Figure 7 shows the overall investment scale of financial poverty alleviation funds in Hunan Province from 2015 to 2019, which shows an overall upward trend. The figures were CNY183.33 billion in 2015 and CNY365.79 billion in 2016. In 2017, it was CNY594.84 billion. In 2018, the figure reached a peak of CNY628.83 billion. In 2019, it dropped slightly to CNY472.79 billion. A total of CNY224.50 billion was invested from 2015 to 2019. The decline in investment in 2019 was because of the sharp reduction in the number of poverty-stricken population and the completion of the poverty alleviation investment funds.

**Figure 7: Investment Scale of Financial Poverty Alleviation Funds in Hunan Province, 2015–2019**



CNY = yuan.

Source: Hunan Provincial Department of Finance.

### B. Effects of the Poverty Reduction Fund

The overall effects of Hunan poverty reduction fund are shown in Table 3 and Table 4.<sup>4</sup> (For the specific effect and benefit analysis, please refer to the relevant explanations in sections III and IV.)

#### 1. Government-Subsidized Poverty Alleviation Efforts and Its Poverty Reduction Characteristics

The government-subsidized poverty reduction referred to in this research report mainly includes social security-related poverty reduction, education-related poverty reduction, and health care-related poverty reduction. The main effects of these government-subsidized poverty reduction efforts are shown in Table 3.

<sup>4</sup> The data in this section comes from the Hunan Provincial Poverty Alleviation and Development Office, Hunan Provincial Department of Finance, Hunan Provincial Department of Civil Affairs, and related reports.

**Table 3: Main Effects of Government-Subsidized Program**

| Types of Government-Subsidized Poverty Reduction | Subtype  | Specific Effects   |
|--|--|--|
| Social security-related poverty reduction        | Infrastructure construction                          | In 2019, 29 welfare homes, 15 funeral homes, 22 regional nursing homes, and 14 minor protection centers were built, reorganized, and expanded, and 2,145 social organizations were developed.  |
|  | Pension insurance for urban and rural residents      | In 2018, CNY157 million of pension insurance for urban and rural residents were paid for 1.73 million poverty-stricken people, and CNY1.64 billion of old-age pension was provided to residents directly.  |
| Education-related poverty reduction              | Infrastructure construction                          | The government planned to build 100 “Furong Schools”. As of April 2020, 16 have been put into use, 7 have been basically completed, and 44 have started construction. Nearly 24,000 students have been enrolled, of which registered rural students accounted for about 75% of the total enrollment.   |
|  | Subsidy for students                                 | From 2012 to 2016, CNY19.71 billion of various types of grants were provided, and 18.60 million students were funded.  |
|  | Teaching staff training                              | From 2016 to 2019, the province nurtured more than 20,000 teachers for rural schools through oriented training programs (a system of enrolling and nurturing college students for specific regions, departments, or units, these students normally enjoy scholarships and subsidies and promise to work in certain institutions after they graduate from colleges) and assigned about 18,000 special-post teachers for poverty-stricken counties; the annual subsidy for rural teachers is more than CNY400 million. |
|  | Vocational skills training for impoverished students | From 2012 to 2016, more than 165,000 “Lianghousheng” <sup>a</sup> from impoverished families were trained and transferred through the “Rain and Dew Plan” project; and 17,000 impoverished students received vocational education and employment.  |
| Health care-related poverty reduction            | Infrastructure construction                          | In 2019, full coverage of village clinics was achieved, and each of the 6,920 provincial poverty-stricken villages has at least one standardized clinic.   |
|  | Medical staff supply                                 | From 2014 to 2019, 5,406 primary health personnel were trained and recruited; and 15,000 family doctor teams were established.   |
|  | Health care insurance                                | In 2018, the actual reimbursement rate for the treatment of the impoverished in the province reached 89.10%; the hospital reimbursement for the impoverished was “one-stop and worry-free”, and the rate of signing contracts with family doctors for chronic disease patients reached 100%.   |

<sup>a</sup> “Lianghousheng” refers to the surplus labor force in impoverished families who have graduated from middle school and high school, but failed to continue their education.

Sources: Hunan Provincial Poverty Alleviation and Development Office, Hunan Provincial Department of Finance, Hunan Provincial Department of Civil Affairs, and related reports:

1. 2019 Departmental Overall Expenditure Performance Evaluation Report of Hunan Department of Civil Affairs. [http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615\\_12293750.html](http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615_12293750.html) (accessed 21 October 2020).
2. Official Website of Hunan Development and Reform Commission. [http://fgw.hunan.gov.cn/fgdsj/201903/t20190313\\_5294387.html](http://fgw.hunan.gov.cn/fgdsj/201903/t20190313_5294387.html) (accessed 22 October 2020).
3. Official Website of Xinhua News Agency. [http://www.gov.cn/xinwen/2020-05/23/content\\_5514114.htm](http://www.gov.cn/xinwen/2020-05/23/content_5514114.htm) (accessed 3 May 2021).
4. Official Website of Changsha Evening Newspaper. <https://www.icswb.com/h/162/20170927/489932.html> (accessed 22 October 2020).
5. Official Website of Hunan Provincial Department of Education. [http://jyt.hunan.gov.cn/jyt/sjyt/xxgk/jyxx/jyxx\\_1/202005/t20200525\\_1011086.html](http://jyt.hunan.gov.cn/jyt/sjyt/xxgk/jyxx/jyxx_1/202005/t20200525_1011086.html) (accessed 23 October 2020).
6. L. Kunli. *Huasheng Online*. <https://hunan.voc.com.cn/article/201709/201709271547237758.html> (accessed 27 October 2020).
7. *Self Evaluation Report on Overall Expenditure Performance of Hunan Provincial Poverty Alleviation and Development Office (2018, 2019)*. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201906/t20190627\\_5367468.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201906/t20190627_5367468.html) (accessed 16 October 2020).
8. 2020d. *2019 Overall Expenditure Performance Self-evaluation Report*. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/202006/t20200630\\_12324591.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/202006/t20200630_12324591.html) (accessed 16 October 2020).
9. Hunan Provincial People’s Government. 2019b. [http://www.hunan.gov.cn/hnyw/20180408\\_sxhy/wzzbms/szbm/201910/t20191018\\_10489745.html](http://www.hunan.gov.cn/hnyw/20180408_sxhy/wzzbms/szbm/201910/t20191018_10489745.html) (accessed 23 October 2020).

Government-subsidized poverty reduction program was delegated to governments at various levels, which took full responsibility and provided subsidies for a certain cause. This resulted in the rapid growth of financial investments. In 2018, funds from the central and provincial governments were used for the following:

- (i) CNY8.78 billion allocated to subsidize people in strained circumstances;
- (ii) CNY41.04 billion raised for relocation and poverty alleviation;
- (iii) CNY13.70 billion allocated for student subsidies, while subsidies for rural teachers reached CNY3.60 billion; and
- (iv) CNY1.62 billion allocated by the provincial government as medical assistance funds for registered poverty-stricken residents.

The funds were mainly invested in improving the infrastructure (such as grassroots hospitals, and school buildings); increasing the quantity and quality of the supply of teachers and medical staff; directly paying endowment insurance and medical insurance for the poor; directly granting medical subsidies and school subsidies; and carrying out dilapidated house renovations for impoverished families. In particular, the funds were allocated for supporting the building of “Furong Schools” that were open for impoverished students in rural areas.

## 2. Tailored Poverty Reduction Schemes

The tailored financial support for poverty reduction in this research report mainly referred to poverty reduction through industrial development, consumption, employment, and financial tools utilization. The main effects of these tailored poverty reduction schemes are shown in Table 4.

**Table 4: Main Effects of Tailored Financial Support for Poverty Reduction**

| Types of Tailored Financial Support for Poverty Reduction | Subtype                               | Specific Effects  |
|---|---------------------------------------|---|
| Poverty reduction through industrial development          | Industrial poverty reduction projects | The number of key industrial projects launched in 2015 was 76 and 291 in 2019, supporting more than 190,000 and 3.56 million impoverished people, respectively, to increase their income.   |
|   | Main participating parties            | From 2014 to 2019, 51 poverty-stricken counties organized a total of 839 leading enterprises and 20,850 agricultural cooperatives to participate in industrial poverty alleviation. As of the end of June 2020, a total of 6,165 private enterprises had assisted 8,243 villages.     |
| Poverty reduction through consumption                     | E-commerce poverty reduction          | In 2016, Alibaba and other e-commerce companies established 60 county-level service centers and more than 1,700 village-level service stations in impoverished counties.  |
| Poverty reduction through employment                      | Employment in other areas             | From 2014 to 2019, 51 poverty-stricken counties transferred a total of 1.42 million residents for employment.   |
|   | Local employment                      | 424 employment poverty alleviation bases established, employing 35,890 poverty-stricken people locally; 3,945 employment poverty alleviation workshops established, employing 45,500 impoverished laborers; public welfare positions such as ecological forest rangers were provided. |

*continued on next page*

Table 4 continued

| Types of Tailored Financial Support for Poverty Reduction | Subtype                                     | Specific Effects  |
|---|---|---|
| Poverty reduction through financial tools utilization     | Microcredit for poverty reduction           | CNY23.14 billion of microcredit was issued for poverty alleviation, with a loan balance of CNY6.76 billion.               |
|   | Financial poverty reduction service station | As of August 2016, 598 financial service stations in villages had been launched, covering 64,000 impoverished households. |

CNY = yuan.

Sources: Hunan Provincial Poverty Alleviation and Development Office. Hunan Provincial Department of Finance. Hunan Provincial Department of Civil Affairs. And related reports:

1. *Overall Expenditure Performance Evaluation Report of Hunan Provincial Poverty Alleviation and Development Office (2016, 2018)*. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201607/t20160702\\_3078743.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201607/t20160702_3078743.html) (accessed 16 October 2020). [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201906/t20190627\\_5367468.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201906/t20190627_5367468.html) (accessed 16 October 2020).
2. Hunan Provincial Poverty Alleviation and Development Office. 2020a. <http://hnsfpb.hunan.gov.cn> (accessed 16 October 2020). 2020b. *Remarks at the press conference for poverty alleviation in poverty-stricken counties*. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/gzdt/ldjh/202003/t20200305\\_11799969.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/gzdt/ldjh/202003/t20200305_11799969.html) (accessed 16 October 2020). 2020c. *After 51 poverty-stricken counties took off their hats, Hunan ensured that the remaining poor people were lifted out of poverty as scheduled-tackling tough problems more accurately and finishing the battle*. [http://hnsfpb.hunan.gov.cn/hnsfpb/tslm\\_71160/jzfp/202003/t20200306\\_11800803.html](http://hnsfpb.hunan.gov.cn/hnsfpb/tslm_71160/jzfp/202003/t20200306_11800803.html) (accessed 16 October 2020).
3. Official Website of Rednet. <http://hunan.sina.com.cn/news/2020-08-07/detail-iivhuipn7286197.shtml> (accessed 3 May 2021).
4. Hunan Provincial Poverty Alleviation and Development Office. 2017b. *2016 Provincial Financial Special Poverty Alleviation Fund Performance Evaluation Report*. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201706/t20170629\\_4292665.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201706/t20170629_4292665.html) (accessed 16 October 2020).
5. Official website of *Hunan Daily*. <https://m.voc.com.cn/wxhn/article/202007/20200722225119160.html?from=groupmessage>.
6. Official Website of Changsha Evening Newspaper. <https://www.icswb.com/h/161/20200519/658355.html>.
7. Sohu. <http://roll.sohu.com/20160811/n463644149.shtml>.

The characteristics of the tailored financial support for poverty reduction are:

- (i) **The financial investment was large and the coverage was wide.** The province arranged more than CNY5 billion each year to support the construction of poverty alleviation industry projects. In 2017, among the newly allocated CNY2.80 billion funds at the provincial level, CNY500 million was allocated for key industries, CNY30 million for tourism, CNY20 million for e-commerce, CNY10 million for the construction of financial service stations in impoverished villages, and CNY360 million as discount interest funds for poverty alleviation microcredit loans.
- (ii) **Participation of multiple actors in industrial poverty reduction.** This included the launch of interprovincial industry and employment projects, counterpart assistance between the province's economically developed areas and poverty-stricken areas, and thousands of private enterprises participating in industrial poverty reduction.

### C. Analysis of International Organization Loans Supporting Hunan's Poverty Reduction and Sustainable Development

For a long time, international organizations such as the Asian Development Bank (ADB), the International Fund for Agricultural Development (IFAD), and the World Bank, played an important role in poverty alleviation and sustainable development in Hunan Province. International organizations usually provided their support in the form of project loans, and the key areas of their support mainly focused on agriculture,

forestry, education, comprehensive regional development, poverty alleviation in mountainous areas, and rural and community infrastructure construction; making an important contribution to helping farmers in impoverished areas to increase their income.

Since the People's Republic of China (PRC) launched targeted poverty alleviation program in 2013, international organizations have continued to provide support. In Hunan, ADB, IFAD, and the World Bank invested more than \$2.52 billion in supporting the sustainable development of agriculture and forestry, comprehensive rural development, rural revitalization and specialized industries, and education through 10 projects (Table 5).

**Table 5: Loan Projects for Poverty Reduction and Sustainable Development in Hunan Province Since 2013**

| International Organization                      | Project Name  | Overall Investment (\$10,000) | Amount of Loan (\$10,000) | Period                        |
|---|---|-------------------------------|---------------------------|-------------------------------|
| Asian Development Bank                          | Hunan Vocational Education Demonstration Project  | 10,000.00                     | 5,000.00                  | 2015–2021                     |
|   | Miluo River Basin (Pingjiang Section) Comprehensive Treatment Project   | 29,578.03                     | 15,000.00                 | 2021–2025 (under preparation) |
|   | Demonstration Project of Rural Revitalization and Characteristic Industry Development in Xiangxi Autonomous Prefecture  | 86,521.00                     | 20,000.00                 | 2021–2025 (under preparation) |
| European Investment Bank                        | Hunan Camellia Development Project  | 9,180.00                      | 4,050.90                  | 2013–2019                     |
|   | Hunan Forest Quality Improvement Project  | 21,501.68                     | 11,203.09                 | 2019–2024                     |
| International Fund for Agricultural Development | Comprehensive Agricultural Development Project in Minority Areas in Wuling Mountain Area, Comprehensive Rural Development Project in Central and Western Hunan Province | 12,900.00                     | 5,700.00                  | 2013–2019                     |
|   | Rural Revitalization Development Project in Hunan Province  | 7,692.00                      | 6,000.00                  | 2021–2025 (under preparation) |
| World Bank                                      | Hunan Sustainable Agriculture Project   | 5,230.00                      | 3,400.00                  | 2014–2020                     |
|   | The Safety and Quality Improvement Project of Hunan Agricultural Products Producing Area  | 29,724.00                     | 10,000.00                 | 2018–2023                     |
|   | Hunan Subnational Governance and Public Service Delivery Program for Results  | 40,000.00                     | 20,000.00                 | 2020 (under preparation)      |
| <b>Total</b>                                    |   | <b>252,326.71</b>             | <b>100,353.99</b>         |                               |

Source: Hunan Provincial Department of Finance.

For agriculture and forestry, international organizations provided loans for projects such as the improvement of the safety and quality of agricultural production areas in Hunan Province, sustainable development of agriculture, development of *Camellia oleifera* (an edible oil that originated in the PRC), and improvement of forest quality and efficiency. Among them, the agricultural product origin safety

and quality improvement project has helped Hunan to carry out the treatment of heavy metal pollution in arable land, sustainable agricultural production activities, project management, and technical services. The forest quality enhancement project will improve the quality of 58,271.30 hectares (ha) of forests in 23 counties and assist in the development of 368.70 ha of forest land compound management. The *Camellia oleifera* development project assisted in the construction of nearly 200,000 *mu*<sup>5</sup> (13,333 ha) of high-quality and high-yield *Camellia oleifera* bases through new planting, young forest cultivation, and low-yield forest transformation from 2015 to 2017; introduced and promoted the certification system for the sustainable operation of *Camellia oleifera*; and carried out practical technical training for *Camellia Oleifera* cultivation. The project also sent personnel to Spain to study olive planting and processing, which promoted the sustainable and healthy development of the *Camellia oleifera* industry.

For education, the Hunan Technical and Vocational Education and Training Demonstration Project supported by ADB covers 13 vocational education schools in Hunan.<sup>6</sup> During the construction period, five single projects including teaching buildings, libraries, and training buildings were built; 33 equipment contract packages were purchased; and scientific research equipment was upgraded. A total of more than 3,300 domestic and foreign teachers have been trained, of which more than 40% are female teachers. The project greatly improved the conditions of vocational schools in Hunan and promoted the exchanges between teachers in the vocational education field.

A case study for an agriculture loan extended by IFAD in western Hunan Province is in the box.

#### **Case Analysis: Comprehensive Rural Development Project in Central and Western Hunan Province (2012–2017)**

The Comprehensive Rural Development Project in Central and Western Hunan Province (2012–2017) was an integrated development project on rural community infrastructure construction and agriculture industry. The project was based on infrastructure construction, which not only highlighted the development of traditional advantageous industries, but also actively and steadily introduced new industries. Through demonstration and guidance, the project promoted the development of relevant industries in the project area so they could play a leading role in assisting farmers in the project area to overcome poverty and increase their incomes.

First, the project guided the independent development of the industry by designing flexible industrial modules. In the agriculture industry planning of the project, four modules were set up: industrial crops, which mainly focused on the development of fruit, tea, medicine, vegetables, and other categories; the orchard and poultry module, which focused on using existing orchards for poultry breeding; the agriculture and forestry module, which focused on the transformation of existing forests and the development of *Camellia oleifera*; and the root and tuber crops module, which mainly focused on the demonstration and introduction of sweet potatoes and potatoes. Each project area could select its modules according to its own conditions, and develop superior characteristic products based on market demand.

*continued on next page*

<sup>5</sup> A *mu* is a Chinese unit of measurement (1 *mu* = 666.67 m<sup>2</sup>).

<sup>6</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hunan Technical and Vocational Education and Training Demonstration Project*. Manila.

*Box continued*

Second, the project counties focused on the development of their own traditional advantageous industries. Each of the nine project counties had its own traditional advantageous industries, such as lily in Longshan County, Chinese medicinal materials in Shaodong County, ponkan in Luxi County, bayberry in Jingzhou County, citrus and tea in Taoyuan County, tea in Guzhang County and Yueyang County, Kiwi fruit in Fenghuang County, and vegetables in Linxiang City. According to market demand, the farmers of the project expanded and strengthened the scale of the industry, and increased marketing through quality improvement and the introduction of new varieties. Facilities were constructed and/or strengthened, revitalizing the traditional industries.

Third, the project supported the development of new industries, focusing on demonstration and supporting the development of agricultural products processing. In implementing new modules, the project chose first the farmers who were willing to accept new things. In developing the orchard and poultry module, one household was chosen to conduct a pilot project. In the first year, 500 hens were raised in the orange orchard. The income generated was CNY42,000 that year, which quickly drove more than 100 farmers in the surrounding orchard to join. In addition, the project solved the problem of selling and storing fresh agricultural products by introducing cooperatives and enterprises to participate in agricultural processing. For example, a village in Yueyang County established a sweet potato cooperative while developing sweet potato production, and introduced processing equipment for sweet potato noodles and sweet potato chips. At present, the annual output value of sweet potato production and processing is more than CNY15 million.

Source: Hunan Provincial Department of Finance.

## **D. Features of Quality Assurance and Sustainability Challenges in Poverty Reduction**

### **1. Features of Quality Assurance**

Starting from 2017, 11,215 working teams have been stationed in nonpoor villages with more than 100 people living in poverty. An additional 10,813 teams were dispatched in 2018. The number of working teams based in impoverished villages continued to increase, with more than 21,000 teams dispatched in 2019. Around 630,000 party members and cadres assisted 1.87 million impoverished households in 2016, and 1.70 million households in 2017.

Training for poverty alleviation cadres was carried out, and the number of people covered by the training courses continued to increase. In 2019, 1,412 various training courses were held and nearly 384,200 cadres responsible for poverty alleviation were trained.

Poverty alleviation funds were supervised through multiple channels and were under regular fund supervision, the first measure being for an accounting firm to carry out special fund performance evaluation on the use of poverty alleviation funds. The second was to organize all-around supervision and inspection of special poverty alleviation funds by the financial departments at the provincial, city, and county levels; to coordinate and integrate fund supervision and inspection; and to look back on the use and management of poverty alleviation funds activities. The third was to organize finance, poverty alleviation, auditing, supervision, and other agriculture-related departments to carry out supervision of poverty alleviation fund projects.

## 2. Sustainability Challenges in Poverty Reduction

Hunan Province's poverty alleviation, completed as scheduled in 2020, only solved the problem of absolute poverty, but the problem of relative poverty still exists. There is still an imbalance in the supply of basic public services in urban and rural areas, and there are still challenges in maintaining the results of poverty alleviation, improving conditions for people living in relative poverty, and preventing a return to poverty.

- (i) **Sustainability of poverty reduction effects.** The sustainability issues in industrial or industry-led poverty alleviation are more prominent. First, the types of industrial poverty alleviation projects are relatively limited and mostly concentrated in the primary industry; second, the subjective initiative of enterprises in industrial poverty alleviation projects is greatly affected by government policies and financial support.
- (ii) **Sustainability of the financial investment.** The financial departments at various levels in Hunan Province regarded poverty alleviation funds as the priority in their fiscal expenditures, and expenditures out of the poverty alleviation funds were also increasing. However, the limited self-financing capacity of Hunan Province, coupled with the overall economic downturn brought about by domestic and foreign shocks, has resulted in greater pressure for the continuous and full investment of poverty alleviation funds. In particular, some poverty-stricken counties have set too high standards for poverty alleviation planning, and the funding needs have greatly exceeded the support capacity of local financial resources.
- (iii) **Service efficiency and supervision of poverty reduction funds.** The matching between the supply and demand of poverty alleviation funds needed to be improved, and there was a room for improvement in the efficiency of the use of poverty alleviation funds. The supervision of poverty alleviation funds was likewise relatively difficult. As poverty alleviation funds involved many departments and levels, the use of funds took a long time, and most of the financial supervision was carried out afterward without sufficient supervision before and during the process. These insufficient supervision methods further resulted in greater challenges in fund supervision.



### III. FINANCIAL MEASURES TO SUPPORT GOVERNMENT-SUBSIDIZED PROGRAM

#### A. Financial Support Measures for Vulnerable Groups

The vulnerable groups included the elderly living in poverty, people with disabilities, and migrant workers and their children. In terms of reducing poverty among the vulnerable groups, Hunan Province adopted the method of providing subsidies, and most of the funding sources were from government financial investment.

Hunan achieved good results in reducing poverty among the vulnerable groups (Figure 8). For people living on subsistence allowances, 2.20 million urban and rural residents had been provided with subsistence allowances throughout the year. The total urban and rural subsistence allowance expenditure reached more than CNY40.70 billion from 2014 to 2018 (Figure 9), and the guiding allowance standard has been continuously improved. The guiding standard for urban subsistence allowance has increased from CNY330 per month in 2014 to CNY500 per month in 2019. The rural subsistence allowance has increased from CNY165 per month in 2014 to CNY308 per month in 2019 (Figure 8).<sup>7</sup>

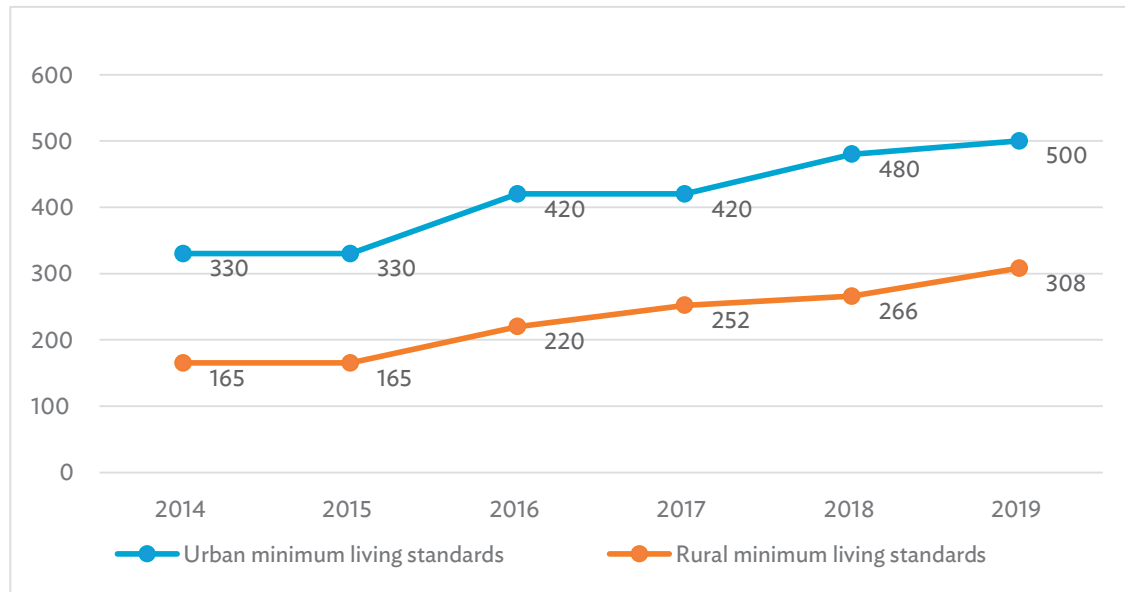
In terms of poverty reduction for the elderly, 135 home care information service platforms were built from 2012 to 2017. In 2018, the number of beds in senior care institutions reached 295,000, and more than 4,000 urban community elderly service centers were built. For people with disabilities, in 2019, 4,736 persons with disabilities were registered as poverty-stricken population, and about 20,000 people with disabilities were targeted to be provided with care services in 2020.<sup>8</sup> For minors, more than 3,000 left-behind children's homes were built from 2014 to 2017. By 2020, left-behind children's homes would have been available in all administrative villages.

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<sup>7</sup> Civil Affairs Department of Hunan Province. 2013. [http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201311/t20131120\\_3712366.html](http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201311/t20131120_3712366.html) (accessed 21 October 2020); 2019. [http://mzt.hunan.gov.cn/mzt/xxgk/zcfg/wj/201912/t20191211\\_10835264.html](http://mzt.hunan.gov.cn/mzt/xxgk/zcfg/wj/201912/t20191211_10835264.html) (accessed 21 October 2020); Hunan People's Government. 2017. [http://www.hunan.gov.cn/hnszf/xxgk/jd/zcjd/bm/201709/t20170921\\_4868962.html](http://www.hunan.gov.cn/hnszf/xxgk/jd/zcjd/bm/201709/t20170921_4868962.html) (accessed 23 October 2020); and China Civilization Network. 2019. [http://hun.wenming.cn/yw/201908/t20190802\\_5206922.html](http://hun.wenming.cn/yw/201908/t20190802_5206922.html) (accessed 3 May 2021).

<sup>8</sup> L. Hui. 2020. Hunan: Provide better basic public services to tackle the remaining 50,800 disabled people out of poverty. Red Net. <https://hn.rednet.cn/content/2020/05/14/7235607.html> (accessed 4 May 2021).

**Figure 8: Social Assistance and Urban and Rural Subsistence Allowance Issued by the Civil Affairs Department of Hunan Province, 2014–2019 (CNY/month)**



Sources: Hunan Provincial Department of Civil Affairs. 2013, 2016, 2018, and 2019.

Hunan unifies the provinces urban and rural subsistence allowance guidelines and will be implemented from New Year's Day next year. [http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201311/t20131120\\_3712366.html](http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201311/t20131120_3712366.html) (accessed 21 October 2020); 2016a. *The urban and rural subsistence allowance guidelines in Hunan have been raised to 420 yuan/month and 220 yuan/month respectively.* [http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201604/t20160401\\_3710454.html](http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201604/t20160401_3710454.html) (accessed 21 October 2020); 2016b. *Hunan's urban and rural subsistence allowance standard will be increased to 420 yuan/month and 220 yuan/month respectively.* [http://mzt.hunan.gov.cn/mzt/xxgk/mt/201603/t20160331\\_3714872.html](http://mzt.hunan.gov.cn/mzt/xxgk/mt/201603/t20160331_3714872.html) (accessed 21 October 2020); 2018a. *This year, the rural minimum living standard shall not be less than 3,200 yuan/year.* [http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201801/t20180122\\_4930035.html](http://mzt.hunan.gov.cn/mzt/xxgk/gzdt/mzyw/201801/t20180122_4930035.html) (accessed 21 October 2020); 2018b. *Announcement on the completion of key livelihood facts of "Improving the urban and rural subsistence allowance and assistance level" in 2018.* [http://mzt.hunan.gov.cn/mzt/xxgk/tzgg/201812/t20181229\\_5250681.html](http://mzt.hunan.gov.cn/mzt/xxgk/tzgg/201812/t20181229_5250681.html) (accessed 21 October 2020); and 2019. *Notice on Raising the Urban and Rural Minimum Living Guarantee Standards and Relief Levels.* [http://mzt.hunan.gov.cn/mzt/xxgk/zcfg/wj/201912/t20191211\\_10835264.html](http://mzt.hunan.gov.cn/mzt/xxgk/zcfg/wj/201912/t20191211_10835264.html) (accessed 21 October 2020).

Hunan has continued to improve the infrastructure for vulnerable groups, including construction of elderly service facilities, minor protection centers, nursing institutions for people with disabilities, and village-level children's homes. Specific projects include the 3-year action plan (2020–2022) for improving the quality and upgrading of special needy support institutions, the construction of the Elderly Service Safety Network project at the county and city levels, the paired assistance project of nursing institutions for people with disabilities, and the provincial-level social welfare base construction projects for the elderly and children. In 2019, the civil affairs department invested CNY24.60 million in the construction of social elderly service facilities. Each city and prefecture has more than 34 beds per 1,000 elderly population, and the centralized support rate for people who cannot take care of themselves and live in extreme poverty exceeds 45%.<sup>9</sup> Twenty-nine orphanages and 15 funeral homes were built and expanded. There were 22 nursing homes for the elderly in the regional center, 14 minor protection centers have been built, and "children's homes" will be available in all administrative villages

<sup>9</sup> Hunan Provincial Department of Civil Affairs. 2020a. *2019 Annual Civil Affairs Public Service Facilities Construction Special Fund Performance Evaluation Report.* [http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615\\_12293754.html](http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615_12293754.html) (accessed 21 October 2020).

soon.<sup>10</sup> All these measures have strengthened the supply capacity and quality of public service facilities for vulnerable groups.

**Figure 9: Urban and Rural Subsistence Allowances in Hunan Province, 2014–2019**  
(CNY100 million/month)



Source: Hunan Provincial Bureau of Statistics. 2015–2020. *Hunan Statistical Yearbook 2014–2019*. <http://tjj.hunan.gov.cn/tjsj/tjnj/> (accessed 17 October 2020).

Pension insurance for impoverished residents was likewise extended. For groups with difficulties in paying pension insurance premiums, the county and city governments will pay some or all of the pension insurance premiums at the minimum standard for them. The province has realized the goal of covering all the elderly people living in poverty with pension insurance. In 2018, Hunan Province paid CNY157 million of pension insurance for 1.73 million impoverished people, and directly granted CNY1.64 billion of old-age pensions for the elderly,<sup>11</sup> which better guaranteed the basic living of the poverty-stricken people.

Hunan included the elderly living in poverty, people with disabilities, and orphans in the social assistance system, and living allowances are provided directly to these groups. Those in ages 60–80 can enjoy a monthly living allowance of CNY50–CNY100, and those over 80 can enjoy a monthly living allowance of CNY100 or more. In 2020, the basic pension service subsidy was to have been fully covered; people with disabilities in need can enjoy a CNY60 monthly living allowance, and severely disabled people can enjoy a CNY60 monthly nursing allowance. The allowance standard for supported orphans living centrally is CNY1,350 per month and CNY950 per month for orphans living scattered. From 2014 to 2017, a total of CNY1.29 billion was invested as subsidies for people with disabilities. In 2019, the average monthly

<sup>10</sup> Hunan Provincial Department of Civil Affairs. 2020b. *Hunan Provincial Department of Civil Affairs' 2019 Departmental Overall Expenditure Performance Evaluation Report*. [http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615\\_12293750.html](http://mzt.hunan.gov.cn/mzt/xxgk/czxx/202006/t20200615_12293750.html) (accessed 21 October 2020).

<sup>11</sup> Y. Liu and W. Liu. 2019. Hunan issued 1.64 billion yuan in pensions to the poor last year. China News Network. <http://www.hn.chinanews.com/news/shsh/2019/0313/352405.html> (accessed 26 October 2020).

number of people with disabilities covered by the living allowance reached 562,000, and the average monthly number of orphans covered by living allowances reached 21,000.

Beginning 2020, Hunan Province purchases CNY70 per person per year accident insurance for people with disabilities living in nursing service institutions of the Disabled Persons' Federation, and has carried out various skills trainings to help people with disabilities seek employment (footnote 3).

## B. Financial Support Measures for Education

To solve the problem of children from impoverished families facing difficulty in receiving education, Hunan Province issued a total of CNY8.40 billion in various grants from 2014 to March 2020, covering 4.27 million students with financial difficulties.

The first assistance was for improvement of school conditions in poverty-stricken areas. Hunan implemented the “Furong School” construction project. This project mainly focused on building compulsory boarding schools for rural students in poverty-stricken counties, and provided preferential admissions to impoverished students. The provincial government invested CNY8.98 billion to build “Furong Schools” for impoverished primary and secondary school students. One hundred “Furong Schools” are expected to be built by 2021, adding a capacity of 146,900 students.

As of April 2020, 16 “Furong Schools” have been put into use, seven have basically been completed, and construction for 44 have started. Nearly 24,000 students have been enrolled, of which nearly 18,000 were rural residents, accounting for about 75% of the total enrollment. Nearly 7,841 students were from impoverished families, accounting for about 33% of the actual enrollment.<sup>12</sup> Also, in 2018, a total of CNY3.60 billion was allocated by the central and provincial governments for training of teachers who were working in rural areas and to increase their income.<sup>13</sup>

Second, Hunan implemented the “comprehensively improve basic education conditions in weak areas” project and eliminate large class sizes at compulsory education phase to improve the basic conditions of weak schools in poverty-stricken areas at the compulsory education phase. The basic school conditions in poverty-stricken areas (such as sports fields, toilets, information equipment, and heating and safety equipment) had been improved; and through increased financial investment, the number of students in each class of primary and secondary schools had been reduced to less than 55. From 2017 to 2019, Hunan had eliminated 39,000 large classes at the compulsory education phase. The proportion of large class sizes had dropped to 5.10%, and the number of super large classes had been eliminated. In addition, Hunan had also renovated and expanded public kindergartens.

<sup>12</sup> Hunan Provincial Department of Education; Hunan Provincial People's Government. 2019a. *Hunan vigorously promotes the construction of Furong School, 100 will be built by 2021*. [http://www.hunan.gov.cn/hnszf/hnyw/sy/hnyw1/201908/t20190821\\_9778478.html](http://www.hunan.gov.cn/hnszf/hnyw/sy/hnyw1/201908/t20190821_9778478.html) (accessed 23 October 2020); and Hunan Province Office of the Leading Group for Poverty Alleviation and Development. 2020. *All 51 poverty-stricken counties lifted their heads out of poverty! Hunan's 'Report Card' is very eye-catching*. [http://www.hnlgbj.gov.cn/lgbj/41/248/250/content\\_16222.html](http://www.hnlgbj.gov.cn/lgbj/41/248/250/content_16222.html) (accessed 17 October 2020).

<sup>13</sup> Hunan Provincial Department of Education; *Hunan Today*. 2020. 16 Furong schools in Hunan have been put into use: 100 Furong schools will be built by the end of next year. <http://www.hunantoday.cn/article/202005/202005240858339808.html> (3 May 2021); [http://jyt.hunan.gov.cn/jyt/sjyt/xxgk/jyxx/jyxx\\_1/202005/t20200525\\_1011086.html](http://jyt.hunan.gov.cn/jyt/sjyt/xxgk/jyxx/jyxx_1/202005/t20200525_1011086.html) (accessed 23 October 2020); L. Nan. 2020. *In the past three years, Hunan has advised 13,855 school-age children to return to compulsory education*. *Xiaoxiang Morning News*. [https://new.qq.com/omn/20200513/20200513A05W0J00.html?pgv\\_ref=sogousm&ADTAG=sogousm](https://new.qq.com/omn/20200513/20200513A05W0J00.html?pgv_ref=sogousm&ADTAG=sogousm) (accessed 4 May 2021); G. Deng. 2020. *Hunan has distributed 22.158 billion yuan in all kinds of student aid funds at all levels in the past 4 years*. *Huasheng Online*. <http://hunan.voc.com.cn/article/202005/202005122135598585.html> (4 May 2021); and Hunan Province Office of the Leading Group for Poverty Alleviation and Development. 2020. *All 51 poverty-stricken counties lifted their heads out of poverty! Hunan's 'Report Card' is very eye-catching*. [http://www.hnlgbj.gov.cn/lgbj/41/248/250/content\\_16222.html](http://www.hnlgbj.gov.cn/lgbj/41/248/250/content_16222.html) (accessed 17 October).

The third measure was to enhance the quality of teachers at the compulsory education phase in poverty-stricken counties. The teacher training policy was improved, and the supply of teachers was increased in poverty-stricken counties. Targeted training of publicly funded normal university students was extended and special-post teachers were recruited for targeted enrollment, targeted training, targeted employment, and other projects. Between 2016 and 2019, more than 20,000 rural teachers had been trained for poverty-stricken counties, and about 18,000 special-post teachers had been assigned. A total of 14,000 teachers had been sent to the recipient counties through the education support project for outlying and poverty-stricken areas, ethnic minority areas in the borderland, and old revolutionary areas. More than 490,000 teachers had been trained through national and provincial training programs.

A subsidy system for rural teachers was implemented to attract more talents to teach in rural schools. From 2016 to 2019, more than CNY400 million in rural teacher allowances were allocated each year.

In addition, action plans such as “volunteer teaching” and “pairing assistance” were launched. Represented by the pairing assistance between Changsha and Huaihua, and Xiangxi Prefecture and colleges and universities, Hunan had supported more than 2,000 schools to establish cooperation ties in the field of basic education, covering about 3.56 million students in poverty-stricken areas and weak schools.

The fourth measure was to ensure that compulsory education is available to all by strengthening student financial assistance policies, which should prevent dropout. Governments at various levels organized townships, village committees, villagers' groups, and schools to persuade students who dropped out for different reasons to return to schools. This was supplemented by the delivery of judicial documents and home visits to help dropout students return to school. From 2017 to 2019, a total of 13,855 school-age children in the compulsory education stage were encouraged to return to schools, and all those who should be returned were returned to schools.

Student funding policies were strengthened by establishing three “full coverage” student funding systems at all school stages, from public and private schools, and those with family financial difficulties. Between 2017 and 2019, a total of CNY22.16 billion in student subsidies were allocated, and 18.87 million students in need have been assisted. The implemented “Nutrition Improvement Plan” (a plan to improve the health of students in poverty-stricken areas and families with difficulties) covered all impoverished counties, benefiting 2.03 million students. The third was to implement the “zero entry threshold” for rural children to ensure that rural children who follow their parents to urban areas have access to study in urban schools, and to ensure that rural left-behind children could go to good local schools.

### **C. Financial Support Measures for Medical Services**

To ensure that the poverty-stricken population had access to good basic medical services, Hunan Province invested a total of CNY8.50 billion to implement the “six-tier medical insurance” policy from 2014 to March 2020.<sup>14</sup> The treatment rate for serious diseases of the poverty-stricken population in 51 poverty-stricken counties reached 99.30%, the contracted service rate for chronic diseases reached 100%, and the comprehensive hospitalization reimbursement rate within the county was 89.74%. In 2018, the actual reimbursement rate for the treatment of the poverty-stricken population in the province reached 89.10%.

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<sup>14</sup> “Six-tier medical insurance” refers to urban and rural basic medical insurance, urban and rural basic medical insurance supplements for major illnesses, civil medical assistance, municipal health poverty alleviation funds, targeted poverty alleviation commercial supplementary insurance for major illnesses, and county-level medical assistance guarantee funds.

The “six-tier medical insurance” policy covered the following:

- (i) **Improve medical infrastructure in poverty-stricken areas.** First, Hunan strengthened capacity building in poverty-stricken areas by promoting the standardization of county, township, and village level health services. Hunan has now achieved full coverage of village clinics. Second, it promoted the paired assistance between advanced class III hospitals and county-level hospitals of poverty-stricken counties, deployed telemedicine facilities and equipment, built a telemedicine service network, and improved medical technology capabilities.
- (ii) **Free training of grassroots medical staff in poverty-stricken areas.** Hunan supported the training of rural vocational medical students for free and dispatched them to health centers in poverty-stricken areas. The government also implemented a 3-year training plan for local publicly funded college talents in grassroots medical and health institutions in poverty-stricken areas, and recruited 1,000 pre-assigned doctors to serve the grassroots each year. From 2014 to 2019, 5,406 primary health workers had been trained and recruited. In addition, an allowance system for rural doctors had been implemented to provide subsidies for rural doctors who were living in difficulty.
- (iii) **Provide guarantees and subsidies for the poverty-stricken population to seek medical treatment.** A “one-stop” settlement and “payment after diagnosis and treatment” system for the poverty-stricken population seeking medical treatment was implemented, and all patients with chronic diseases could avail of contracted services by family doctors. A financial subsidy policy for the poverty-stricken population to participate in basic medical insurance for urban and rural residents was implemented, along with medical assistance. In 2018, the provincial government allocated CNY1.62 billion of medical assistance funds. Free pre-marital medical check-ups for residents in poverty-stricken counties were extended, and standardized management of chronic diseases for key groups, such as people with disabilities and the elderly in poverty-stricken areas, was implemented.

Appendix 1 and Appendix 2 contain case studies of government-subsidized financial support measures, taking Pingjiang County and Huayuan County as examples.<sup>15</sup>

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<sup>15</sup> Pingjiang County Poverty Alleviation Office. 2018–2020. *Pingjiang County National Economic and Social Development Statistics Bulletin (2017–2019)*.

## IV. FINANCIAL MEASURES TO SUPPORT TAILORED POVERTY ALLEVIATION

### A. Financial Measures to Support Industry-Assisted Poverty Alleviation

As mentioned earlier, the tailored financial support for poverty alleviation in Hunan referred to poverty reduction through development of industries, consumption, employment, and financial tools utilization. The number of key industrial projects implemented in Hunan Province and the number of impoverished people whose incomes have increased are shown in Table 6.<sup>16</sup>

**Table 6: Industry-Assisted Poverty Alleviation in Hunan, 2015–2019**

|   | 2015    | 2016    | 2017     | 2018    | 2019 |
|---|---------|---------|----------|---------|------|
| Number of key provincial industry projects                                  | 76      | 86      | Over 150 | 5,354   | 291  |
| Number of impoverished people whose income were increased (unit: CNY10,000) | Over 19 | Over 20 | Over 20  | Over 80 | 356  |

Note: In this table, 5,354 is the total number of all industrial poverty alleviation projects implemented at the provincial level throughout 2018, which includes both key projects and non-key projects, while the other data in this row in the table are the number of key provincial industrial poverty alleviation projects in each year. This data is used mainly because the number of provincial key industrial poverty alleviation projects in 2018 is not available.

Sources: Hunan Provincial People's Government. Performance Evaluation Reports of Hunan Provincial Poverty Alleviation and Development Office (2015–2019).

2015. 湖南省扶贫开发办公室2015年度部门整体支出绩效评价自评报告 [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/tzgg/201607/t20160702\\_3078742.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/tzgg/201607/t20160702_3078742.html) (accessed 16 October 2020).

2017a. 2016 Performance Evaluation Self-evaluation Report. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/tzgg/201701/t20170116\\_3896295.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/tzgg/201701/t20170116_3896295.html) (accessed 16 October 2020).

2017. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201806/t20180628\\_5040628.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201806/t20180628_5040628.html) (accessed 16 October 2020).

2018. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/201906/t20190627\\_5367468.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/201906/t20190627_5367468.html) (accessed 16 October 2020).

2019. [http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk\\_71121/czxx/202006/t20200630\\_12324591.html](http://hnsfpb.hunan.gov.cn/hnsfpb/xxgk_71121/czxx/202006/t20200630_12324591.html) (accessed 16 October 2020).

#### 1. Identify Suitable Poverty-Alleviating Industries for Targeted Poverty Alleviation

Based on the characteristics of industrial development in its various counties and cities, Hunan identified and evaluated poverty-alleviating industries in terms of development scale, market potential, ability to lift people out of poverty, and effects. The province then implemented the measures of “one county, one characteristic” and “one characteristic and two supplements”; namely, each county mainly supported one “characteristic” or specialized agricultural industry and two advantageous industries or industries with comparative advantage as key poverty alleviation industries to avoid homogenized competition and promote farmers' income. The main poverty alleviation industries were concentrated in planting of special products, breeding, agricultural produce processing, and rural tourism. Hunan focused on honing the production skills of impoverished households to enhance their ability to participate in industries.

<sup>16</sup> The data in this section comes from the Hunan Provincial Poverty Alleviation and Development Office, the Department of Commerce, the Department of Industry and Information Technology, and the website of Hunan Provincial People's Government.

The poverty-stricken areas in Hunan had formed a tea industry with Anhua dark tea and Baojing golden tea as representative products; a fruit industry featured with Luxi ponkan, Jishou kiwifruit, and Mayang crystal sugar orange; a Chinese medicinal industry in Xiangxi; and a tourism industry focusing on natural landscapes in the western Hunan region. The 10 poverty-alleviating industrial bases in poverty-stricken areas, including citrus, tea, camellia, bamboo, Chinese medicinal materials, live pigs (cattle and sheep), dairy industry, mountain vegetables, and tourism cover a total area of more than 20 million *mu* (about 1,333,334 ha).

## 2. Diversify the Industry Poverty Alleviation Models

Hunan Province promoted a diversified industry poverty alleviation model driven by leading enterprises and industrial parks.

In the **enterprise-driven model**, the government harnessed the market and technological advantages of leading enterprises, cooperatives, and other new business entities to help impoverished people develop industries directly and increase their income. The Labayan village of Hengnan County introduced Yongfu Ecological Agriculture Development Company and transferred more than 6,000 *mu* (400 ha) of land, adopting the model of “company + village collective + farmer” to plant seedless crystal sugar oranges, citrus, and other characteristic fruits. In 2020, the output was expected to be 350,000 kilos, and the wages to be paid to impoverished households would exceed CNY600,000. Some villages also transfer land to large-scale growers in their own villages, realizing large-scale planting operations, thus lifting impoverished households out of poverty.

In the **park-driven model**, the government used the special economic park as a platform to develop poverty-alleviating industries and increase the added value of specialized industries developed by impoverished households. Huayuan County took the Xiangxi National Agricultural Science and Technology Park as its carrier; guided 31 enterprises and cooperatives to settle in the park; built a total of 66,000 *mu* (4,400 ha) of various fruit bases, vegetable bases, and flower bases; and provided nearly 20,000 employment opportunities for migrant workers.

## 3. Forge Interprovincial Industry Poverty Alleviation Cooperation at All Levels

Hunan and Shandong provinces embarked on **interprovincial industry cooperation** in 2018, when the Jinan City of Shandong Province assisted Xiangxi Prefecture with a fund of CNY308 million to implement 84 projects focusing on industrial development and employment promotion. These projects benefited 50,000 impoverished people and helped more than 20,000 impoverished people increase their income. In 2019, Xiangxi Prefecture introduced 16 Jinan companies to invest in projects such as pig breeding farms and organic fertilizer production bases for organic tea.

Hunan cooperated with the central government for **fixed-point poverty alleviation**. Fourteen agencies of the central government invested CNY500 million of assistance funds in Hunan Province and implemented 228 industrial assistance projects.

Hunan encouraged **assistance from economically developed cities and counties** in the province to poverty-stricken counties. Fourteen economically developed cities and counties provided assistance to poverty-stricken cities and counties focusing on the construction of industrial projects. For example, Liuyang City helped Shaoyang County establish a 1,600 *mu* (about 107 ha) *Camellia oleifera* demonstration



base, which led to a steady increase in the income of 214 impoverished households. As of September 2019, 394 industrial projects in the assisted regions had been supported.

## **B. Financial Measures to Support Consumption through E-commerce**

E-commerce platforms connect scattered impoverished households with large consumer groups, connecting residents' consumption needs with resources in poverty-stricken areas, and forming a large-scale matching of supply and demand through online and offline integration of commerce to realize "one-stop" poverty alleviation from goods to services. In 2019, the online retail sales of agricultural products in Hunan Province was CNY18.89 billion, a year-on-year increase of 39.73%, of which online retail sales of 51 poverty-stricken counties amounted to CNY8.36 billion, a year-on-year increase of 76.83%.

- (i) **Cooperation between poverty-stricken villages (households) and e-commerce platforms and e-commerce companies.** This synergy expanded the scale of online sales of agricultural products in impoverished areas. Jiangyong County had mobilized more than 6,000 e-commerce practitioners throughout the county to give priority to the sale of poverty alleviation products through platforms such as Taobao, JD.com, and poverty alleviation mall.  
Provincial-level online production and sales platform broaden the sales channels of agricultural products. Hunan Province took the lead in launching a provincial-level consumer poverty alleviation public service platform in the country. It launched the "Mango Poverty Alleviation Cloud Supermarket," and innovatively launched the "one-click shop, one-click live broadcast, and one-click home-delivery" agricultural product live broadcast e-commerce model, which has now driven sales for special agricultural products and its related products, with a sales volume exceeding CNY2.10 billion.
- (ii) **County and village-level e-commerce service center (station) system.** This was done by providing services to villagers to set up rural e-commerce service stations, and facilitating buying and selling on consignment through online platforms, express delivery, payment and recharge, and human resource services. The e-commerce service station set up in Gaobi village of Hengyang City has driven demand for special agricultural products, with cumulative sales of CNY198,000.
- (iii) **E-commerce cooperation between poverty-stricken cities and economically developed cities and counties in other provinces.** Xiangxi Prefecture and Jinan City had cooperated to expand the sales volume of Xiangxi agricultural products through the establishment of an "e-commerce poverty alleviation special product area" in Jinan and participation in agricultural product exhibitions and promotion activities.

## **C. Financial Measures to Support Employment**

The measures taken by Hunan Province to carry out poverty alleviation through employment were mainly divided into: poverty alleviation through foreign cooperation of labor services, and through the government driven employment promotion in and outside the province. The government had been providing employment subsidies, carrying out employment skills training, providing employment information, opening up employment opportunities, and other channels to promote poverty alleviation. In 2019, Hunan Province provided 1.91 million jobs for impoverished laborers, of which 1.05 million were transferred and employed, and 527,000 were employed locally. From 2014 to 2019, 1.42 million people from 51 poverty-stricken counties were transferred and employed.

### 1. Foreign Labor Services and Export Cooperation Mechanism

Foreign labor service cooperation enterprises had been organized to carry out targeted business training for migrant workers in poor areas. In 2020, Hunan organized training for nursing staff for the aged in Japan, and 17 of the first batch of 21 trainees were registered people living in poverty.

Foreign labor service cooperative enterprises and foreign engineering contracting enterprises had been enjoined to recruit people living in poverty. From 2017 to 2019, 2,430 people from 51 poverty-stricken counties in the province were dispatched overseas, of which 391 were registered people living in poverty.

Key foreign labor projects had been prioritized. In 2020, focus was on employment for construction projects in Israel and the hospitality industry in Macau, China, to take advantage of the high salaries in Israeli projects and the low hiring threshold of Macau, China projects for impoverished laborers to work outside the PRC.

### 2. Online and Offline Channels to Extend Employment Opportunities in Different Regions

Online channels mainly rely on the information service and management platform of Hunan Province to carry out an online “Spring Breeze Campaign” to deliver information on various positions in a timely manner. Since 2020, Hunan has released 422,000 pieces of enterprise employment information and recommended 45.91 million jobs to impoverished laborers through text messages.

Offline channels are mainly divided into two areas. The first is the role of the provincial labor cooperation market in building a supply and demand matching platform between labor and employers, which monitors the labor demand of 1,930 key enterprises. The second is labor cooperation between the provinces of the Yangtze River Delta and the Pearl River Delta to promote the transfer of employment of impoverished labor forces across regions. As of July 2020, the number of impoverished laborers who found employment in the other area reached 1.07 million.

### 3. Broaden Employment Channels for Local Employment

One channel was to **promote poverty alleviation workshops**. Hunan Province actively guided various related enterprises to use idle sites in poverty-stricken areas, established poverty alleviation workshops to provide employment skills training for poverty-stricken households, and organized impoverished households to carry out processing and hand-made work with supplied materials. As of July 2020, Hunan Province has built 3,945 employment poverty alleviation workshops, creating 45,500 jobs for impoverished laborers.

A second channel was to actively organize and support **home employment and flexible employment** of impoverished laborers. Hunan Province had signed more than 200 housekeeping agreements after launching the “Hundred Cities and Ten Thousand Villages” housekeeping poverty alleviation pilot program, which carried out training for more than 100,000 housekeeping staff, and had created more than 30,000 jobs.

The third channel was to provide impoverished laborers with **employment opportunities instead of outright grant**. The government provided employment assistance by offering jobs in the development of relocation areas, ecological protection, and infrastructure construction. There were 1,040 impoverished people in Jianghua County who have increased their income through ecological poverty alleviation, comprising 956 ecological forest rangers and 84 public welfare forest rangers.

#### **D. Financial Support Measures through Use of Financial Tools**

Hunan Province had innovatively launched poverty alleviation microfinance through the “one grant, two exemptions, three preferential, and one prevention and control”<sup>17</sup> scheme to achieve independent development and lift themselves out of poverty. As of April 2020, a total of CNY23.14 billion in microcredits had been issued, with a loan balance of CNY6.76 billion.

Hunan also provided entrepreneurial guarantee loans. These were of varying amounts to eligible rural impoverished households for individual businesses, partnerships, start-up businesses, and small and micro enterprises.

Appendix 1 and Appendix 2 contain case studies on tailored poverty alleviation, taking Pingjiang County and Huayuan County as examples.

### **V. CHALLENGES IN FINANCIAL POVERTY REDUCTION AND CURBING THE RETURN TO POVERTY IN THE FUTURE**

The PRC has achieved poverty alleviation in 2020, but it will still face the sustainability challenge of poverty reduction. The poverty-stricken population that lives below the absolute poverty line may return to poverty as well as those who were not previously in poverty.

#### **A. Sustainability Challenges in Government-Subsidized Poverty Reduction**

Consolidating the effectiveness of poverty alleviation and curbing the return to poverty are the most important and difficult points of government-subsidized poverty alleviation. Because of the continuous growth of government-subsidized poverty alleviation expenditures and the limited ability of the poor to stay afloat, the effectiveness of the government-subsidized poverty alleviation faced challenges.

First, the continuous growth of financial funds for government-subsidized poverty alleviation brought challenges to the consolidation of its poverty alleviation effectiveness. The government-subsidized poverty alleviation funds were mainly from financial appropriations. Vulnerable groups such as the elderly, people with disabilities, orphans, and those who were impoverished because of illness needed long-term financial support because of the lack of capacity to work and hence stable sources of income. As the subsidy level increased, the demand for financial funds to be used on poverty alleviation continued to grow, while fiscal revenue was slowing down because of various external shocks. The gap in revenue and expenditure was large, and the sustainability of financial poverty reduction funds faced continuous challenges.

Second, the poor had weak prevention capabilities and have a greater chance of returning to poverty because of illness. The elderly, those who were impoverished because of illness, and the subsistence allowance recipients are those who are prone to return to poverty. Although financial poverty

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<sup>17</sup> “One grant” means credit rating, and the local government issues a loan certificate. “Two exemptions” means mortgage or guarantee exemptions. “Three preferential” means preferential interest rate, time limit, and discount. “One prevention and control” means that the county establishes risk compensation funds to prevent and control loan risks.

alleviation funds can maintain their basic lives, most of these poverty-stricken people do not have ability to work. They have limited savings to respond to emergencies, and it is easy for them to fall into poverty again. For example, because of its geographical location, Pingjiang County encounters floods and droughts almost every year, and it is quite common to see local people becoming impoverished because of disasters.

## **B. Sustainability Challenges in Industry-Led Development**

Alleviating poverty through industrial development was the endogenous driving force for improving the economic capacity of poverty-stricken areas and ensuring the continuous growth of impoverished families' income. Hunan Province has achieved good results in promoting poverty alleviation through industrial development, but there were challenges faced. The specific issues are:

- (i) **The foundation for industrial development in poverty-stricken areas was weak and the benefits were not high.** Most poverty-stricken areas were located in remote areas with relatively poor transportation conditions, backward supporting facilities for industrial development, and lack of professional talents, resulting in low overall returns for local industrial development. Taking Pingjiang County as an example, because of the relatively weak foundation of local industrial development, the key poverty alleviation industries, such as high mountain organic tea, camellia oil, and rural tourism promoted by the county, are mostly primarily processed agricultural products with low added value. The tourism development is still basic and there are limited types of specialty products. The county's industrial chain is not long and singular, it lacks both economy of scale and driving sources of further growth.
- (ii) **Main market players were not sufficiently motivated to participate in industrial poverty alleviation.** On one hand, the main practice of industrial or industry-led poverty alleviation was that the government guides market players to participate by appropriately investing financial funds. However, in practice, without the government's input and support, market entities did not have enough enthusiasm to continue participating in industrial poverty alleviation. Local governments in poverty-stricken areas lacked supportive financial resources and, if they rely mainly on government finances, there will be funding gaps that will restrict the implementation of industrial poverty alleviation projects. On the other hand, the low initiative of enterprises to participate in industrial poverty alleviation weakened the key role of market mechanisms in industrial poverty alleviation. The market mechanism is the basic means of resource allocation. Without the active participation of market players, it would be difficult for poverty-stricken areas to form long-term and effective ways to increase income and reduce poverty through industrial development.
- (iii) **Poor self-development ability in the subjective consciousness of the impoverished has led to the limited effectiveness of industrial poverty alleviation.** Taking the Wuling Mountain area as an example, poverty-stricken households are less educated and have outdated ideas. Apart from mastering basic planting and breeding techniques, they have little understanding of modern technology, vocational skills, and business management methods, and lack the confidence and ability to develop industries. In addition, poverty-stricken households are more likely to rely on the idea of waiting and relying. They believe that the government and society could help them, and the endogenous motivation to actively develop industries to lift themselves out of poverty is insufficient.

## C. Sustainability Challenges in Financial Investments in Poverty Reduction

Financial poverty alleviation funds were the guarantee for the smooth development of poverty alleviation work. In 2020, Hunan Province still faced the following problems in the investment of financial poverty alleviation funds.

### 1. Sources of Input

The source of grassroots fiscal poverty alleviation funds in poverty-stricken areas was mainly transfers from higher-level government. In Pingjiang for example, because of excessive investment in ecological construction, local financial resources had been strained, and local governments lack supportive financial sources. The county's per capita fiscal income is only more than CNY900, while the poverty alleviation work for the elderly, and the poverty alleviation in the fields of education and medical services mainly relied on government subsidies. It is difficult for local financial resources to support such kind of work, and the county had to mainly rely on the provincial and central governments.

### 2. Investment Efficiency

First, the **efficiency of investments** needs to be enhanced continuously. In recent years, the total amount of poverty alleviation funds for industrial development had increased, but the funds were mainly invested in industries with low production efficiency and low added value, rarely in areas with high added value. This was not conducive to improving the efficiency of capital use, and it was difficult to ensure that poverty-stricken villages and poverty-stricken households could have a source of stable income increase. Take Pingjiang as an example, camellia oil is one of the county's main poverty-relief industries, which involves mainly planting and primary processing, but the scale of the industry is small and the industrial chain is not long. The effect of increasing farmers' income needs to be strengthened.

Second, the **overall planning** of financial poverty alleviation funds needed to be streamlined. On one hand, the overall management of poverty alleviation funds was inefficient. There were many management departments involved in poverty alleviation funds, and the cost of interdepartmental coordination was high, which reduced the efficiency of the use of poverty alleviation funds. On the other hand, the sources of consolidated financial funds used were not clear enough, as was their direction of use in some poverty-stricken counties. Besides, formulating an overall integrated plan only based on funding needs was unrealistic and not operable.

Third, the **standardization of the use** of fiscal poverty alleviation funds and the implementation of poverty alleviation projects in some areas needed to be sufficiently transparent and open, as the public was not well aware of them. There was a lack of social and external supervision.

### 3. Constraint Mechanism

First, the **financial supervision mechanism** was insufficient and difficult to undertake. It should be established before or during the poverty alleviation project. The poverty alleviation funds covered various sectors and were allocated on a long-term basis. Financial supervision was mostly carried out afterward, rather than beforehand or during the disbursement process. Also, fund users in some localities were also the fund regulators.

Second, the **performance evaluation mechanism** of financial poverty alleviation funds needed to be strengthened. The performance appraisal method of poverty alleviation funds lacked diversified appraisal methods and comprehensive understanding of the performance evaluation system. Some local governments unilaterally pursued the poverty alleviation concept of achieving economic indicators, which was not conducive to improving the efficiency of poverty alleviation.

## VI. NEXT STEPS

In the future, the efficiency and the supervision of poverty alleviation funds could be improved to meet the sustainability challenges of financial poverty alleviation funds. Investment in disease prevention could be increased and the combination of policy insurance and commercial insurance could be explored to deal with the sustainability challenges faced by poverty alleviation in medical services. Implementation of various commercial insurance systems and charitable donations to deal with the sustainability challenges faced by social security-based poverty alleviation could likewise be advocated.

### A. Diversify Sources of Social Security-Based Poverty Reduction Funds

- (i) **Pension funds.** The government could consider introducing social capital into the field of poverty alleviation for the elderly. The first step is to promote the combination of social security and commercial insurance, to maximize the advantages of the government's basic insurance and free market regulation, and to improve the security level of the elderly living in poverty. The second step is to gradually establish a long-term mechanism for the poverty alleviation of the elderly by guiding social pension institutions to participate in the poverty alleviation of the elderly. Third, raise social funds for poverty alleviation for the elderly through public welfare incentive mechanisms or preferential policy incentive measures.
- (ii) **Medical funds.** The first measure is to introduce commercial medical insurance on the basis of social security. Second, coordinate with private hospitals to assist in poverty alleviation through the medical field, and to build a "private hospital + impoverished households" assistance platform. By uniting the power of social capital, the problem of impoverished households returning to poverty because of illness could be solved.
- (iii) **Social assistance funds.** These need to advocate social ethos such as social mutual assistance, voluntary service, and charitable donations; and introduce social forces through policy incentive mechanisms to form teams to provide assistance to those in need. For example, encourage enterprises to hire people with disabilities who are still able to work.

### B. Enhance the Sustainability of Industry-Led Poverty Alleviation

- (i) **While introducing industrial poverty alleviation projects, improve the basic conditions for developing industries in poverty-stricken areas.** First, in terms of supporting infrastructure, intensify the renovation and transformation of public service facilities, such as transport, communication, power, water conservation, and other public service facilities in poverty-stricken areas; and improve the infrastructure for rural industrial development. Second, in terms of scientific and technological support,

organize professional agricultural technicians to reside in villages to provide support and carry out regular scientific and technological training for farmers to improve the quality and efficiency of planting and breeding.

- (ii) **Mobilize enterprises to participate in industrial poverty alleviation.** The government should play a good role as an intermediary, improve the matching of supply and demand between enterprises and poverty-stricken areas, help enterprises participate in poverty alleviation industries that truly meet the needs of enterprises and improve enterprise efficiency, stimulate enterprises and other market entities to actively participate in industrial poverty alleviation, and realize a win-win situation for enterprises and poverty-stricken households. The government can give financial rewards to enterprises that actively participate in industrial poverty alleviation projects. It is hoped that after a period of time, enterprises participating in industrial poverty alleviation can reduce their dependence on government investment and gradually transit to a state of fully market-oriented operation. The government can also support a group of leading enterprises to form an integrated industrial chain development model of agricultural products from raw material production, intensive processing, warehousing and logistics, to sales services in terms of industrial poverty alleviation structure, thereby enhancing the industrial scale effect.
- (iii) **Persist in the integration of poverty alleviation with “aspiration support” and “intelligence support” to enhance the self-development ability of households.** To do this, the first step is to improve the skills of impoverished people in participating in industrial poverty alleviation through vocational education and technical guidance and skills training. The second is to improve poverty alleviation methods, reduce the nanny-like assistance that directly grants cash to residents, and adopt incentive-based poverty alleviation methods. For example, rewards of different standards are given to impoverished families who earnestly participate in industrial projects to stimulate the endogenous motivation of impoverished families to lift themselves out of poverty through industrial poverty alleviation.

### C. Optimize the Efficiency of Poverty Reduction Funds

- (i) **Strictly implement poverty alleviation standards, and control the direction of fund use and poverty alleviation standards.** Strengthen the review and filing of the overall plan and integration of agricultural funds in poverty-stricken counties. Projects that exceed the direction of the use of funds should not be included in the scope of use of the overall planning and integration of funds. Funds must be arranged in strict accordance with poverty alleviation standards to prevent the appearance of “cliff effect” wherein there is a huge gap in treatment between impoverished and nonpoor households; and to prevent the existence of a “welfare trap” in which the treatment of impoverished households exceeds that of nonpoor households, thus the impoverished are unwilling to be unregistered as poverty-stricken households.
- (ii) **Strengthen the guiding role of poverty alleviation funds.** It is necessary to optimize the demonstration and guiding role of financial poverty alleviation funds, and adopt methods such as public-private partnerships, government purchases of services, loan interest discounts, and premium subsidies to amplify the leverage of fiscal funds. Poverty alleviation funds must be invested in industries that have high added value and sound development prospects. Attention should be paid to the output benefits of industrial poverty alleviation, while supporting poverty-stricken areas to develop advantageous industries with local characteristics, so as to achieve a win-win situation for industrial poverty alleviation from multiple perspectives.

- (iii) **Improve the overall plan for the use of funds and increase the integration of agricultural funds.** One measure is to guide the demonstration counties to revise and improve the implementation plan for the integrated use of funds; to play a demonstrative role; and to explore operational models that can be replicated and promoted. Another measure is to clarify the relevant requirements for the overall planning and integration of agricultural funds, and to establish a quarterly work report system.

#### **D. Improve the Constraint Mechanism**

- (i) **Further strengthen the performance management of poverty alleviation funds.** Improve the performance evaluation mechanism and methods of poverty alleviation funds; formulate evaluation indicators focusing on the long-term sustainable development of poverty-stricken areas; and promote poverty alleviation to achieve economic, social, and ecological benefits.
- (ii) **Carry out third-party inspections of poverty alleviation funds to reduce the possibility of idle funds.** Conduct special rectifications and hold accountability for illegal use of poverty alleviation funds, such as raising poverty standards and borrowing in the name of poverty alleviation; and supervise the counties and districts where the expenditure process is slow to improve the efficiency of fund use.
- (iii) **Carry out dynamic monitoring of poverty alleviation funds and promote the construction of an “internet + supervision” platform.** Speed up the development of the interface between the dynamic monitoring system and the poverty alleviation information system and other external information platforms. Ensure the efficient and safe use of poverty alleviation funds by improving the dynamic monitoring function and gradually accepting the supervision of the public.



# APPENDIX 1

## CASE STUDY: POVERTY ALLEVIATION IN PINGJIANG COUNTY

### A. Government-Subsidized Financial Support Measures

Pingjiang County is located in the northeastern part of Hunan Province and is under the jurisdiction of Yueyang City. It has jurisdiction to more than 24 townships, 542 villages, and 46 community neighborhood committees, with a total population of 1.15 million and a total area of 4,125 square kilometers. From 2017 to 2019, the poverty headcount ratio in Pingjiang County fell from 4.52% to 0.34%, and the per capita gross domestic product reached CNY33,797. The county was lifted out of poverty in 2020 (Table A1.1).

**Table A1.1: Basic Indicators of Pingjiang County**

| Indicator   | 2017      | 2018      | 2019      |
|---|-----------|-----------|-----------|
| GDP (CNY10,000)   | 2,679,100 | 2,866,100 | 3,224,900 |
| Total population (permanent resident population/person) | 984,800   | 995,500   | 954,200   |
| Proportion of each industry in GDP (%)                  |           |           |           |
| Agriculture (%)   | 17.80     | 14.60     | 15.40     |
| Industry (%)  | 41.70     | 42.30     | 39.30     |
| Services (%)  | 40.50     | 43.10     | 45.30     |
| GDP per capita (CNY)                                    | ...       | 28,946    | 33,797    |
| GDP growth rate (%)                                     | 8.30      | 8.70      | 8.10      |
| Disposable income of urban residents (CNY)              | 21,898    | 23,602    | 25,516    |
| Disposable income of rural residents (CNY)              | 8,690     | 9,580     | 10,480    |
| Poverty headcount ratio (%)                             | 4.52      | 0.94      | 0.34      |

... = data not available, CNY = yuan, GDP = gross domestic product.

Source: Pingjiang County Poverty Alleviation Office. 2018–2020. *Pingjiang County National Economic and Social Development Statistics Bulletin (2017–2019)*.

#### 1. Financial Support Measures

Pingjiang County’s specific financial support measures to ensure the livelihood of the poverty-stricken population were:

- (i) **Financial support measures for vulnerable groups, such as the elderly living in poverty.** The rural subsistence allowance and social security work were combined to fully implement the basic subsistence allowance for the poor. In 2019, 11,778 households with 20,444 people were identified as rural subsistence allowance recipients, of which 7,496 people from 3,121 households were provided with special subsidy. The two-line integration of “subsistence allowances recipients” and “subsidiary recipients” was given monthly, and 8,557 households with 12,948 people were classified and provided with subsidy. In 2019, a total of 8,256 person-times of temporary relief were completed; CNY7.65 million of subsidy was granted; and 1,403 people were newly added to the subsistence allowance system.

- (ii) **Implement living allowances for the elderly, people with disabilities, and orphans; and increase the disposable income of poverty-stricken farmers.** In 2017, the coverage rate of the basic pension service subsidy system reached 100%.
- (iii) **Strengthen infrastructure construction for vulnerable groups.** In 2017, CNY150 million was invested in the construction of social welfare centers, child welfare homes, and other projects. The county added 643 elderly service beds. Presently, there are 35 old-age beds for every 1,000 elderly people.

Specific support measures for the education of the poor in Pingjiang were:

- (i) **Implement the education poverty alleviation policy of the higher-level government.** From 2014 to 2019, CNY17.88 million in various types of education poverty alleviation funds were allocated, covering 13,776 poor students.
- (ii) **Further improve the implementation of student funding standards at the county level.** Financial aid was provided to students according to the following standards: (a) CNY800 per person per year for students at preschool and compulsory education stages; (b) CNY1,500 per person per year for students at high school and secondary vocational education stages; (c) CNY3,000 per person per year for students in college; and (d) CNY5,000 per person per year for students in higher vocational college.<sup>1</sup> The amount of student subsidy provided by Pingjiang County is the highest in Hunan.
- (iii) **Implement “dropout rate control to ensure compulsory education is available to all” policy.** In addition, organize the county’s primary and middle school teachers to carry out “visits, publicity, and investigation” activities for poverty alleviation. In 2019, a total of 145 students with disabilities from impoverished families were provided with teaching aid at home and 80 dropout students were persuaded to return to school.

Support measures for medical security in Pingjiang include:

- (i) **“Five increases, two subsidies, two reductions and exemptions, and one relief” health poverty alleviation policy.**<sup>2</sup> This is to promote free physical examination and screening, graded diagnosis and treatment, and contracted services for “1+1+1” three-level (county, town, and village) doctors. In 2019, the proportion of hospitalization reimbursements in the county for the needy population reached more than 90%, and family doctors are fully covered.
- (ii) **Implement the localized talent plan for primary medical and health institutions in poverty-stricken areas.** In 2020, Pingjiang County planned to enroll 34 medical students who will be preassigned to work in poverty-stricken areas.

<sup>1</sup> In the People’s Republic of China, students who attend higher vocational colleges spend 3 years in school and get a diploma after graduation. Students at undergraduate stage spend 4 or 5 years in school and get a bachelor’s degree after graduation. For stages above, students earn a master’s degree or a doctoral degree.

<sup>2</sup> “Five increases” refers to increasing (i) the proportion of medical insurance reimbursement, (ii) the proportion of hospitalization reimbursements for serious illnesses, (iii) the amount of subsidies for serious illnesses, (iv) the proportion of chronic disease outpatient reimbursements, and (v) the proportion of new medical reimbursements for the poverty-stricken population because of illness. “Two subsidies” refers to financial subsidies for insured poverty-stricken people and for special insurance premiums for poverty alleviation. “Two reductions and exemptions” refers to the reduction or exemption of the expenses for nine major diseases and the self-financed expenses of county-level hospitals. “One relief” refers to the government’s cover for the self-financed expenses of people in special difficulty.

Table A1.2 summarizes the social expenditures of Pingjiang County.

**Table A1.2: Social Expenditures of Various Funds of Pingjiang County to Support Poor Population (CNY10,000)**

| Financial Support     | 2015     | 2016     | 2017     | 2018     | 2019     |
|-----------------------|----------|----------|----------|----------|----------|
| Medical expenditure   | 1,860.00 | 1,761.59 | 1,262.40 | 2,406.21 | 3,075.00 |
| Pension expenditure   | 3.37     | 3.37     | 3.37     | 320.92   | 108.77   |
| Education expenditure | 3,301.88 | 3,192.05 | 3,880.45 | 4,202.87 | 4,946.60 |

Source: Pingjiang County Poverty Alleviation Office.

## B. Tailored Poverty Alleviation

The tailored financial support for poverty alleviation in Hunan Province referred to poverty reduction through industrial development, consumption, employment, and financial tools utilization. Pingjiang County had taken various measures that provide learning experiences in alleviating poverty and providing employment that could be adopted by developing industries.

### 1. Poverty Alleviation through Industrial Development

The main approach was to innovate and implement the “three keys and three highlights” industry mechanism; accurately select industries; and organically integrate industries, farmers, and the market to alleviate poverty through industrial development.

“Three keys” referred to the three key industries of high mountain organic tea, camellia oil, and rural tourism. Pingjiang relies on 20 key enterprises such as Shanrun camellia oil and Jiushizhai to support more than 50 key villages.

The “three highlights” meant (i) highlighting the leading drive, fostering and developing family farms, and professional poverty alleviation cooperatives, as well as motivating impoverished farmers to participate in industrial development; (ii) highlighting policy promotion, increasing policy support for corporate financial loans, project support, and financial incentives to guarantee impoverished farmers’ income; and (iii) highlighting the linkage of interests; establishing interest linkage mechanisms such as land leasing, dividends sharing, employment, and guaranteed purchases, to achieve stable income growth for impoverished farmers.

As of 2020, Pingjiang has developed 12,000 *mu* (800 hectares) of high-mountain organic tea and 500,000 *mu* (about 33,333 hectares) of camellia oil trees. It has built 5 rural tourism demonstration villages, 45 photovoltaic power stations, and 50 E-commerce service stations, helping 110,000 impoverished people to increase their income through industrial development.

### 2. Poverty Alleviation through Employment

Pingjiang County relied on the following measures to alleviate poverty through employment:

- (i) **Industrial parks.** The relocation and/or resettlement areas of Chengguan, Sanyang, Wushi, and other towns are close to the Pingjiang Industrial Park and various township industrial parks. Pingjiang relied on these nearby industrial parks to promote the

employment of impoverished laborers. The annual labor demand in each park is above 30,000. Among them, the Pingjiang Industrial Park has employed more than 2,500 impoverished laborers, of which more than 600 had been relocated.

- (ii) **Specialized industries.** Relying on key poverty alleviation industries such as high mountain organic tea, camellia oil, rural tourism, and leisure agriculture, the government has promoted the employment of poverty-stricken population in more than 50 specialized industries in poverty alleviation demonstration villages. Through these industries, the government has promoted the establishment of an employment linkage mechanism between 10,000 relocated people and 548 economies, including Country Garden Flower Seedling Base and Jiushi Village Tea.
- (iii) **Labor export.** The county has established a long-term labor cooperation relationship with the Shanghai Port Authority, the Liuyang Lens Technology, and other enterprises, and has provided more than 200 employment opportunities for people who have been relocated.
- (iv) **Poverty alleviation workshops.** Pingjiang introduced 28 poverty alleviation workshops from Yiwu, Zhejiang Province, including the Country Garden Seedling Base and other poverty alleviation workshops. It has created eight rural farming operations and employment poverty alleviation bases, and more than 1,000 relocated people have realized local employment.

## APPENDIX 2: CASE STUDY: POVERTY ALLEVIATION IN HUAYUAN COUNTY

### A. Government-Subsidized Financial Support Measures

Huayuan County is located in the western part of Hunan Province and belongs to the Tujia and Miao Autonomous Prefecture in western Hunan.<sup>3</sup> It has jurisdiction to more than 12 townships, 217 villages, and 24 community neighborhood committees, with a total population of 315,000 and a total area of 1,109.35 square kilometers. Shibadong village in Huayuan County is the “first place” for targeted poverty alleviation. In November 2013, targeted poverty alleviation was first proposed in Huayuan County. From 2017 to 2019, the poverty headcount ratio in Huayuan County dropped from 11.40% to 0.55%, and the county has been lifted out of poverty in 2020 (Table A2.1).

**Table A2.1: Basic Indicators of Huayuan County**

| Indicator   | 2017    | 2018    | 2019    |
|---|---------|---------|---------|
| GDP (CNY10,000)   | 680,667 | 622,079 | 721,215 |
| Total population (permanent resident population/person) | 312,700 | 312,900 | 312,472 |
| Proportion of each industry in GDP (%)                  |         |         |         |
| Agriculture (%)   | 10.50   | 10.90   | 11.20   |
| Industry (%)  | 53.80   | 48.60   | 31.80   |
| Services (%)  | 35.70   | 40.50   | 56.90   |
| GDP per capita (CNY)                                    | 22,494  | 22,262  | 25,016  |
| GDP growth rate (%)                                     | 10.40   | (5.00)  | 6.10    |
| Disposable income of urban residents (CNY)              | 22,586  | 24,506  | 26,516  |
| Disposable income of rural residents (CNY)              | 7,859   | 8,693   | 9,510   |
| Poverty headcount ratio (%)                             | 11.40   | 4.50    | 0.55    |

CNY = yuan, GDP = gross domestic product, ( ) = negative.

Notes: The permanent population refers to the population who actually live in a certain area at a certain period of time (more than half a year, including half a year). Two criteria are being used: time (half a year) and space (township and sub-district). Permanent population = people who live in a certain area where their Hukou (a system of household registration used in the People's Republic of China) were registered + people whose Hukou were registered somewhere else but have been living in a certain area for more than half a year + people who have not registered their Hukou yet + people whose Hukou were registered in a certain area but have left the area for less than half a year.

Huayuan County's specific financial support measures to ensure the livelihood of the poverty-stricken population were:

- (i) **Continuously improve the minimum living standard and per capita assistance level of residents.** The current standard of minimum living guarantee in rural areas has reached CNY3,800 per person per year, and the monthly per capita subsidy level is above CNY197. The distribution of urban and rural minimum living allowances in Huayuan County from 2017 to 2019 is in Table A2.2.

<sup>3</sup> Data from this section are from Huayuan County Poverty Alleviation Office. 2018–2020. *Huayuan County National Economic and Social Development Statistics Bulletin (2017–2019)*.

- (ii) **For the elderly living in poverty, continuously improve the village-level rural pension system, expand the construction area of nursing homes, and expand recreational activities for the elderly.** In 2018, the county collected CNY46.44 million for the pension insurance of urban and rural residents, extending full pension insurance coverage for urban residents.
- (iii) **For people with disabilities, provide living allowances and nursing subsidies.** In 2019, the amount of subsidies for people with disabilities increased from CNY2.85 million in 2017 to 6.42 million.

**Table A2.2: Issuance of Urban and Rural Subsistence Allowance in Huayuan County, 2017–2019**

| Indicator  | 2017     | 2018     | 2019     |
|--|----------|----------|----------|
| Number of urban residents granted with subsistence allowance       | 60,378   | 51,686   | 4,7825   |
| Amount of subsistence allowance granted in urban areas (CNY10,000) | 1,599.86 | 1,710    | 1,583.60 |
| Number of rural residents granted with subsistence allowance       | 304,229  | 251,199  | 210,001  |
| Amount of subsistence allowance granted in rural areas (CNY10,000) | 4,579.50 | 4,818.50 | 4,273    |

CNY = yuan.

Source: Huayuan County Poverty Alleviation Office. 2018–2020. *Huayuan County National Economic and Social Development Statistics Bulletin (2017–2019)*.

Specific support measures for the education of the poor in Huayuan County were:

- (i) **Establish a comprehensive responsibility mechanism for dropout control.** Through the implementation of the mechanism, local government and education authorities are responsible for controlling school dropout; the township government, village committee, and villagers' groups are responsible for persuading students to return to schools; and related working staff are responsible for guaranteeing that students have access to compulsory education. In particular, government officials from the county and township are responsible for their jurisdictional districts; school leaders are responsible for their own schools; village committees are responsible for their own villages; villagers' groups are responsible for their own households; and teachers are responsible for their own students. These form a dropout control system that covers motivational dropout control, administrative control dropout, and judicial control dropout, to prevent any student from dropping out of school because of poverty.
- (ii) **Implement the various education policies.** These include the 9-year compulsory education “two exemptions and one subsidy” policy, secondary vocational education tuition exemption policy and living subsidy policy, one-time subsidy policy for university freshmen, and implementation of exemption from examinations and tuition fees for children of impoverished families who are attending technical schools. In 2019, the percentage of school enrollments versus graduates in primary schools of Huayuan County reached 100%; the figure of junior high schools reached 99.84%; and the enrollment rate of school-age children from impoverished households reached 100%.
- (iii) **Develop vocational education for impoverished students and promote the construction of standardized schools.** The proportion of students graduating from junior high schools and attending secondary vocational schools continues to increase, as do the number of rural practical technical training. In 2017, two urban schools were newly built or expanded, and one “Furong School” started construction in 2019.

Support measures for medical security in Huayuan County included:

- (i) Implement the “three increases, two subsidies, one reduction and exemption, and one relief” health poverty alleviation protection measures.<sup>4</sup> All of the poor population are included in the medical assistance coverage for urban and rural residents, and 100% of the poor has been covered with basic medical insurance and critical illness insurance.
- (ii) Implement a one-stop settlement service of “diagnosis and treatment first, pay later”, and implement special reimbursements for people with special difficulties. The actual reimbursement rate of hospitalized medical expenses for poverty-stricken patients reached more than 85%.
- (iii) Cooperate with universities to train general practitioners in rural areas. In addition, continuously introduce high-level medical personnel.<sup>5</sup>

## B. Tailored Poverty Alleviation

The tailored financial support for poverty alleviation in Hunan Province referred to poverty reduction through industrial development, consumption, employment, and financial tools utilization. Huayuan County had taken various measures that provide learning experiences in alleviating poverty and provide employment that could be adopted by developing industries.

### 1. Poverty Alleviation through Industrial Development

In Shibadong village, Huayuan County, poverty alleviation through industrial development proceeded, first, by developing industries specific to the local conditions, i.e., forming a “tourism+” industrial system covering rural tourism, yellow peach, kiwi fruit, Miao embroidery, labor export, and mountain spring water. The second move was promoting land circulation and creating a “land circulation economy.” Thousands of hectares of land in Shibangdong village were transferred to high-quality kiwi fruit bases, and the products directly sold to Hong Kong, China and Macau, China. In 2019, each person in Shibadong village received a dividend of CNY1,500.

### 2. Poverty Alleviation through Employment

The measures taken by Shibadong village in Huayuan County to alleviate poverty through employment were:

- (i) **Form a Miao embroidery cooperative.** The cooperative increases orders for Miao embroidery to allow left-behind women to work “at home.” In 2019, the embroidery industry achieved an output value of more than CNY600,000.
- (ii) **Transfer employment to counterpart provinces.** More than 180 laborers in Shibadong village moved to Shenzhen, Guangzhou, and other places where counterpart cooperation has been established, directly increasing village income by more than CNY6 million.

<sup>4</sup> “Three increases” refer to increasing the level of basic medical security, increasing the level of critical illness insurance coverage, and improving the level of medical assistance. “Two subsidies” refer to financial subsidies for the poverty-stricken population’s medical insurance and family comprehensive insurance premiums. “One reduction and exemption” refers to the reduction and exemption of 50% of the non-reimbursable fee for nine major diseases. “One relief” means the government pays the non-reimbursable fee for people living in extreme poverty.

<sup>5</sup> Refers to the government’s financial support to introduce doctors with higher academic qualifications, higher professional titles, and more clinical experience.

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## **Eradicating Absolute Poverty in Hunan Province, People’s Republic of China**

This paper describes the specific poverty reduction practices applied in Hunan Province, People’s Republic of China. The Government-subsidized poverty reduction programs are aimed at elderly living in poverty, people with disabilities, and migrant workers and their left-behind children. They reduce poverty mainly by building a support system for living, housing, medical care, old-age care, education, and employment. Tailored financial support are also intended for natural resources of poverty-stricken areas to be used in developing industries and forming self-development capabilities to eradicate poverty, including through industrial development, employment, and financial tools utilization.

### **About the Asian Development Bank**

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