

International Research on Poverty Reduction

Peilin Li
Houkai Wei
Guobao Wu *Editors*

Research on Poverty Reduction in China



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Chapter 1

General Report



Research Group of Poverty Alleviation and Development of Chinese Academy of Social Sciences

Abstract Development-oriented poverty reduction makes up a crucial part of what is now often billed as China’s unique development path, experience, and model. China’s success serves as an example for any society trying to eradicate poverty. Nevertheless, there will be a tough road ahead as the country enters a new phase of the war on poverty. In addition to a systematic overview of the country’s experience in development-oriented poverty reduction over recent decades, the *China Poverty Reduction Report 2016* provides the outlook for poverty reduction over the coming years, including challenges the country will face as it enters the final stretch in the race to realize moderate prosperity for all. The *report* also presents discussions of policy options for meeting the government’s poverty reduction targets by 2020 within the precision-targeting strategy framework.

1.1 A Brief History

After the People’s Republic of China was founded in 1949, and especially since the country’s adoption of the policy of reform and opening-up in the late 1970s, the government has committed itself to and worked at full throttle toward transforming China through economic and social development. In the mid-1980s, a meticulously planned and organized nationwide campaign to reduce and eventually wipe out poverty by means of development was launched. Since then, the central government has introduced a number of mid- to long-term master plans, including “Lifting Eighty Million out of Poverty Within Seven Years,” “An Outline for Development-Oriented Poverty Reduction in Rural China (2001–2010),” and “An Outline for Development-Oriented Poverty Reduction in Rural China (2011–2020).” Under these plans, the country has achieved remarkable results in reducing rural poverty.

At the 18th National Congress of the Communist Party of China (CPC), China’s top leadership made it clear that development-oriented poverty reduction is a matter

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of paramount strategic importance to the nation. Not only is this campaign an integral part of the broader pursuit of moderate prosperity for all Chinese people, long considered a Holy Grail, on it also hangs the prospects of achieving the development goals the government has set itself by the first centennial of the founding of the CPC. Furthermore, the development-oriented poverty reduction campaign is to be incorporated into each of the two sets of nation-building general guidelines introduced at the 18th CPC National Congress. One calls for the coordination and integration of national construction in five distinct areas, namely economy, politics, culture, society, and ecological environment, while the other calls for carrying out four tasks of national importance on the most comprehensive scale possible, namely the realization of moderate prosperity, the deepening of reform, governance under the rule of law, and the exercising of CPC self-discipline. In addition, the government announced that precision-targeted poverty reduction would be the fundamental approach it would use to achieve its poverty reduction goals. These decisions helped open up a new chapter in the country's national campaign to cosign rural poverty to history.

1.2 Practice and Experience

Development-oriented poverty reduction since the beginning of reform and opening-up has essentially been a process of the government and the Communist Party of China (CPC) working together with the poor to facilitate their participation in and to help them secure their fair share of the fruits of the country's economic construction and reform. Set within the country's existing political, economic, social, and cultural parameters, the process unfolded under the overarching leadership of the government and the CPC, who drafted plans, provided support and coordinated efforts by the different parties involved, while the poor did their part by engaging in self-development and self-empowerment. There are five main parts of China's poverty-fighting strategy: development, self-improvement, precision targeting, innovation, and broad-based participation.

In general terms, important lessons can be learned from China's experience with poverty reduction in a number of areas, including an integrated approach to poverty alleviation, allowing the government, the market and other players to realize to the maximum their potential contributions to the cause, being committed to innovation and guarding against complacency.

1.3 China's Contribution to the World

China has made great strides in reducing the number of its poor and raising the standard of living for all citizens since 1978. Measured by the current poverty line cut-off at 2300 yuan in annual income at 2010 prices, the number of rural poor in

the country dropped by 714.64 million, or 92.8%, from 770 million to 5.575 million, between 1978 and 2015. Rates of poverty, or the headcount ratio, dropped 91.8 percentage points from 97.5 to 5.7%.

Alternatively, the results of calculations based on 1.90 US dollars a day at the 2011 PPP show that between 1981 and 2012, the total number of poor people around the world decreased by 1.1 billion, or 55.1%, of which 790 million lived in China. This puts China's contribution to worldwide poverty reduction at 71.8%.

Over the 1990–2014 period, China's contribution accounted for 18.3% of the margin of increase in the world average of the Human Development Index (HDI), without which it would have taken two more years for the 2014 level to be reached. Progress in China boosts the proportion of the world population by 4.23% and contributes 45.6% to the increase in the total number of people with access to improved drinking water sources. Similarly, had it not been for China, worldwide life expectancy would be one year less than what it is now.

In sum, China has contributed enormously to progress in poverty reduction, improvements in basic living conditions such as safe drinking water supply, health and, more generally, well-being and human rights around the world.

1.4 Poverty Reduction During the 13th Five-Year Plan Period: Outlook and Strategy

Past achievements notwithstanding, China faces a tough road ahead in its continuing fight against poverty during the 13th Five-year Plan period. A great deal of work still remains to be done, major changes are imminent in the macroeconomic landscape, the impact of climate change is bound to grow, so will uncertainties about natural disasters and market fluctuations, just to name a few of the sources of difficulty. However, favorable conditions also exist. First, the country's push toward realizing moderate prosperity for all will give a needed boost to the campaign to end poverty. Second, with the wherewithal, China has built up over the course of more than three decades of economic growth under reform and opening-up on the one hand and a political system that imposes few institutional restraints on the government's ability to undertake large and expensive projects on the other; sustained fiscal support for the poverty-fighting campaign is largely guaranteed. Third, supply-side reform and efforts to transform the country's economic development model have created abundant opportunities for residents in poor rural areas to increase their income. Fourth, there is now a rich trove of experience from over three decades of practice that the government and others involved in combating poverty can draw upon in areas such as planning, organization, implementation, and management.

The government's poverty-fighting strategy for the 13th Five-year Plan period reflects the demands of and is consistent with the general situation in China with

respect to poverty, the significance of our time in the country's history, and the leadership's current development philosophy and strategy. The strategy features precision targeting as the basic approach, capability-building in the poor the fundamental objective, government-market-civil society collaboration the model and innovation, coordination, sustainability, and ecological soundness the core principles.

1.5 Targets and Objectives for the 13th Five-Year Plan Period

The Chinese government has set itself a number of poverty reduction targets for the 13th Five-year Plan period. They are to ensure that by 2020, (1) the basic needs for food, clothing, shelter, basic education, and healthcare services of the entire rural population are met; (2) the growth rate of disposable income in poor areas exceeds the national average, and urban-rural disparity in access to and quality of basic public services is drastically reduced if not eliminated; and (3) rural poverty at the individual, county, and regional levels is ended.

At the top of the priority list of the government's poverty reduction work during the 13th Five-year Plan period is to lift out of poverty those individuals on the government's official poverty registry by applying the precision-targeted approach. Given the wide variety of causal profiles among the poor, differential poverty alleviating methods and instruments tailored to meet their specific needs and to suit their specific conditions must be adopted for different households and individuals.

The second priority is enhancing the development capability of poor regions and reducing the development gap between them and the rest of the country.

Third, instead of signifying the end of the development-oriented campaign against poverty, the conclusion of the 13th Five-year Plan period will be the beginning of a new chapter in this ongoing national endeavor. Meeting the abovementioned targets will prepare the country to pursue further improvements to the economic condition of all Chinese people in the years beyond 2020.

1.6 Policies for Implementing Precision-Targeted Poverty Reduction

First and foremost, by deepening reform and strengthening innovation, the government needs to ensure robust economic growth and a steady increase in labor demands and must do what it can to manage the dynamic relationship between the two factors. These are key ingredients that make up a macroeconomic condition that is favorable to precision-targeted poverty reduction.

Second, more effective policies are needed to strengthen fiscal, investment, financial, land use, human capital, and civil society participation support for the implementation of precision-targeted poverty reduction.

Third, precision-targeted poverty reduction represents a major innovation in the field of poverty reduction, both in theory and in practice. It is a significant departure from and improvement upon past thinking about development-oriented poverty reduction. To achieve the best implementation results, the government needs to make improvements in a number of areas, including accuracy in the identification of intended beneficiaries of poverty alleviation programs and timely updating of the list, reform of the incentive system in both its performance evaluation and outcome assessment components, the management, allocation, and utilization of poverty reduction funds, the deployment of poverty alleviation instruments such as financing support, the involvement of civil society, and of course, the poor themselves.

Fourth and finally, for any strategy, implementation is key, and precision-targeted poverty reduction is no exception. The country should adhere to the current model, which relies on the central government for overarching leadership, holds provincial governments fully responsible for the overall outcome, and puts county governments in charge of implementation. Relevant agencies and individuals must strengthen their organizational capability and professional skills, and last but not least, the moral agency of the subjects of poverty reduction must always be given due respect and placed at the front and center of all and any efforts to lift these individuals out of poverty.

1.7 Alleviating Poverty Through Development and Achieving Moderate Prosperity for All Chinese

The Chinese Academy of Social Sciences China Poverty Reduction Report
Research Group

Abstract: China has made great strides in reducing poverty since the beginning of the reform and opening-up in the late 1970s. Not only does the country's experience in fighting poverty form an important part of the distinctly Chinese development model and path, but it also provides a valuable example to the rest of the world. At this time, the country is gearing up to scale yet greater heights in this ongoing campaign to eradicate poverty. This report reviews the history of China's poverty reduction practices over the last several decades, takes stock of the lessons that have been learned, and provides an analysis of the challenges China faces as the country tries to not only eliminate poverty but also build a moderately prosperous society. Policy recommendations are given for achieving poverty reduction targets by 2020.

Keywords: Poverty reduction in China, Progress made in poverty reduction, Practice and lessons, Challenges, Strategy, Policy recommendations

The reduction and even elimination of poverty, a scourge since the beginning of history, is a development goal shared by all of humanity. In China, the systematic endeavor to root out poverty began nearly four decades ago, when the policy of reform and opening-up was adopted. Despite numerous obstacles, hundreds of millions of rural residents have been lifted out of poverty and set on the path toward moderate prosperity. The country has earned worldwide recognition for having achieved such a monumental feat.¹

China's experience in poverty reduction not only forms an important part of the distinctly Chinese development model and path but also sets an example for the rest of the world.

We are now at a critical phase in the country's war on poverty. In the "Thirteenth Five-Year Plan," the Chinese government has committed itself to the goal of lifting out of poverty by 2020 all those who are now below the official poverty line. This is by any measure a tall order and can only be achieved if the country can slash the total size of the population living in poverty by more than 10 million each year over the 2016–2020 period.

This report reviews the history of China's poverty reduction practices over several decades, takes stock of the lessons that have been learned, and examines the challenges China faces as we rev up the engine to race toward the finish line while at the same time trying to realize moderate prosperity for all Chinese. Policy recommendations are given.

1.8 Poverty Reduction in Modern China: A Brief History

After the People's Republic of China was founded in 1949, and especially since the country's adoption of the policy of reform and opening-up in the late 1970s, the government has committed itself to and worked at full throttle toward transforming China through economic and social development. In the mid-1980s, a meticulously planned and organized nationwide campaign to reduce and eventually wipe out poverty by means of development was launched. Since then, the central government has introduced a number of mid- to long-term master plans, including "Lifting Eighty Million out of Poverty Within Seven Years," "An Outline for Development-Oriented Poverty Reduction in Rural China (2001–2010)," and "An Outline for Development-Oriented Poverty Reduction in Rural China (2011–2020)." Under these plans, the country has achieved remarkable results in reducing rural poverty.

At the 18th National Congress of the Communist Party of China (CPC), China's top leadership made it clear that development-oriented poverty reduction is a matter

¹ This report is based on the joint research efforts of the project team. It is written by Guobao Wu Ph.D., Researcher at the Rural Development Research Institute, Chinese Academy of Social Sciences (CASS), Director of the CASS Center for Poverty Studies, Chief Researcher at the CASS Innovation Project "In Search of Accurate Policy Solutions to Poverty," Professor at CASS Graduate School, Wu's main fields of research include poverty reduction, microcredit, rural development, and rural well-being.

of paramount strategic importance to the nation. Not only is this campaign an integral part of the broader pursuit of moderate prosperity for all Chinese people, long considered a Holy Grail, on it also hangs the prospects of achieving the development goals the government has set itself by the first centennial of the founding of the CPC. Furthermore, the development-oriented poverty reduction campaign is to be incorporated into each of the two sets of nation-building general guidelines introduced at the 18th CPC National Congress. One calls for the coordination and integration of national construction in five distinct areas, namely economy, politics, culture, society, and ecological environment, while the other calls for carrying out four tasks of national importance on the most comprehensive scale possible, namely the realization of moderate prosperity, the deepening of reform, governance under the rule of law, and the exercising of CPC self-discipline. In addition, the government announced that precision-targeted poverty reduction would be the fundamental approach it would use to achieve its poverty reduction goals. These decisions helped open up a new chapter in the country's national campaign to cosign rural poverty to history.

1.8.1 Poverty Reduction in Rural China: 1949–1978 and 1978–1986

1.8.1.1 Poverty Reduction in Rural China Prior to the Beginning of Reform and Opening-Up

At the time of the founding of the People's Republic of China (PRC), most farmers in what was then a technologically backward country that had been ravaged by wars over an extended period of time owned little or no land. A small number of landowners owned most of the country's land, and deep poverty was rife in the countryside.² To change this situation quickly, the mitigation of poverty was given top priority in both institutional design and policy formulation. A series of measures, including land reforms, collectivization, and the establishment of people's communes intended to mitigate inequality in resource allocation and income distribution, were carried out. Even though the government did not introduce any action plan specifically for fighting poverty until after reform and opening-up was launched, many of the policy initiatives it introduced during these early years of the PRC were aimed at mitigating such massive poverty and the polarized wealth distribution.

In what follows, we take a brief look at some of the significant measures the Chinese government adopted to combat rural poverty in the years between 1949 and when the policy of reform and opening-up took effect.

First, full recognition was given to farmers' rights to own and use land (and other forms of natural resources), and their ability to exercise those rights was enhanced.

² Wu (2014).

Before the PRC founded in 1949, land in rural China was extremely unevenly allocated. Some estimates suggest that in 1934, just 4% of landowners owned 50% of all arable land in the country, while poor households, which accounted for 70% of the rural population, owned just 17%. After 1949,³ the government launched land reforms across the country, in which land that had been owned by landowners was redistributed and given to landless and nearly landless farmers, who then became landowners. By 1952, the extreme malallocation of land among the different social classes had largely been corrected, and widespread landlessness, a phenomenon that had been the primary cause of rural poverty in other developing countries, had nearly been wiped out.⁴ This established a solid property rights precondition for the future success of China's efforts to combat rural poverty. Starting in the mid- to late 1950s, individual ownership of land was replaced first by collective ownership and then by tripartite ownership (i.e., by the commune, the production brigade, and the production team) under the people's commune system. Despite frequent changes in how they were able to exercise control over, manage and claim benefits from the land, from the legal point of view, farmers always had joint ownership of the land that was nominally owned by whatever group of which they were members.

Second, infrastructure in rural China was greatly improved. From the 1950s to the mid-1970s, the Chinese government, taking advantage of its authority over and ability to allocate the country's resources and the various opportunities offered by the tripartite land ownership system, launched a large number of infrastructure construction projects across the nation's vast countryside. These projects yielded handsome returns, including greatly improved hydraulic structures and transportation infrastructure in rural areas, a ninefold increase in the country's highway mileage, and a 125% increase in the total area of irrigated land.

Third, the country made great strides in basic education and medical services for the rural population. Between 1949 and 1978, the number of elementary schools in China grew by 1.6 times, the number of middle schools grew by 28 times, and the elementary school enrollment rate rose from 50 to 96% of all eligible children. In terms of medical services, a New Rural Cooperative Medical Insurance Program was established in which the so-called barefoot doctors were the primary medical care providers. There was also under this system a total of over 50,000 township-level hospitals and over 600,000 village clinics, either newly built or newly improved, across the countryside, covering 68.8% of all villages. As economically underdeveloped as the country was at the time, the system was instrumental in enhancing rural China's ability to prevent and treat a range of medical conditions, including communicable diseases, endemic illnesses, occupational diseases, and parasitic diseases. It also improved access to both medical care providers and medicine among the rural population and its health.⁵

³ Youyi (1957).

⁴ National Bureau of Statistics (1984).

⁵ UNICEF noted in their 1980–1981 Annual Report that China's "barefoot doctors" provided basic care to economically underdeveloped rural communities, and this system can serve as an example for other developing countries. The World Bank and the World Health Organization also called China's

Fourth, a social security system—the so-called Five Guarantee Program—was established within the institutional framework of the rural collective economy. On the one hand, this system provides basic social security for rural residents who either lack or have lost the capacity to work and on the other hand provides government relief for farmers who have either suffered significant loss caused by natural disasters or were living in destitution due to other extraordinary circumstances. Additionally, to ensure that the basic living needs of individuals with limited capacity to work or with disabilities and/or disadvantaged families can be met through engaging in gainful employment, state-run factories adjusted their recruitment policies, creating positions that accommodate the conditions of these individuals. Even though the “Five Guarantee Program” was only able to provide limited security within a fairly narrow scope, it nonetheless played an important role in mitigating rural poverty, reducing hunger, and maintaining social stability.

Fifth, the use of technology in agriculture was promoted through the establishment of a nationwide network. The network covered all villages (then production brigades) in the country. The network helped increase the availability to farmers around the country of technologies for seed quality improvement, fertilizer and pesticide production and application, soil amelioration and farming equipment, which led to improvements in agricultural productivity. Between 1949 and 1978, the grain yield per unit area in China increased by 2.46 times.

In addition, both the establishment of credit cooperatives and networks of supply and demand cooperatives across rural China and the implementation of the country’s family planning policies contributed to poverty alleviation prior to the beginning of reform and opening-up.

As a result of these major policies and measures, between 1949 and 1978 China’s total grain output increased by 2.69 times,⁶ caloric intake among the rural population by 20%,⁷ the percent of the rural population living below subsistence level dropped 50 percentage points to 30percent,⁸ infant mortality rate was cut by 75%, life expectancy among the rural population increased to almost 30,⁹ and more generally living conditions in rural areas improved markedly. If, however, the current poverty line (annual income of 2300 yuan based on 2010 prices) is used as the reference, the number of people living in poverty in 1978 would be 770 million or 97.5% of the country’s population.¹⁰

rural medical cooperative system “the only workable model for developing countries capable of solving the problem of financing healthcare.”

⁶ National Bureau of Statistics: <http://data.stats.gov.cn/easyquery.htm?cn=C01>.

⁷ Binbin (1993).

⁸ In 1992, the Chinese government set the poverty line at per capita net annual income of 200 yuan based on 1984 prices, which is supposed to guarantee subsistence.

⁹ Data come from a 1973–1975 three-year national retrospective survey on cancer deaths, Ministry of Health of the People’s Republic of China, *Public Health Statistical Yearbook of China 2013*.

¹⁰ National Bureau of Statistics Household Survey Office: *China’s Rural Poverty Monitoring Report (2015)*, Beijing, Zhongguo Tongji Chubanshe, 2015.

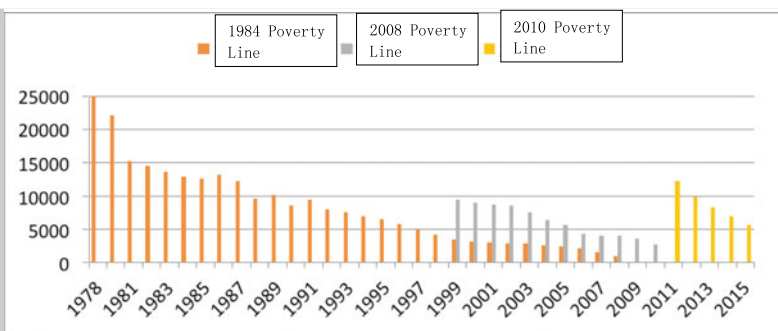
Box 1: Poverty Line for Rural China and its Evolution

Since 1978, China's central government has adopted three different poverty lines, namely the 1984 poverty line, the 2008 poverty line, and the 2010 poverty line.

On the 1984 poverty line, formulated in 1986 by the Se Council Leadership Group for Promoting Economic Development in Poor Area, poverty means a net annual income of under 200 yuan in rural areas based on 1984 prices. Food expenditure was supposed to account for 85% of this amount and to provide 2100 cal a day only. At that time, the typical diet in rural China was heavy on coarse and low-quality grains and cereals and light on sources of animal protein such as meats and egg products. Indeed, an average daily intake of 2100 cal would be barely enough to keep one alive.

The 2008 poverty line was already in use in 2000, though it was at the time referred to as the "low-income threshold." In 2008, the government officially adopted it as the poverty line. By this criterion, an individual qualifies as being officially poor if their annual net income is under 865 yuan based on 2000 prices. 60%—somewhat lower than the number in the 1984 poverty line—of this amount was supposed to go toward food expenditure, which was supposed to provide 2100 cal a day. Anybody above this poverty line is supposed to have their basic needs for food and clothing met.

The 2010 poverty line, still in use now, was introduced in 2011. By this criterion, an individual is officially poor if they earn less than 2300 yuan a year based on 2010 prices or less than either 2800 yuan or 2855 yuan based on either 2014 or 2015 prices, respectively. The criterion is meant to cover the absolute minimum of what is needed to meet one's basic needs for food and clothes and to provide guaranteed access to basic education, medical services and housing. Estimates based on survey data show that, assuming guaranteed access to basic education, medical services, and housing, this poverty line is able to provide 2100 cal and approximately 60 g of protein a day, an amount that can be obtained from a daily consumption of 0.5 kg of rice, 0.5 kg of vegetables, 50 g of meat or one egg. The Engel coefficient on this poverty line is 53.5%, allowing more space for spending on things other than food. Moreover, in practice, the standard was adjusted upward by 10% when applied in locations at high altitudes.



Note: The orange columns represent the size of the poor population, as determined using the 1984 poverty line. It dropped from 250 million in 1978 to 14.79 million in 2007. The gray columns represent the size of the poor population, as determined using the 2008 poverty line. It dropped from 94.22 million in 2000 to 26.88 million in 2010. The yellow columns represent the size of the poor population, as determined using the 2010 poverty line. By 2015, 55.75 million people in China were poor according to this criterion.

Source: Zude Xian, Pingping Wang, Wei Wu: “Poverty Line for Rural China and Poverty Monitoring,” in *Statistical Research*, 2016, No. 9.

1.8.2 Poverty Reduction Through Rural Economic Reform: 1978–1985

During this period, China’s agricultural management system reform, with the introduction of the Household Contract and Responsibility System at its core, was basically complete. Under the new system, farmers, long fettered by the country’s older economic institutions and systems, could claim some measure of control over their contracted land, labor inputs, and investment returns. This greatly boosted the incentive among them to invest money and labor toward improving farming and management. Between 1978 and 1985, the consumption of chemical fertilizers in the country doubled, the aggregate capacity of agricultural machinery increased by 78%, grain yield per unit area by 40%, and agricultural productivity by 40.3%.¹¹ As a result of the combination of increases in agricultural productivity, abolition of institutional restrictions on the use of labor, and relaxation of government regulations on what farmers could grow and market behavior, a large number of farmers were freed up from agricultural work and became available for alternative forms of employment, especially jobs in township enterprises. By 1985, 41.5 million more rural residents

¹¹ National Bureau of Statistics: *Rural Statistical Yearbook of China, 1999*, Beijing: Zhongguo Tongji Chubanshe, 1999.

engaged in nonfarm work than there had been in 1978, and the group accounted for 11% of the total rural labor force,¹² making work outside agriculture a new source of income and income growth for China's rural population.

The terms of trade also improved significantly for agricultural products during this period thanks to the government's decision to raise prices and to allow the market to play a greater role in the trading of agricultural products that fall outside the scope of the centralized system of government procurement. In the years between 1978 and 1985, Chinese farmers' per capita net income increased by 132%, and 15.5% of this increase was accounted for by the 66.8% increase in China's comprehensive agricultural price index. Caloric intake among rural residents grew from 2300 kcal/person/day in 1978 to 2454 kcal/person/day in 1985. According to the prevailing criterion at the time,¹³ the size of the rural population that had lived below the subsistence level was halved. However, if today's poverty line is used instead, the result would be a reduction of the number of the rural poor by over 100 million or a drop in the rate of poverty to 78.3%.¹⁴

Such impressive achievement was largely attributable to the increases in agricultural productivity and in employment opportunities outside agriculture, which had themselves been brought about by institutional reforms and price adjustments made to agricultural products. While most farmers in China were able to benefit from these developments regardless of their specific conditions, which varied widely with respect to geographic location, resource endowment and family status and background, some benefitted more than others, sometimes much more. Between 1978 and 1985, income inequality in rural China rose gradually, with the Gini coefficient going up from 0.21 to 0.28. It was not long before the coexistence of a lucky few so-called 10,000-yuan households, the first of China's nouveau riche, and people struggling to meet their basic needs for food, clothing, and shelter became a reality.

Institutional reforms in rural China brought about shifts in the geographical distribution of extreme poverty. In response to these shifts, the Chinese government launched an initiative in 1982 in the area that included Dingxi and Hexi in Gansu Province and Xihaigu in the Ningxia Hui autonomous region, whose express goal was to eliminate extreme poverty by promoting agricultural development. This initiative marked the start of a new approach to fighting poverty that focused on exploiting and utilizing locally available resources in poverty-stricken areas. As a harbinger to the nationwide campaign to reduce poverty by promoting development that would get underway not long afterward, this initiative provided valuable lessons

¹² Division of Population and Science and Technology Statistics, National Bureau of Statistics, Finance Division, Ministry of Labor and Social Security: *Labor Statistics Yearbook of China* (2003), Zhongguo Tongji Chubanshe, 2003.

¹³ National Bureau of Statistics: *Rural Household Survey Yearbook of China (2000)*, Zhongguo Tongji Chubanshe, 2000.

¹⁴ National Bureau of Household Survey Office, *China's Rural Poverty Monitoring Report* (2015), Beijing: Zhongguo Tongji Chubanshe, 2015.

from which many other local governments could learn.¹⁵ In 1984, the central government released *A Note on Expediting Efforts to Lift Poor Regions out of Poverty*. The document stated in clear terms that the most reliably effective approach to ending poverty is for the poor to help themselves by finding ways to develop the local economy. It also proposed resource pooling for tackling poverty on a relatively large geographical scale and giving to the county government the power to exercise overall control over money the county has been allocated from any source in higher levels of government. For all practical purposes, this would become the document that set in motion the nationwide campaign that began in 1986 to end poverty through development.

1.8.3 Development-Oriented Poverty Reduction in Rural China: 1986–1993

Starting in 1984, the geographical focus of China's institutional reform shifted from rural areas to cities. The country continued to draw lessons from past experiences and gradually developed a style of socialist market economic system uniquely suitable to the Chinese context. In this process, the government committed itself to a nation-building strategy with reform, opening and development at its core and industrialization and urbanization its main objectives. The rapid development of the national economy that began around this time created propitious conditions for the country's poverty reduction campaigns in subsequent decades. Meanwhile, as local environmental constraints and capacity deficiency of individual farmers gradually replaced institutional restriction as the primary causes of poverty, the government launched in 1986 a campaign designed specifically to tackle rural poverty, the largest so far in the country's history. The government was resolved to help those living in poverty in rural China improve their own capacities and skills so they can take the initiative to rise out of poverty by taking part in the development of the local economy.

1.8.3.1 Major Policy Measures

First, a Leading Group for Promoting Economic Development in Poverty-Stricken Areas (renamed "Leading Group for Poverty Alleviation and Development" in 1994) was set up on each rung within the government hierarchy down to the county level that is specially tasked with overseeing the implementation of development-oriented poverty reduction. This office is responsible for drafting poverty reduction policies, identifying the target groups or individuals, setting medium-term goals and annual

¹⁵ A number of practices that were first tried in this area would later be emulated across the country, including development-oriented poverty reduction, establishment of a poverty registry, providing assistance directly to individual households, and improving management of aid money.

targets, allocating poverty reduction funds and projects, coordinating the relationships among relevant departments, and supervising and monitoring the execution of poverty reduction projects.

Second, the government made poverty reduction by means of development a national strategy, one that represented a significant departure from the one it replaced, which placed emphasis on direct provision of aid to the poor.

Third, the government also undertook to identify the eligible poor who would be the intended beneficiaries of poverty reduction aid or assistance. In 1986, 18 areas and 331 counties across the country were officially designated as poor by national standards. Provincial criteria were used to identify another 368 counties as poverty-stricken (see Box 2). An annual income in rural areas of 200 yuan at 1984 prices was adopted as the national poverty line.

Box 2: Evolution of the Concept of “Poverty-Stricken Counties” and Its Use

Since China’s national endeavor to end poverty by promoting development first began, most real actions have taken place at the county level. However, just what is meant by the notion of a “poverty-stricken county” has undergone many changes. Prior to 1986, some counties were considered economically challenged because they faced economic difficulties, but the practice was not based on any sort of officially formulated criterion. After the establishment of the State Council Leading Group for Promoting Economic Development in Poverty-Stricken Areas in 1986, a set of official criteria became available. According to them, counties in which residents’ per capita annual income fell below 150 yuan would be “poverty-stricken counties,” and for counties in the old revolutionary bases and regions with high concentration of minority populations, the bar is set at 200 yuan, and at 250 yuan for still other counties that were poor due to extraordinary circumstances. In addition, provincial governments were allowed to identify at their discretion other counties that are poor by provincially applicable criteria. By the end of 1992, a total of 331 and 368 counties across the country had been officially designated poor according to national and provincial criteria, respectively.

After the launch of the “Lifting Eighty Million out of Poverty Within Seven Years” program in 1994, the central government put provincial governments in charge of poverty reduction work in national-level poverty-stricken counties in Guangdong, Fujian, Zhejiang, Jiangsu, Shandong, and Liaoning provinces. At the same time, the government updated its list of poverty-stricken counties by removing those with a per capita annual income exceeding 700 yuan and adding those with a per capita annual income below 400 yuan. The updated list had 592 counties on it.

After “An Outline for Development-Oriented Poverty Reduction in Rural China (2001–2010)” was released in 2001, the central government made a number of adjustments to counties that made up the target group of its poverty

alleviation initiatives. Poverty-stricken counties have been named key poverty reduction counties (briefly called key poor counties) since 2001. The total number of key poor counties in the country remained unchanged.

The government released “An Outline for Development-Oriented Poverty Reduction in Rural China (2011–2020)” in 2011. The document made no changes to the total number of officially poor counties. However, the central government added on top of this basic list another one for “poverty blocks” that consist of sizable geographical areas that span contiguous poor counties. This new list included 11 such poverty blocks, with varying resource endowment profiles and histories. In addition to these 11, all of Tibet, southern Xinjiang autonomous region and those areas in Yunnan, Sichuan, Qinghai, and Gansu with high concentration of ethnic Tibetans would count as 3 more poor regions, bringing the total to 14. These 14 regions are home to 680 counties, 440 of which are on the central government’s list of “key poor counties.” All in all, after 2011, any county that was officially poor, regardless of the specific criterion used in the determination, was called a “poverty-stricken county.”

Fourth, funds earmarked for financing poverty reduction projects were made available, providing the needed financial boost to provincial and lower-level governments. There are three types of funds: those set aside specifically for facilitating development in underdeveloped areas, those to help finance Food for Work programs and those that were meant to provide low-interest loans. Over the course of 8 years, the government committed a total of 41.6 billion yuan toward these funds, with 17 billion of which went toward the first two and the remaining 24.6 billion toward the third one.

Box 3: The Central Government’s Budgetary Support for Poverty Reduction Financing

Money guaranteed by the budget of China’s central government is by far the largest source of poverty reduction funds, accounting for 70% of the total amount.

1. Development Fund for Underdeveloped Areas. When the fund was set up in 1980, the initial endowment stood at 800 million yuan. By 2016, the fund was valued at 66.1 billion yuan, making it a more generous type of financial investment by the central government toward poverty reduction.
2. Agricultural Construction Fund for the Dingxi–Hexi–Xihaigu Region. This was established in 1982 by the central government to support the region’s effort to develop its agriculture. The value of the fund grew from 200 million yuan in 1982 to 300 million yuan in 2009.
3. Food for Work Fund. Established by the central government in 1984, the fund is meant to help improve physical infrastructure and production conditions in poverty-stricken areas. The amount of money available in

the fund increased from 900 million yuan at the beginning to 4 billion yuan by 1994 and then again to 4.2 billion yuan by 2013. The figure has stayed at this level since.

4. **Ethnic Minority Development Fund.** Established by the central government in 1992, this fund is meant to support economic development in areas with high concentrations of ethnic minorities. The fund began with only 60 million yuan, and starting in 1996 300 million yuan, it received an annual replenishment of 300 million yuan. By 2009, the number jumped to 4.6 billion yuan.
5. **Poorly Performing State-owned Farms Support Fund and Poorly Performing State-owned Forestry Farms Support Fund.** Established in 1998, these two funds began to receive earmarked central government budgetary support in 2004. They are meant to provide financial support for efforts to improve the working and living conditions of workers employed by poorly performing state-owned farms and forestry farms. In 2015, the state allocated 420 million yuan to support eligible state-owned forestry farms and 260 million yuan to support eligible state-owned farms.
6. **Interest-free and Low-Interest Loans Support Fund.** In 1984, some of the country's largest state-owned banks began to issue loans with preferential terms to the poor. Starting in 1986, the central government earmarked a portion of the state budget for supporting zero- and low-interest loans to the poor. In 1986, the total value of these loans stood at 2.3 billion yuan, grew to 18.5 billion yuan in 2001–2003, where it peaked, before stabilizing at 14 billion yuan by 2008. The amount of the central government's commitment to subsidizing these loans varied according to the size of the loans. Since 2001, the government has spent 5–6 billion yuan every year to cover the amount of interest payment that has been discounted from these loans.

In addition to the above, starting in 1992, persons with disabilities were added to the list of recipients of the government's support for zero- or low-interest loans. Between 1999 and 2010, the central government injected 800 million yuan annually into the fund, and the amount grew to 1.029 billion yuan by 2011.

Fifth, a number of measures that were meant to give poverty-stricken areas a leg up in development were introduced, including lowering the number of grain residents required to contribute, lowering agricultural taxes, exempting business start-ups from corporate taxes, providing earmarked fiscal subsidies to poor counties, and organizing government departments' counterpart aids to poverty reduction in specific locations.¹⁶

¹⁶ State Council's Office of the Leading Group for Economic Development of Poor Areas, *Outline of Economic Development in China's Poverty-Stricken Areas*, Zhongguo Nongye Chubanshe, 1989.

The government's development-oriented poverty reduction efforts in this period were on the whole regional in scope and were still very much doing things on a trial-and-error basis with regard to the specific measures used. For example, the authority in many places has experimented with, albeit with only mixed success, both indirect and direct lending to poor farmers. Satisfactory solutions have yet to be found for various problems in the execution of these loans, including low disbursement rates and low repayment rates. Other things that have been tried include launching development projects in areas such as infrastructure construction and hydraulic structures.

1.8.3.2 Major Achievements (p. 17 in Chinese)

China made great strides in poverty reduction over these 8 years. Based on the 1984 poverty line, the size of the rural poor decreased from 125 million in 1985 to 75 million in 1993,¹⁷ averaging 6.25 million per year.

1.8.4 Development-Oriented Poverty Reduction Under “Lifting Eighty Million Out of Poverty Within Seven Years”: 1994–2000

Eight years into China's national campaign to combat poverty by means of development and impressive achievements aside, the task was also becoming increasingly difficult. It became increasingly clear that unless some specially designed policies or measures were introduced, the government would risk missing the poverty reduction targets that had been included in the 7th Five-year Plan. In 1994, the government released a plan titled “Lifting Eighty Million out of Poverty Within Seven Years,” whose main objective was to eliminate extreme poverty in rural China by 2000. This meant lifting 80 million rural residents out of poverty within the space of a seven-year period beginning in 1994. The program was the first one in the history of the People's Republic of China that includes specific poverty reduction targets.

1.8.4.1 Major Policy Measures

To meet the poverty reduction targets set out in this plan, the government introduced a series of matching policies and measures.¹⁸

¹⁷ The criterion used by the Chinese government to determine the size of China's rural poor was so low that it assumed an 85% share of household income going toward food expenditure. By this standard, the poverty line offered little more than bare subsistence.

¹⁸ State Council's Office of the Leading Group for Economic Development of Poor Areas, *Outline of Poverty Reduction Development in China*, Zhongguo Caizheng Jingji Chubanshe, 2006.

First, the government updated the national list of poverty-stricken counties. Conditions in some of the counties that were on the list when development-oriented poverty reduction was launched eight years earlier had improved sufficiently and should be delisted, while others that should have been on it had been left out. Therefore, in 1994, the government recalibrated the poverty line to reflect these changes, resulting in a new list with 592 poverty-stricken counties.

Second, fiscal spending on poverty reduction increased. Between 1994 and 2000, the central government injected a total of 113 billion yuan, or approximately 16.1 billion yuan a year, into the three types of funds discussed earlier, namely funds for development projects, for Food for Work programs, and for interest-free or low-interest loans. This was a 3.1-fold or 11 billion yuan increase over the total expenditure over the 1986–1993 period. Annual investment in the development fund alone increased by 5.3 billion yuan, or 4.4-fold.¹⁹

Third, the period saw the rapid growth of the role of science and technology in fighting poverty. The government released “A Policy Outline for Harnessing the Power of Science and Technology in the War on Poverty.” The document called for sending more individuals with training, skills, and experience related to science and technology to poverty-stricken areas, the launching of the so-called Spark Program that promoted science and technology application-related loans to the poor, the establishment of pilot programs that explore the poverty-fighting potentials of science and technology applications, and the industrial transformation of agriculture. These measures made agricultural technologies more widely available throughout rural China, improved technological know-how among poor farmers, and generally strengthened the role of science and technology in agricultural development.

Fourth, the government mobilized all and any possible source of support in the country for the war on poverty. A large number of one-on-one assistance programs were launched in which government departments, research institutes and universities, and enterprises of a certain scale were paired up, one-on-one, with a specific poor area to which they would provide direct aid and assistance. Resources from the more developed coastal regions were invested in facilitating development in the less developed western hinterland, and organizations, including Chinese NGOs and even international organizations, were also encouraged to become involved. These measures not only boosted resource input toward poverty reduction projects and provided opportunities for innovative ways of achieving this goal to be tried; more importantly, it increased awareness among many organizations and individuals about poverty in rural China and the incentive among them to join the campaign to end it. Available data suggest that between 1994 and 2000, the total amount of funding from nongovernmental sources was approximately 30 billion yuan.

Fifth, the execution of poverty reduction measures was fine-tuned so that more aid and assistance went directly to poor households. After 1996, a growing proportion of development funds were disbursed directly to households, which were now the recipients of approximately half of all available loans.

¹⁹ Since 1994, annual fiscal expenditure toward Work-for-Aid program was 4 billion yuan, an increase of 2.7 billion yuan over the 1986–1993 period.

During this time, in addition to the aforementioned policies and measures introduced specifically to combat poverty, the Chinese government also released a number of other policies and measures that de facto benefitted the poor. They included, among others, the release of the “Program on Promoting Compulsory Education in Poverty-Stricken Areas” and plans to alleviate poverty through transportation development projects, cultural development projects, electricity supply, and radio and television service development. All of them contributed to varying degrees toward reducing poverty in rural China. In addition, even though poverty reduction had not been the express goal of the Western Development Strategy that took effect in 1998 and the Grain-for-Green Program, both brought substantial benefits to a sizeable number of people living in poverty.

1.8.4.2 Major Achievements

Marked progress was made during this period in poverty reduction. First, many of the country’s poverty-stricken areas saw robust economic growth, which helped bring their per capita income ever closer to the national average. For the 592 counties with that official designation, per capita income grew by nearly threefold from 483.7 yuan, which amounted to 48.8% of the national average, in 1993 to 1338 yuan, or 59.4% of the national average in 2000. During the same period, per capita fiscal revenue in these counties increased by 77.2%, from 70.15 yuan to 124.33 yuan, beating the growth rates for both rural income in general the local economy.

The second notable achievement is improvements in physical infrastructure in these areas.

By 2000, the percents of poor counties in China that had electricity, telephone, and postal services, roads connecting them to nearby cities, and access to clean drinking water were 95.4%, 72.2%, 75.6%, 91.9%, and 73.4%, respectively, considerably higher than those in 1993.

Third, poverty-stricken areas saw significant progress in social services and narrowed the gap with the national average, as measured by select social development indicators. Improvements in education, healthcare services, and cultural services have been made since 1993. By the end of 2000, primary schools had been established in 89% of the villages by administrative designation within poor counties, kindergartens in 26% of them, television signals in 95%, and clinics or physicians in 93%. All measures of marked improvements over how things were seven years earlier.

Fourth, the number of rural poor dropped significantly. By 2000, the size of the population of the rural poor dropped to 32 million by reference to the poverty line effective at that time.

1.8.5 Development-Oriented Poverty Reduction in Rural China: 2001–2010

A number of significant events took place during this phase, all with profound implications for China's war on poverty. The country became a member of the World Trade Organization (WTO), socialist market economic reforms were intensified, the country ramped up its opening-up measures, and the macroeconomic environment saw major changes. On the domestic front, a series of preferential policies and measures went into effect that were aimed at facilitating agricultural development and raising the income of rural residents.²⁰ A social security system for rural China that includes the Minimum Living Allowance Program, New Rural Cooperative Medical Insurance Program, and New Social Pension Program was established, and tuition was waived for all rural children enrolled in grades one through nine. The joint release by the CPC Central Committee and the State Council in 2001 of "An Outline for Development-Oriented Poverty Reduction in Rural China (2001–2010)" (Outline No. 1 hereafter) opened a new chapter in the country's war on poverty.

1.8.5.1 Major Policy Measures

First, the government made a number of adjustments to the strategic goals of development-oriented poverty reduction for this period. "Outline No. 1" contained a number of strategic goals for poverty reduction. Efforts must be made to expedite the elimination of extreme poverty in the country; further improvements must be made to the basic living and working conditions of rural residents in poor areas; increasing the quality of life for and the overall capabilities of the poor; improving the physical infrastructure and environmental conditions in poor areas; and promoting social, economic, and cultural development in these areas. The overarching objective is to pave the way for achieving moderate prosperity for all Chinese as planned.

Second, the government modified its criteria for the "poverty-stricken county" designation. In 2001, "poverty-stricken county (national-level target county for poverty alleviation)" was relabeled to a "national-level key target county for development-oriented poverty reduction" ("key poor county" hereafter) and shuffled the distribution of key poor counties among provinces and regions. The 33 slots that had been allocated to the six eastern provinces and those to the Tibet autonomous region were reassigned by the central government to other provinces in central and western China; the Tibet autonomous region as a whole was designated a target region for poverty alleviation, and the central government relinquished direct control and command over poverty reduction work in the six eastern provinces.

²⁰ These include both tax relief and subsidies for agricultural production. The former includes either lowering the rates or eliminating a number of agricultural taxes, while the latter includes subsidies for food production, comprehensive agricultural production, utilization of improved seeds, and purchasing agricultural machinery.

In 2008, the Chinese government raised the poverty line by approximately 1/3, from an annual income of 895 yuan to 1196 yuan. As a result, 30 million people were added to the government's poverty registry.

Third, the government made further improvements to its poverty-fighting strategy and methodology. The government continued to play a leadership role, guiding poor farmers in their efforts to learn how to tap the commercial potentials of distinct local resources in which the region has comparative advantage, how to boost productivity, build capacity, and achieve self-empowerment. Drawing on lessons learned about development-oriented poverty reduction since 1986, "Outline No. 1" made necessary adjustments to the existing approach and introduced a new and improved strategy for combating rural poverty. The strategy reaffirmed the leadership role of the government, encouraged all and any private individuals and organizations to become involved, called for deeper commitment to self-help and development among the poor, for increasing the role of development projects in poverty reduction, and for an integrated approach to development more generally. Compared with the strategy that had been adopted between 1986 and 2000 that it was meant to replace, this strategy reflected holistic and comprehensive thinking and a systems approach. It was particularly noteworthy that it encouraged the involvement of a diversity of actors in the country's war on poverty and called for an integrated approach to development more generally. The message was clear, which was that ending poverty was a collective endeavor in which all of and any member of society could take part and contribute toward. Development-oriented poverty reduction programs are being planned in a growing range of fields. In addition to income-boosting projects, those that would improve the living and working conditions of rural residents can also be functionally linked with poverty reduction, including physical infrastructure construction, hydroelectric projects, transportation, power and electricity, communications, and improvements in science and technology, education, healthcare and cultural services.

After 2011, building on "Lifting Eighty Million out of Poverty Within Seven Years," the government introduced three more programs. The first one was aimed at promoting comprehensive development-oriented poverty reduction focusing on villages, the second one helping labor surplus in poverty find jobs outside their home villages by providing them with skills training, and the third one promoting industrial and commercial development in poverty-stricken areas. Together with resettlement of impoverished populations from areas unsuitable for human habitation, application of new advances in science and technology, and the participation of players outside the government, these make up the six main components of the basic framework for the country's anti-poverty work during this period.

Fourth, the Minimum Living Allowance Program for Rural Areas was established that would cover all eligible rural poor. The program was set up and went into effect nationwide by 2007. By the end of 2010, enrollment reached 52.14 million, accounting for 5.4% of the entire rural population. The average payment to enrollees

was 840 yuan in 2010,²¹ equivalent to 66% of the income level at which the poverty line is set.²² By providing a foolproof safety net for rural residents who have fallen into poverty due either to the loss of the ability to work or other extraordinary circumstances, the establishment of the Minimum Living Allowance Program for Rural Areas has proven to be an effective tool for reducing poverty in rural China. (2016-12-16 12:33 PM).

Soon after the Minimum Living Allowance Program became operational, the government began work on the compilation of official registries for poor households and villages to ensure that the new program dovetails development-oriented poverty reduction. Pilots were launched to set up the documentation and registration system in 2009, and a year later, in 2010, it was introduced across the nation. As a result, a total of nearly 30 million poverty-stricken households and 90 million poverty-stricken individuals were identified and officially registered.

1.8.5.2 Major Achievements (p. 21 in Chinese)

Over the course of ten years, significant progress was made in social and economic development in rural China. They can be seen in the following four areas.

First, the number of rural poor in China dropped sharply. Between 2000 and 2010, the number of poverty-stricken residents in rural China decreased from 94.22 million to 26.88 million; the vast majority of the poor who either had the ability to work or possess other productive resources needed for survival had their basic needs for food and clothes met. By reference to the 2010 poverty line (annual income of 2300 yuan based on 2010 prices), the decrease in the number of rural poor would be 296.57 million, or approximately 29.66 million annually,²³ the steepest annual drop since 1978 compared with any periods of comparable length.

Second, farmers' income in key poor counties rapidly increased. Between 2001 and 2010, the per capita annual net income of farmers in key poor counties grew 1.57 times (before adjusting for inflation), beating the national average by 6.5 percentage points. For earnings from family-run businesses, the average rate of increase in key counties outran the national average by an even larger margin, testament to the efficacy of the government's development-oriented poverty reduction strategy for boosting income among the residents of poverty-stricken regions.

Third, the number of rural residents in key poor counties who took up nonagriculture jobs outside their home villages rose considerably. Between 2001 and 2010, the proportion of residents in key poor counties who worked away from their home villages rose by nine percentage points, which falls short of the national average

²¹ PRC Ministry of Civil Affairs, *A December 2010 Operational Survey of the Minimum Living Allowance Program for Rural Areas*, <http://files2.mca.gov.cn/cws/201107/20110711152301813.htm>.

²² "Minimum Living Allowance in Counties and higher-level units: December 2011," PRC Ministry of Civil Affairs, <http://files2.mca.gov.cn/cws/201501/20150126172425998.htm>.

²³ This is the author's own calculation using data from the 2006 Household Survey as well as other resources.

by only one percent point. This is an indication that, among other things, poverty-stricken areas benefited as much from the new job opportunities that had been created by industrialization and urbanization as the rest of the country.

Finally, key poor counties and villages saw significant improvements to their physical infrastructure and social services. In areas such as road access, electricity supply, education, sanitation and healthcare services, greater progress was made in key poor counties and villages than in the nation as a whole over the 2001–2010 period. The numbers of communities²⁴ in key poor counties with motorable road access, electricity supply, telephone services, and radio and television services grew by 7.5, 2.8, 25.9, and 2.9 percentage points, respectively. The enrollment rate for school-aged children increased by four percentage points. In these respects, the disparity between poverty-stricken areas and the average in rural China was close to being eliminated. These numbers provide some evidence that comprehensive development-oriented poverty reduction in villages was notably efficacious in improving basic infrastructure and public services in key villages.

1.8.6 Development-Oriented Poverty Reduction in Rural China Since 2011

In “An Outline for Development-oriented Poverty Reduction in Rural China (2011–2020)” (Outline No. 2 hereafter), released in 2011, the Chinese government presented a set of poverty reduction targets and strategies for this decade, marking the opening of a new chapter in this nationwide campaign. On Jan. 25, 2014, the General Office of the CPC Central Committee and the General Office of the State Council jointly released “Opinions on Facilitating Operational Innovations and Making Solid Advances in Reducing Rural Poverty,” which made it very clear that precision-targeted poverty reduction would take center stage in the next stage of the campaign. The release of this directive also subdivided the current period in this campaign that began in 2011 into two phases: 2011–2013 (before) and 2014 until now (after).

During both Phase I and Phase II, “Outline No. 2” was a definitive source of guidance for poverty reduction work around the country. Let us first take a closer look at the specific strategies and policies presented therein. This will then be followed by a review of the situation during the two phases.

1.8.6.1 Major Strategies and Policies Presented in Outline No. 2

First, the government updated its strategic goals for poverty reduction in the country. They now include (1) making sure all those targeted for poverty alleviation have their

²⁴ The social structure in rural China has two levels. On the grassroots level is community or residential settlement, which is called natural village or subvillage while another is administratively designated village which is on the bottom rung of the administrative hierarchy.

basic needs met for food, clothes, and shelter and enjoy access to basic education and healthcare services; (2) making sure that per capita income of residents in poverty-stricken rural areas grows faster than the national average and that disparity between these areas and the rest of the country in terms of quality of and access to basic public services continues to diminish, fundamentally reversing the widening trend of the gap. These goals reflect three major shifts China's campaign against poverty has been undergoing over recent years. First, the exclusive focus on meeting the poor's subsistence needs is gradually replaced by a greater concern for their broader survival and development needs; second, the overwhelming emphasis on meeting the poor's material needs is gradually giving way to a more balanced concern for both material needs and the need for adequate access to basic public services; thirdly, for the first time, the imperative to reverse the trend of the widening development gap among different regions is officially listed as a strategic goal in its own right.

Second, poverty blocks spanning several contiguous areas have become the key front of the fight against poverty. As it becomes increasingly clear that the environment for regional development is imposing greater constraints on poverty reduction and the representation of ethnic minorities among the poor is growing, "Outline No. 2" identified 14 poverty blocks in the country (such as the Liupanshan Mountain block) that span several contiguous key poor counties that would become the focus of the war on poverty over the following decade.

While "Outline No. 2" also made it clear that on the operational level, poverty reduction work under this new focus on poverty blocks must ultimately be carried out in villages and even households, the renewed heightened attention to regional-scale poverty signals something of a return to the region-oriented thinking on poverty reduction that was prevalent in 1986, when development-oriented poverty reduction was launched across the country. These adjustments at the strategy level also reflect the government's growing appreciation for the role of development in poor regions and the importance of intercounty cooperation and coordination in the fight against poverty.

Third, the list of poverty-stricken counties was updated and increased for the government's poverty alleviation efforts to reach more beneficiaries. On the one hand, the government identified 680 beneficiary counties in the 14 poverty blocks, which are home to 440 key poor counties. On the other hand, the government also delisted 38 counties and added 38 others, keeping the total number of key poor counties in the country unchanged at 592. These 832 poverty-stricken counties, comprising 680 that are in poverty blocks and 152 key poor counties outside poverty blocks, would become the prime targets for the government's poverty reduction efforts.

Fourth, "Outline No. 2" calls for raising the poverty line to keep up with the new poverty reduction strategic targets. In 2011, the poverty line in 2010 constant price was adjusted upward from 1274 yuan to 2300 yuan, by a margin of 80.5%. This move widened the gap between the eligibility requirements for development-oriented poverty alleviation and for the Minimum Living Allowance Program for Rural Areas, thereby augmenting the magnitude of the impact poverty alleviation can have on the rural poor. As a result of the poverty line adjustment, an additional 100 million poor rural residents qualified for government poor relief.