

# Fighting Poverty Through Targeted Measures

Written by Terence Chong and Cong Qin

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China is the largest country in the developing world, and once had the largest poverty headcount as well. Poverty is mainly a rural phenomenon in China, and can be attributed to the longstanding existence of parallel economic structures between urban and rural areas (World Bank, 2001). The Chinese government has provided urban citizens with various social welfare services, to which rural residents have no access. The rigorous household registration system has also exacerbated the welfare disparity between urban and rural households. As a result, by the beginning of the reform and opening up policy in 1978 about 250 million people, accounting for 30.7% of the total rural population, were in poverty. Those that fell into this category had an annual income below RMB 100. This poverty line was set by the government, and was lower than the World Bank's one dollar per day poverty standard. Therefore, the poverty problem would have been even more severe than was suggested in China's official report.

Being aware of the potential social and political instability caused by rural poverty, the Chinese government launched a nationwide anti-poverty program in 1986, which targeted designated poorer counties. This was based on the fact that in 1986, the rural poor were primarily concentrated in old revolutionary areas (*lao qu*), minority autonomous areas (*minzu zizhiqu*), and certain inland areas, which in total formed 18 large contiguous regions. Within each region, counties were generally poor and shared similar causes of poverty. The program included three major interventions, namely the food-for-work program (*yigong daizhen*) supervised by the State Planning Commission, the budgetary grant program (*fazhan zijin*) overseen by the Ministry of Finance, and the subsidized loan program (*tixi daikuan*) managed by the Agricultural Development Bank and the Poor Area Development Office. This county-focused program proved to be a success. Rural net incomes per capita in targeted counties increased from RMB 206 in 1986 to RMB 1,337 in 2000. The poverty headcount declined from 125 million to 32 million.

Despite its achievements, drawbacks of the county-targeted program became apparent over time. A set of studies have expressed concerns on leakages in the program (Park et al., 2002; Meng, 2013). Some counties that qualified for the program had to give their places to politically favored counties, whose rural net incomes were above the poverty line. Moreover, the poverty became more dispersed. In 1994, more than 60% of the total population in poverty were covered by the program. However, this shrank to about 50% at the end of 2000, with nearly half of them residing in villages that were not targeted. This considerable leakage was identified as the county-targeting program's major failing after 2000 (Qin and Chong, 2016).

To address these drawbacks, the Chinese government gradually switched its policy targets to the village level, an idea first proposed in 1996. Several community-based anti-poverty initiatives were trialed in the following years. In 2001, on the basis of these trials, the Chinese government launched a nationwide village-targeting program, known as the Entire Village Extension Program (*Zhengcun Tuijin*). This program combined top-down and bottom-up mechanisms in its design. The top-down mechanism consisted of the Chinese government first identifying 148,000 national poor villages, covering around 80% of the total rural population in poverty. As the bottom-up component, targeted villages were authorized to freely decide whether and when to participate in the program.

If a village decided to participate, it was required to make a proposal to compete for funds. Proposals were required to conduct the following procedures: (i) under the guidance of upper level governments, villages collected basic information through field surveys; (ii) drawing on this information, villages identified sources of poverty and proposed potential solutions; (iii) a strength, weakness, opportunity, and threat analysis was required to assess the proposals;

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(iv) the best proposal, as agreed upon by all village members, was submitted to county governments and then to the central government. Typically, the submitted projects included the following information: an introduction to the village and its proposed projects, the goal of the projects, the budget and funding sources, and plans for implementation and maintenance. By 2009, about 108,400 villages had submitted their proposals, with about 38,400 villages located in old revolutionary areas, minority autonomous areas, and inland regions. While this program alleviated some rural poverty, not all cohorts benefited from participation (Park and Wang, 2010). Within the designated villages, compared to the households with lower initial income, those with relatively higher income are more likely to strike off poverty through this program.

A more pro-poor program is thus required to alleviate the poverty of those that were previously marginalised. In 2013, president Xi Jinping highlighted the importance of targeting individuals in designing anti-poverty programs. He stated that poverty targeting should be more accurate, for which limited funds would achieve the largest effects. Since then, poverty targeting in China has switched to targeting individuals; only explicitly identified individuals among the rural poor can be beneficiaries of the new anti-poverty program. Despite the current lack of empirical evidence on the effectiveness of targeting individuals, preliminary reports from field research indicate that potential benefits do exist.

China's poverty alleviation programs have been continuously searching for the best level to be implemented at. The most suitable targets have varied with different stages of economic development – in general, this has moved from broader levels (counties) to more narrow ones (individuals). Unlike the distribution of poverty in the 1980s, the poor today are dispersed over greater areas, making traditional county-level poverty alleviation initiatives inefficient. Individually-targeted policies now seem to be the best choice. To achieve this goal, China's government should first ensure that individual poverty alleviation programs are not captured by elites, or richer individuals; a multi-level supervision system is therefore needed. Given that the drivers of poverty for each individual are different, making tailored plans will no doubt remain a great challenge.

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