

POVERTY ALLEVIATION IN CHINA: COMMITMENT, POLICIES AND EXPENDITURES

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Poverty, in this paper, consists of two elements: income poverty and human poverty. Income poverty is defined as the lack of necessities for material well-being, which can be measured by incidence of poverty. [2](#) Human poverty means the denial of choices and opportunities for a tolerable life in non-income aspects. [3](#) Human poverty includes many aspects, such as deprivation in years of life, health, knowledge and housing, the lack of participation and lack of personal security. Due to the limitations of data availability and measurement, the scope of this paper is limited to income poverty and some aspects of human poverty in China.

The paper is divided into the following three sections: the first one provides a general picture of poverty reduction, including three phases in both income poverty and human poverty reduction (rapid progress, temporary setback and resumed progress) and the uneven progress in rural-urban disparity, regional disparity and disadvantaged groups. The second section examines the impacts of economic growth, especially agricultural and rural industrial growth, on poverty reduction. The third section focuses on the roles of government in terms of commitment, policies and expenditures, which are directly responsible for the rapid progress and temporary setback of poverty reduction. The last section introduces a targeted intervention program that the Chinese government launched in order to restart a fast improvement in both income poverty and human poverty.

1. Overview of Poverty Reduction

1.1. Three phases

China has compiled an impressive record in reducing human poverty over the last four and half decades. The most telling indicators of the improvement in the overall well-being of the Chinese population are the increase in life expectancy, the decline of mortality and the drop in adult illiteracy. As Table 1 shows, between 1949 and 1995, China's life expectancy at birth increased from 35 to 69, almost doubling, and the infant mortality rate sharply decreased from 200 to 42 in 1995. In addition, the under-five mortality rate declined from 209 in 1960 to 47 in 1995. There have been steady improvements in terms of educational attainment. The adult illiteracy rate declined from 80% in the early 1950s to the current rate of 19%.⁴ and the enrolment rate for primary school-aged children is currently 98.5%, with the enrolment rates of boy and girl children 98.9% and 98.2% respectively.⁵

However, vast income poverty continued to exist in rural areas between the mid-1950s and the late 1970s. In 1959-62, the great famine, following the Great Leap Forward, killed more than 30 million people, most of whom were peasants. In 1970s, many hungry peasants throughout the country went to cities to beg for food. A special investigation into rural poverty was carried out in 1978.⁶ By that time, according to the World Bank's estimate, there were 260 million rural people living in income poverty, which meant that one-third of the rural population lived under the poverty line.⁷ The astonishing reality of the rural poverty situation created a sense of crisis within the new leadership and finally became the logic of reform in 1978.

After 1978, the reduction can be grouped into three different periods. Between 1978 and 1985, tremendous progress was made in the reduction of income poverty. The incidence of poverty rapidly declined in China as Table 2 indicates. All figures estimated by the World Bank in this table are based on the national poverty line, which can be translated into 60¢ a day per capita in 1985 PPP\$.⁸ Accordingly, between 1978 and 1985, total population living below the national poverty line declined from 260 million to 97 million, and the incidence of poverty declined from 33% to 9.2%. During the same period, the number of rural poor decreased to 96 million while the urban poor population decreased to less than 1 million. The declining trend of poverty incidence, if measured by the international standard--\$1 a day per capita in 1985 PPP\$, is also very clear. It dropped from about 60% in 1978 to less than 40% in 1985⁹ (see Note: "The debate about income poverty line, the numbers and percentages of the poor of China"). As for human poverty reduction, the main indicators such as infant mortality rate, under-five mortality rate and longevity in this period continued to improve in accordance with earlier trends, although the pace of improvement has slowed down. For example, infant mortality per 1,000 live births continued to decline from 52 in the late 1970s to 50 in the mid-1985.¹⁰

Nevertheless, China's progress in poverty reduction was not sustained during the second half of the 1980s and early 1990s. There were signs that income poverty had increased in 1989 and 1990 as Table 2 shows. The rural poor increased to 103 million in 1989 from 86 million in 1988, and the incidence of poverty rose to 12.3% from 10.4%. Urban poverty rose from 0.2% in 1988 to 0.4% in 1990. The reverse progress in income

poverty reduction was matched by a slight increase in human poverty. The increase in adult illiteracy rate was an example. The adult illiteracy rate rose from 23.5% in 1982 to 26.8% in 1987, [11](#) and it is reported that more than 2 million new adult illiterates were added each year during the late 1980s [12](#) Of the 3 million school-aged children who did not enrol in school, 83% were girls. [13](#) In addition, in the poor areas, access to basic preventive health services stagnated during the second half of the 1980s. A 1989 survey conducted by the Ministry of Public Health in 300 poor counties revealed that infant mortality averaged 68 per 1000 --almost 50% greater than the national average--and exceeded 100 per 1000 in 38 of these counties. More than 80% of infant deaths occurred at home or en route to medical facilities. [14](#) Female infant mortality has also been rising, from the 1988 nationwide fertility survey, suggested by the observation of the rising sex ratios for children born in the 1980s.

After 1992, progress in both income and human poverty reduction resumed, although not as rapidly as during the period of 1978-85. The number of poor people moving above the poverty line rose to 5 million a year, compared with only 2.5 million in the late 1980s and the early 1990s. By mid 1996, the number of people below the poverty line (530 yuan at current prices) had fallen to 65 million from 94 million in 1991. The infant mortality rate, at 36.4 per 1,000 live births, declined by 7.7% between 1990 and 1995. [15](#) During the same period, the number of malnourished children under age five declined from 21% to 16%.[16](#) Adult illiteracy rates also improved, decreasing from 22% to 19%.[17](#)

Throughout the whole process of poverty reduction, there were still apparent inequities between rural and urban populations, between rich coastal areas and poor interior areas, between men and women, and minority and majority.

1.2. Rural-urban disparity

Both rural and urban areas enjoyed rapid economic growth between 1978 and 1985. As a result, income disparity between these two areas declined and the ratio of urban to rural income reduced from 2.4 to 1.7. After 1985, the ratio started to rise. In 1994, the income of urban residents was 2.6 times that of the peasants, which presents the widest gap after 1978. If the various types of subsidies that urban residents enjoy are included, and if all kinds of extra responsibilities and burdens (such as expenses and fees for subsidizing the members of families of the People's Liberation Army and revolutionary martyrs, subsidizing for cadres and for planned childbirth etc.) are deducted from peasant income, the actual income gap could be expressed as a ratio of 4 to 1. [18](#)

Still today between one-quarter to one-third of the rural population only have access to contaminated water supplies. The water supply for 77 million people has excessive fluoride levels, 100 million drink saline or alkaline water, 130 million use untreated surface water contaminated by domestic, industrial or agro-chemical wastes, and 43 million live in water-scarce areas. [19](#) Proper sanitation, furthermore, is almost totally lacking in rural areas. The percentage of urban population without access to sanitation

between 1990-96 was 26% while this figure was 93% in rural areas during the same period. [20](#)

Most of the rural poor reside in areas of severe environmental degradation. For a long time, these poor residents had no alternative [21](#) but to extract their meager livelihood on some of the nations' least productive but most ecologically fragile lands. On the one hand, they are the victims of environmental destruction; on the other, their extractive activities further diminish agricultural potential. Continued population growth has reduced the per capita natural resource base supporting agricultural production. Arable land per agricultural labour has fallen by nearly one half from 0.57 hectares in the 1950s to 0.29 hectares today. Farmers in the poorer hill and mountain lands, where irrigation is more difficult and modern inputs hard to find, have by contrast been forced to extend production to ever steeper and more fragile slopes.

1.3. Regional disparity

In the early 1980s, China's regions all shared the rapid real economic growth. But since the mid-1980s, regional disparity has become wider than before 1980. One study indicates that the relative regional disparity coefficient declined from 32.8 to 28.7 between the late 1970s and the early 1980s, but increased from 28.8 in 1985 to 33.6 in 1992. [22](#)

Since most of the rural poor reside in the remote and mountainous terrain of the central and western provinces, there are significant differences between these poor provinces and rich coastal provinces in both income poverty and human poverty. As Table 3 shown, out of 592 of poor counties, there are 515 in the central and western regions, accounting for 87% of total number of poor counties in 1994. In 1989 income poverty--incidence of poverty was highest in the western provinces at 20.3 when compared to the coastal provinces--3.6% and the central provinces--11.2%. In the western region, provinces with the highest relative incidence of poverty are Gansu (34.2%), Qinghai (23.7%), Inner Mongolia (23.5%), Shaanxi (20.3%), Yunnan (19%) and Ningxia (18.9%). In the coastal provinces, the incidence of poverty in Guangdong and Fujian was only 0.9% and 1.8% respectively.

The poorest areas--the western provinces are also characterized by high human poverty. In 1990, this region had the highest percentage of people not expected to survive to age 40--(9.7%) while the percentage is lower in the east (8.8% in one coastal province). Western provinces also had the highest adult illiteracy rate--22%; this figure in the coastal provinces was 13%. Sixty two percent of people in the west do not have access to safe water, while only 22% are lacking water supplies in the coastal areas. The human poverty index in the western provinces in 1990 was 44 while it was 24 in the central provinces and only 18 in the coastal provinces.

1.4. Ethnic disparity

In resource constrained remote and mountainous rural areas, most poor people are net consumers of grain and other subsistence foods since the land in these interior areas is of such low quality that it is not possible to achieve subsistence levels of crop production. They are negatively affected by price increases for the crop production and further disadvantaged by high dependency households ratios, ill health. Among them, minority people represent a highly disproportionate share.

Minority people, who comprise about 8% of total population and 56 ethnic nationalities, are largely concentrated in remote, mountainous areas in the north-west and south-west regions. According to the 1988 survey conducted by the State Statistics Bureau, the incidence of poverty in minority areas reached 21.3%, much higher than the national average of 13.9%;²³ and of the 592 poor counties defined by the Central government, 259 were located in minority areas, accounting for 44%.²⁴ The survey also reveals that in Yunnan, out of 73 poor counties, 51 were minority autonomous counties, accounting for 70% of total minority counties. The World Bank estimated that in 1985, of the total 11.4 million minority people, 9.4 million of them were living below 120 yuan per year, compared with only 8.4% of Han (majority people).²⁵ The schooling level is also very low among minorities. In some minority areas, at least 50% of the boys and nearly 100% of the girls do not attend school and will not achieve literacy.²⁶

1.5. Gender disparity

Women benefitted proportionately less than men from rapid economic growth. A detailed survey in 1988 and 1989 showed some relevant evidence.²⁷ In rural China women represented about 32% of wage employment. On the average they earned about a fifth less than the male workers. In urban areas, women receive only 74% of retirement income and only 56% of the income from private enterprises compared to income received by men.

Some other evidence also shows that there is an increase in the relative deprivation of women from access to education and health services. In 1991-92, girls represented about 70% of all primary school age children (between 7 and 11 years) who were not enrolled. At the same time the primary school completion rate was significantly lower for girls (89%) than for boys (94%);²⁸ and females constitute a high proportion--often 70%--of the illiterate population of the poor areas. The inadequacy of health services in poor areas leaves poor women at great risk of debilitating reproductive health problems. In 300 counties surveyed by the Ministry of Public Health, up to 60% of births in poor areas are unattended; and maternal mortality averaged 202 per 100,000 --a level more than twice the national average of 95 per 100,000 and more than 10 times that of Beijing and Shanghai.²⁹

2. Impacts of Economic Growth on Poverty Reduction

2.1. Agricultural growth

Participatory economic growth³⁰ played a key role in the sharp decline of poverty. In the period of 1980-1993, the annual growth of GNP per capita grew 8.2%, almost

doubling the rate of 4.3% from the earlier period of 1952-1980, and GNP per capita rapidly increased from \$280 in 1980 to \$530 in 1994. [31](#) Except for the early 1950s and the period 1962-65, when the economy was recovering from war or famine, at no time in the history of the PRC has the economy grown as fast as in the 1980s and the first half of the 1990s. Although, the growth rate declined to 4% or 5% in 1989 and 1990 due to the efforts to deal with unacceptably high inflation and turmoil, the rates reaccelerated to 7% in 1991, to 14% in 1992, 14% in 1993, 11% in 1994, and 10% in 1995. [32](#) The calculations show that the number of poor people declined by one percent for every one percent increase in real GDP in its rapid progress in both economic growth and income poverty reduction between 1978-1984. [33](#)

The rapid growth of agriculture, is a direct determinant of the tremendous two-thirds reduction in poverty between 1978 and 1984. In this period, the value of agricultural output grew at a rate of 7.4% annually, compared with the rate of 2.5% in the period of 1952-78. The annual growth rates of the three most important crops--grain, cotton and oil-bearing seeds were 4.8%, 17.7% and 13.8% respectively. The growth rates of these three crops exceeded by a wide margin those achieved in the previous 26 years, 2.4%, 1.0% and 0.8%, respectively. [34](#) As a result of fast agricultural growth, per capita income for the rural population almost tripled between 1978 and 1984.

The growth rate, however, of personal income in rural areas between 1986-93 declined to 2.45% annually. During this period, each percentage of increase in GDP had a small impact, causing only 0.05% decline, in poverty. [35](#) The rate of poverty reduction rose somewhat in rural areas, but income inequality increased despite the fact that the economy continued to grow rapidly. One of the reasons is that the growth in gross output value of agriculture at constant price slowed down after 1985 and remained low before picking up again in 1992. The annual growth rate of per capita production of grain and oilseeds declined from 2.8% and 14.5% respectively during 1978-84 -0.4% and -1.6% during 1985-89. Coupled with the decline in agricultural growth, farmer's real incomes ceased to increase in 1990, for the first time since the commencement of rural reform in 1978. The terms of trade for agriculture which improved rapidly in the early years of reform, from 100 in 1978 to 177 in 1988, showed a significant decline to 152 in 1992.

2.2. Rural Industrial Development

Like fast agricultural growth, rapid development of rural enterprises (TVEs--Township and Village Enterprises) also had a very positive impact on poverty reduction. TVEs enlarge rural population's participation in economic growth by generating millions of jobs and increasing incomes which have benefitted a majority of the rural population. In 1978, total industrial production of TVEs was 49.3 billion yuan which accounted for 11.6 percent of the gross national industrial production. In 1992, this figure rose to 2036 billion yuan, which accounted for 38.6 percent of the gross national industrial production. [36](#) The rapid growth of rural industrialization led to the creation of millions of jobs. From 1978 to 1993, total employment of TVEs increased from 28.3 million, which accounted for 7 percent of total employment, to 123.5 million, which accounted for 20.5 percent of total employment and 27.9 percent of total rural labor force.

But rural enterprises, which are an important source of employment in the rural economy as a whole, have developed very slowly in poor areas. In the early 1980s such employment actually decreased in poor areas as the commune system was dismantled. By 1990 only 4% of the rural labor force in China's 120 poorest counties found employment in rural enterprises, in contrast to 21% finding such employment in rural industries. Not only are fewer employed, but rural enterprise wages and profits are lower in poor areas than in the rest of the country.

Agricultural growth and rural enterprise development were closely connected to participating growth and poverty reduction at the beginning of the reform period. Thus it is not surprising that the absence of meaningful levels of agricultural growth and rural enterprise development in the poor areas correlated with the fact participatory growth and poverty and poverty reduction could not be sustained after 1985.

2.3. Urban-rural migration

Migration from rural to urban areas, [37](#) which was strongly discouraged before 1978, has played a positive role in decreasing income poverty in rural areas. For example, many surplus rural labourers in the western provinces, under the help of active programs, found jobs in the more developed areas of their own provinces or in the coastal provinces. Many of them sent income remittances that allow relatives on the farms to improve their standard of living, or took their saving back home to set up small businesses, creating needed jobs in the villages. Sichuan is a leading province for rural labour mobility with about 6 million peasants working in other provinces and another 4 million within the province. Remittances from those outside Sichuan province amounted to an estimated 20 billion yuan (\$2.4 billion) in 1995, accounting for 7% of the province's GDP. About 300,000 of peasants who have returned have started their own businesses, creating thousands of local jobs. [38](#)

Although impact of the rural-urban migration has been an indisputable factor in reducing poverty in rural China, it is almost certain that urban poverty would increase if these migrants are included in the household surveys. The government has recently estimated that the number of urban poor is about 12 million people.³⁹ Most of the urban poor are migrants, who are worse off than the urban residents. The 1995 survey indicates that these migrants in cities have a high turnover of employment, and suffer from the disadvantage of being excluded from public housing and access to health services and schooling for children at low cost that urban residents are entitled to. [40](#)

3. The Role of Government: Commitment, Policies, and Expenditures

Pro-poor growth strategy that the Chinese government adopted between 1978 and 1985 is directly associated with a rapid decline in poverty. Yet, reduced state commitment to the widespread and equitable provision of public services, macroeconomic policies that

favors the development of the coastal areas and insufficient funds for poverty reduction account for the stagnation of poverty reduction and slow rate of success of development of public services.

3.1. Commitment

The Chinese government held a strong commitment to poverty reduction throughout the reform period. It adopted a poverty alleviation strategy during the 7th Five Year Plan (1986-90) with a new emphasis on economic development programs in the poor areas. The Ministry of Civil Affairs provided disaster relief and income maintenance support, and coordinated the distribution of relief grain with the Ministry of Commerce's Grain Bureau. The State Education Commission and the Administrator of the Ministry of Public Health Administer established some special programs to improve the education and health status of the poor. The Agricultural Bank of China and several other banks offered subsidized loans for poor area development through a variety of funds administered by provincial bank branches and their country- wide networks. The Regional Office of the State Planning Commission administered a Food-For-Work Program which assists with the building of roads and river and transport, drinking water systems, irrigation works and other capital construction in poor areas. In addition, each of the central ministries and agencies had its own special poor area project and every province has its own specially-funded programs.

Two key poverty reduction initiatives were introduced in the 8th Five Year Plan (1991-95), which were as follows: (1) the extension and strengthening of assistance to the poorest of the poor residing in the worst physical environments and (2) the integration of production, education, health, family planning and transport programs into comprehensive local intervention packages.

Other evidence, however, shows a somewhat reduced state commitment towards improving the well-being of the poor, especially in the fields of basic education and health services. This happens when the central government transfers a part of the responsibility of education and public health to local governments, and the latter are more willing to invest in production projects which can solve the problem of local unemployment and gain profits instantly rather than invest in basic education and health care. The central government has partly retreated from intervention in the related public service domain where market failures have caused problems: some people who are not able to take advantage of the market-oriented change and without a strong social safety net have fallen into poverty.

The central government has partially retreated from primary education due to its financial difficulty although it continues to make commitments at all levels of education. In May 1983 a circular of the State Council and the Central Committee of the Chinese Communist Party announced that the goal of universal primary education could only be achieved by "walking on two legs". [41](#) That means that each community should devise its own plan to achieve the state mandated goal. In 1984 Guofa No. 174 explicitly delegated

financial responsibility for rural education to the government at *Xiang* level [42](#) , and in subsequent provincial regulations it was stated that the state money would stop at the county level. The results have been higher costs and falling rates of completion in both urban and rural areas, as well as wider disparities between urban and rural educational opportunities and greater inequalities between villages of different income levels. Villages with strong collective economies or the ability to tax local enterprises charge parents the lowest fees. By contrast parents in areas with only average incomes and no profitable village enterprises find educational fees may take as much as 50 percent of their disposable cash incomes, and those living in the truly impoverished areas find the costs totally beyond what they can afford.

Similarly, there is evidence that the central government also retreated from the basic administrative and financial support of rural welfare and health care system. In March 1985, the Ministry of Civil Affairs authorized each province to assume responsibility for welfare policies and programmes that had previously been administered by the central government. [43](#) Guofa No. 45 in June 1986 and Guofa No. 64 in August of the same year completed the transformation of rural relief. In addition, the government adapted the health reforms to open up rural access to a variety of health enterprises and allow various types of ownership of health facilities to flourish including private clinics and hospitals and private practitioners. Private practitioners were given legal status as early as 1980 and by 1982 a pluralistic health care system was being established in rural areas. But the result of the reform is not very satisfactory to the rural population--the privatization may have been successful in the developed areas but has failed in the poorest areas. Poor area village studies show that cost of medical care, especially hospitalization and drugs, hamper the poor's access to curative health care. Another study reveals that about half of the rural poor are reduced to poverty by disease. [44](#)

The Chinese government admitted that the health reforms and collapse of the communes led to a decline in the health standards and health work in rural areas. State Council Document No, 4 of 1991 stated in its foreword: "During health reform we ignored the support of rural health work. Investment for health care was reduced; the lower levels of the health care system in the towns and villages were severely hit. The CMS (Cooperative Medical Services) disappeared. Medical prices increased without regulation and we could not control private doctors. Rural residents could not afford medical care and diseases which had disappeared appeared again and the gap between the rural and urban areas increased." [45](#) In July 1996, in a remarkably candid statement made at a national conference, the Minister of Health, Chen Minzhang, identified the individual burden of health service cost for the rural poor as the cause of increased poverty. He said, "We can no longer let farmers be responsible for dealing with serious diseases themselves; their incomes are too low." [46](#)

3.2. Policies

At the beginning of reform, the Chinese government took several measures to attack poverty, such as expanding marketing networks, freeing up prices and encouraging

diversification and commercialization of agriculture. These measures significantly contribute to the strong agricultural growth during the period between 1978 and 1984.

There were four specific policy reforms that significantly enhanced the effects of participatory agricultural growth on poverty reduction. The first one was land reform, coupled with widespread decollectivization. Empirical studies show that the total factor productivity in the collective system was about 20% to 30% lower than in the household system. [47](#) Through the land reform and decollectivization, collective land in most areas was equally distributed to a household in proportion to the size of the household, which substantially stimulated the incentives of peasants to increase agricultural output. A careful econometric analysis found that of the remarkable 42.2% output growth in the cropping sector in 1978-84, about 54% was attributable to productivity growth due to reforms. Of the productivity growth, 97% was attributable to the change in farming institutions from collectivization to the household responsibility system. [48](#)

The second was market-oriented reform. The government cut the grain procurement quota and reduced the number of products covered by plan control to increase grain production. For example, the number of planned product categories were reduced from 21 in 1978 to 13 in 1982. [49](#) Special measures were also taken to loosen restrictions on inter-regional trade in agricultural products by private traders, and to encourage areas that traditionally had a comparative advantage in cotton production to expand cotton-sown acreage.

The third was price reform. The government adjusted procurement prices for major crops, which directly contributed to the increase of income in rural China. Announced at the end of 1978 and effective from 1979, prices for quota increased 20.9% for grain, 23.9% for oil crops, 17% for cotton, 21.9% for sugar crops and 24.3% for pork. The government, on average increased procurement prices by 22.1% for major crops, and retail prices by 33% for pork, eggs and fish and others. This state procurement price increase was estimated to contribute about 16% to output growth, and 20% to the increase in rural per capita income in 1978-84. [50](#)

The fourth was migration policy. The government eased controls and allowed millions of rural residents to move temporarily or permanently to towns or cities in 1982. In 1983 temporary migration from villages to townships while retaining village household registration was allowed. In 1984, permanent migration from villages to urban areas was approved. These measures help reduce urban-rural disparity, regional disparity, and increased the standard of living in rural areas.

However, a shift in China's development strategy affected the progress in poverty reduction. Until the middle of the 1980s China was following an agriculture-led strategy of development. Since the mid-1980s, its development strategy has distinctly been oriented towards export-led industrialization. The focus of public investment and fiscal incentives was deliberately shifted in favor of the coastal growth poles by providing special privileges, incentives, and investment allocation to coastal provinces and cities, including the permission of greater retention of local tax and foreign exchange revenues

and greater freedom to use expansionary bank loans for local investment. It left more isolated provinces and counties in the interior provinces with fewer resources and the same authoritative state pricing and procurement procedures. This also caused a widening regional disparity after the mid-1980s.

3.3. Expenditures

Government budgetary expenditure is a main tool for affecting poverty reduction. Table 4 provides details of the expenditure structure of government. As the table shows, the share of total government expenditures in GDP has sharply declined, from 31 percent of GDP in 1978 to 13 percent in 1994. Government expenditures on culture, education, science and health care also decreased from 3.8% at the beginning of the 1980s to 2.8% in 1994. This indicates that the fiscal capability of the government to mobilize resource has been weakened during the reform era.

With limited resources, the government tried to address the most serious problem of poverty reduction. At the beginning of the 1980s, the government recognized that certain groups were not likely to share in the increased income growth. Studies of mountainous regions in South China such as Guangxi and Guizhou provinces, carried out by the State Council Research Center for Rural Development (RCRD) in 1983-84 provided strong evidence that the rural reform program alone would not be sufficient to overcome continued low productivity in poorly endowed areas. This suggests that it is necessary for the government to provide targeted assistance funds to poor areas.

On the recommendation of the RCRD, the State Planning Commission in 1984 set up a Food-For-Work Program designed to use surplus grain and cotton stocks to pay for infrastructure construction in financially depressed areas. The purpose of this program reflects a fundamental change in poverty alleviation methods from focusing on pure relief to emphasizing the development of the capacity to produce income in poor areas. In the initial stage, the fund for the Food-For-Work Program provided by the central government was less than 700 million (\$250 million) [51](#) yuan a year. The current annual amount of the fund allocated by the central government is 4 billion yuan (around \$470 million) [52](#) . By the end of 1995, the total value of the funding, grain and other commodities allocated by the central government reached 28.6 billion yuan (\$3.4 billion) [53](#) , and the input by local government totaled around 25 billion yuan (\$3 billion). [54](#)

However, government expenditure on agriculture declined. This decline affected the further growth of agriculture, which in turn, affected the continuing progress of poverty reduction. Government expenditure on agriculture as proportion of total expenditure fell from 13.6% in 1978 to 8.3% in 1985 and stayed there in 1993. Furthermore, total government expenditure on rural relief and poverty alleviation programs declined as a share of total expenditure during the second half of the 1980s. For instance, The expenditures on social welfare, relief and other funds declined from 1.9% to 1.5% (see Table 4).

Although the Chinese government increased expenditure on health and education as a share of both total expenditure during the reform period, most of the real increase in government expenditure on health and education has benefited the well-off urban population and middle and upper income rural inhabitants, and very little of the increase has reached the absolute poor during the period of the 1980s. Government expenditure on education, health, relief and other social services in the poor areas, in the form of grants, subsidized credit and other programs, is estimated to have totaled under Y10 billion in 1990. By contrast, the expenditure on urban consumer food subsidies increased sharply throughout the reform period, reaching Y50 billion in 1990.

4. The 8-7 Poverty Eradication Programme

The reduced pace of poverty reduction starting in the mid-eighties caught the attention of the Chinese government. The government's response was to launch a targeted intervention programme in 1994. [55](#) In this programme, the government has taken several critical measures to attack poverty, like setting goals, strengthening state institutions, providing additional funds and effectively utilizing these funds, and mobilizing resources.

4.1. Setting the goals

In the programme, the Chinese government made a very strong commitment to poverty reduction. It announced that the aim of the program was to "have basically eliminated absolute poverty throughout China by the year 2000." This is widely known as the 8-7 Poverty Reduction Programme. The 8 (for 80 million people) 7 (for the 7 years to the year 2000) program set a goal to lift the 80-100 million remaining poor out of poverty by the year 2000.

The government also committed itself to education for all. In a Beijing news conference on March 14, 1995, State Education Commission Minister Zhu Kaoxuan said that 98 percent of the school-age children in China are at school, with a subsequent drop-out rate of just 2 percent, but the average drop-out rate in the countryside stands at 3 percent. According to his announcement, by the year 2000, China will reach its twin target of extending nine-year compulsory education to 85 percent of the population and eliminating illiteracy among citizens aged 15-45 in the areas where 90 percent of the national population lives. The goal is to bring illiteracy down to below 5 percent on average. [56](#) In addition, the government committed to health-for-all. It planned to reestablish cooperative health insurance schemes--trying to raise the level of coverage from the current 10%.[57](#) to 70% by the year 2000 and 80% by 2010.

In order to achieve the goals, the government has resumed supportive public intervention in the fields of basic education and health care and built an essential base for the expansion of social opportunities by giving privileges to poor areas through preferential financial and monetary policies, and by increasing investment and loans. It has extended and strengthened assistance to the poorest of the poor residing in the worst

physical environments, and tailored to the special needs of minorities, communities residing in remote and often high altitude areas, and other disadvantaged groups. The government emphasizes the need to expand income-earning opportunities among disadvantaged groups by strengthening crop, forestry, and livestock production, developing transport and communications services, promoting mineral and mining development, improving special products and raising the levels of scientific knowledge, education, literacy, health, and physical fitness in minority areas.

4.2. Strengthening the state institutions

In the 8-7 Programme, leaders of the central government in charge of poverty alleviation called on all parties, the central government and local governments, mass organizations and enterprises directly under the central government to participate in poverty reduction work. It reconfirms and extends the role of the Leading Group for the Economic Development of Poor Areas (LGEDPA) as the coordinating body responsible for poverty measurement and research, project planning and monitoring and management of both domestic and international funding for poverty reduction.

LGEDPA has been played a very important role in poverty reduction since it was established in 1986, authorized by the State council as the leading anti-poverty institution to coordinate anti-poverty program at ministerial levels. Via LGEDPA, the anti-poverty executive agency, the Poor Area Development Office (PADO) reports to the state Council. In addition to LGEDPA and PADO, the State Council also funds four other anti-poverty units which operate within the Leading Group orbit: the China Development Foundation for Poor Areas, the Cadre Training centre, the Training Centre Office, and the Economic Development Service Centre. Provinces, prefectures and counties have all established Leading Groups and PADOS after the central model, and many townships have a "designated person" to handle anti-poverty work.

Many other state institutions play an active role in poverty alleviation in China. According to the 1994 statistics, the number of Central Party agencies, Central Government agencies and enterprises and institutions directly under the central government who participate in the partnership effort increased from 81 in 1993 to 120 in 1994, and poor countries receiving their support totaled 329, accounting for 56% of the total 592 poor counties. At the same time, 2457 provincial party agencies, provincial state agencies and enterprises, institutions and mass organizations directly under provincial government also conducted similar activities in 660 poor countries defined by the central government and provincial governments. [58](#)

The Women's Federation is a good example of an organisation working on poverty alleviation. Since adopting poverty alleviation as a principal area of emphasis in 1986, the Women's Federation has become the lead advocate of poor women. It, through its offices at all levels of the Women's Federation down to the administrative village, has special responsibility for poverty alleviation activities. These activities include: (1) organising training courses in applied planting techniques and pest prevention for grain and case crops, animal husbandry, forestry and other production skills (the Women's

Federation helps to organise 405,000 such training courses in 1990, in collaboration with Ministry of Agriculture); (2) establishing a number of case crop production bases which train and employ poor women in the production of fruits, coffee and tea, sugar cane, aquatic products and others; (3) augmenting the provision of credit and farm inputs to poor women through the Agricultural Bank of China; and (4) facilitating female labor mobility from poor villages to employment opportunities in nearby town, counties and provinces.

4.3. Providing additional funds and effectively utilizing these funds

The Chinese government combines political commitment with financial commitment to poverty reduction in order to meet the goal of the 8-7 program. The central government decided to increase annual contribution for poverty alleviation. From 1996 on, it will invest an additional input of 4.5 billion yuan annually. This will make annual funding poverty alleviation totals 15.3 billion yuan. [59](#)

Utilising funds effectively for the poverty reduction is very important for reaching the stated goals. Mistargeted funds not reach individual poor households. Misallocation happens in the following two ways: First, the central government and provincial government distribute the funds to poor counties according to the needs of the area, but county governments distribute it according to whether people are able to repay. Most poverty alleviation funds are issued as loans with subsidized interest rate, but extremely poor people have no economic capacity to repay the loan, and thus can hardly get access to the loans. Second, targeting funds have not been well-distributed. According to a survey made in 1994, 30% of the funding for poverty alleviation and the food for work funding from the central government that should have been issued to the 592 poor counties were distributed in other places. Forty percent of the development fund, that should have been used to support undeveloped areas was misallocated. Only 70% of the funds for poverty alleviation and the food for work programme and 60% of the funding to support unadvanced areas reached the poor counties in 1994. [60](#)

In order to effectively utilize the funds for poverty reduction, the central government has restricted the expenditure for local government consumption. The central government suggests that in poor countries, there should be no hotels, government office buildings, cellular telephones or cars before the poverty problems are solved. [61](#)

4.4. Mobilizing Resources

In addition to increasing funds, the central government also mobilizes the financial resources from developed provinces and municipalities in the coastal areas to support the target provinces and autonomous regions in poor areas by employing a partnership method, one of major measures instituted in the 8-7 programme. The partnership are arranged as follows: Beijing helps Inner Mongolia, Tianjin helps Gansu, Shanghai helps Yunan, Guangdong helps Guangxi, Jiangsu helps Shaanxi, Zhejiang helps Sichuan, Shandong helps Xinjiang, Liaoning helps Qinghai, Fujian helps Ningxia, Shenzhen,

Qingdao, Dalian and Ningbo help Guizhou. For example the Mayor of Shenzhen already allocated 17 million (\$2 million) Chinese yuan for social welfare and infrastructure plus 200 million (\$24 million) yuan to support a variety of development projects in Guizhou province in the southwest. [62](#)

Resources for poverty reduction are mobilized from other social institutions as well. In order to raise money to build primary and secondary schools, and aid children in China's poor rural areas who are unable to attend school or are forced to suspend their studies because of poverty, a number of programs have been set up. *Xiwang* (Hope) Program, launched by the Youth League and the *Chunlei* (Spring Bud) Programme by the All-China Federation of Women and the Children's Foundation of China, are quite successful. Encouraging progress has been made in the *Xiwang* Program, which have received 253 million yuan from domestic and overseas donations as of March 1996; and these money helped 237,000 pupils return to schools, and established 1,325 elementary schools. [63](#) *Chunlei* program was established in 1992 to collect funds from private entrepreneurs, NGOs, and private individuals throughout China and abroad to help girls who were unable to carry on their education due to poverty to return to school. Between 1992-93, *Chunlei* girls' classes were expanded from 14 in four provinces and regions to 1166 in 23 provinces and regions.

In addition, local communities play an increasing role in mobilizing resources for poverty reduction. In developed rural areas such as Guangdong Province and Jiangsu Province, the villages and townships build community financial funds by using the profits of local enterprises. The funds are used to support local school for adults as well as the elderly and the disabled, and to establish a system of insurance which enables peasants to recover part of their expenses in case of illness.

In addition to income poverty, some evidence shows that there has been less success in the development of public services, particularly in the poorer rural areas.

The Chinese government adopted policies to expands marketing networks, free up prices, and encourage the diversification and commercialisation of agriculture, all of which help account for the strong agricultural growth of 1978-1985. However, at this time, the government recognised that general economic growth was a necessary but insufficient condition to overcoming poverty in some areas of the country, and that in order to achieve growth with equity, specific anti-poverty measures must be incorporated into regional economic planning. The new, explicit poverty reduction approach emphasised the development of income-generating activities based on local resources and local organisations, as the key to sustainable poverty reduction: Continued provision of direct relief aid and social services, and establishing preferential taxing, pricing and other measures to stimulate poor area development, and targeting assistance funds to poor areas.

The setback in poverty reduction since the mid-1980s was particularly associated with a sharp reduction in the rate of growth in rural income and a continued increase in the inequality of income distribution.

- The association between growth and poverty reduction is more obvious in China's case than India's. The much higher growth rate of the Chinese economy should be credited for this difference. In the period of 1978-1990, China did not take substantial redistributive efforts but it is participatory growth rather than radical redistribution that accounts for the rapid decline of poverty.
- Bad growth performance results in bad poverty reduction performance. In India, in 1963-76, income performance stagnated and the poverty performance was bad. (In 1976-89, both improved substantially). On the other hand when the index of agricultural production for all commodities fell by 2.5% between 1990-91 and 1991-92, rural poverty went up. In contrast, As in India, the accelerated decline in poverty in the period from the mid-1970s to 1989 was coupled with a higher-than-normal growth rate of GDP per capita during the same period.
- Good growth performance does not always bring good poverty reduction performance.
- In China's case, a thriving market economy has helped to lift all Chinese people out of poverty. China makes excellent use of the market system in a poor economy without losing the commitment to economic development and the elimination of mass deprivation. The market mechanism has been used in China to create additional access to economic assets and opportunities. The demise of the commune institution has decreased poverty by enlarging private sector participation in the production of goods and services.

In addition, China has successfully transformed its economy from a closed to an open economy. Its foreign trade currently ranks the 11th in the world economy. The degree of openness of the economy, which is calculated by trade against GDP, is strikingly rising from 11% in 1978, 18% in 1985, 25% in 1990, 33% in 1992, to 40% in 1995. [64](#) While accomplishing this trade growth, China has also recently accumulated \$90 billion in foreign exchange reserves, ranking 2nd place in the world after Japan. In addition, China has attracted tens of billions of dollars of foreign direct investment, ranking the 2nd place only to USA in recent years.

The government has adopted an erosion control strategy in land rehabilitation project watersheds since the 1950s. It included the construction of wide terraces on hillsides, soil dams in gullies, and large-scale afforestation. The pace of erosion control was accelerated in the 1970s but implementation of these measures was insufficient to offset growing population pressure. Beginning in the late-1970s, the government responded to the limited effectiveness of the previous erosion control measures with intensive research and development programmes to simultaneously improve erosion control and agricultural production. More than 300 research agencies and stations are now developing and testing a number of soil erosion control measures and improved agricultural production techniques. The package of erosion control measures are as follows: (1) construction of narrow terraces by cutting currently cultivated hillsides with slopes of up to 25%; (2) establishment of pasture plants by planting seed on unterraced hillsides with slopes of 25% to 35%; (3) construction of soil dams and dam land, including large soil dams near the outlet of each watershed and numerous small soil dams situated along many of the small feeder gullies; and (4) improvement of agricultural technologies, including better

chemical and organic fertilizer strategies, testing and introduction of improved varieties, and new cultural practices for improving water use efficiency.

More isolated and poorer regions grew markedly slower than coastal areas. Economic growth per capita in these poor areas during 1978-89 was 30% less than that of the coastal provinces. The slower growth rate of the coastal areas in the northeastern, northwestern, and southwestern provinces during the 1980s are consistent with the slower than average growth of rural per capita income in these same provinces.

(The regional differences in per capita GDP is increasing as well. Compared to 1992, per capita GDP of the coastal provinces increased 41% in 1993, 10% above the central provinces and 16% above the western provinces.)

Infant and maternal mortality rates in very poor counties are 50% to 100% greater than the national average. Incidence of several infectious and endemic diseases, including tuberculosis and iodine deficiency disorders, are concentrated in these poor and remote areas. Roughly 50% of children in households at or below the absolute poverty line are at least mildly malnourished, and about 90% of poor children suffer chronic helminthic infection.

Population growth has also exacerbated pressure on pasture land and forest areas. The pasture lands of northwestern China have been increasingly overgrazed, resulting in serious pasture degradation. In southwestern China, siltation and flooding of major rivers have increased. Insecurity of forest tenure, which encourages peasants to immediately extract whatever forest products they control and to minimize their investment in forest land. The rapidly growing demand for wood in industry and construction and as fuel in rural areas also augment forest and watershed destruction.

The programme continues to stress the importance of the "self-help" approach taken during the previous planning period: namely, the creation of new income-earning opportunities in poor areas based on best use of indigenous natural and human resources. Since most of the poor are farmers, the anti-poverty agenda outlined in the program focuses on agriculture growth, particularly to initiate new commercial ventures in livestock, forestry, fruit trees and plantation crops: to improve input supply, marketing, and technical advisory services to help poor farmers to expand productivity, to develop rural infrastructure (roads, power, water supply), to generate off-farm employment opportunities to absorb surplus labor, and to improve education, health and family planning services in the poor areas.

4.5. Gaining international cooperation

China has obtained a great deal of international assistance for long-term development programmes. Most of them are aimed at supporting broad-based economic growth and some of them are explicitly directed at poverty concerns. The IFAD and WFP programmes are some examples. Since 1984, IFAD has provided US\$136 million in support to six projects specifically targeted at poor households. Overall objectives are to increase employment opportunities and incomes of low income households, increase food

production and improve nutritional and general living standards. Similarly, WFP targets its assistance specifically at the lowest-income rural households in resource-poor counties of the some southwest and northwest provinces, such as Tibet, Qinghai, Gansu, Shannxi, Guizhou, Yunnan and Guangxi. Between 1985 and 1990, WFP approved 50 development projects and two emergency operations totaling US\$585 million.

UNDP, with resources of \$189 million over the period 1991-95, targets poverty alleviation. It mainly works on research and training, in conjunctions with other institutions and the municipal governments, in poor and remote areas in Northwest China, aiming to improve agricultural productivity--desertification control, rain farming, mechanization, education and diversification. UNDP has also established the UN Interagency Working Groups on Poverty Alleviation in China to discuss current issues, exchange information and consider the possibility of collaboration on joint projects.

UNICEF established a cooperative programme with China through the government's National Programme of Action (NPA), targeted at disadvantage areas. The programme concentrates UNICEF's resources on improving education and reducing mortality and malnutrition. The maternal and child health and family planning project, for example, is targeted at 300 counties with high infant mortality rates, high birth rates and low per capita income levels. The project, which is funded in part by UNFPA and technically supported by WHO, supports training and development of services at the township and village levels and strengthens leadership capacity at the county level. With the objective of improving the well-being of children and women, 20 such counties have received support in at least three of the following areas: health, education, water and sanitation, income generation opportunities, and vocational and literacy training for women.

The World Bank helps to focus on especially poor areas in China's northern, northwestern and south-western areas. It provides a high level of funds to aid China's poverty reduction by demonstrating the effectiveness of multi sectoral rural development, enhancing rural mobility, using labor-intensive public-works to build rural infrastructure, increasing upland agricultural productivity, and developing town and village enterprises.

Conclusion

China achieved tremendous progress in the reduction of both income and human poverty between 1978 and 1985. Its fast growing agriculture and rural industries, and the pro-poor strategy of the government played a determining role. However, the progress has slowed down and stagnated in the period of 1986-92. The reduced commitment of the central government towards widespread public services, the shift to development strategies in favor of the coastal areas without enough compensation for poor western areas, combined with insufficient funds contributed to the stagnation of poverty reduction. After 1993, especially in 1994, when the comprehensive anti-poverty program was formally established, the Chinese government's renewed commitment to poverty reduction started to show some results. By the beginning of 1997, the proportion of the population living below the national poverty line fell to 58 million. [65](#) There is still a

long way to go, however if China is to achieve its goal of eradicating income poverty by the year 2000. The pace must pick up.

China's experiences in poverty reduction tells the following lessons:

- Good growth performance does not always bring good poverty performance.
- Bad agricultural growth performance brings bad poverty performance.
- Without timely public intervention, the close relationship between the participatory growth and rapid poverty reduction cannot be sustained.
- Political commitment to poverty reduction must be combined with financial commitment at all times.
- The government should always endorse education-for-all and health-for-all policies.

Note: The debate about income poverty line, the numbers and percentages of the poor of China

The incidence of poverty depends on the choice of poverty line. The World Bank report in 1992-- *China: Strategies for Reducing Poverty in the 1990s* (hereafter called *Strategies*) suggests that fewer than 100 million Chinese lived in poverty in 1993, declining from 270 million in 1978. A new World Bank study--*Poverty Reduction and the World Bank: Progress and Challenges in the 1990s* (hereafter called *Poverty Report*) reports that 350 million people were poor in 1993. These two studies used different ways to measure the poverty line. The first one illustrates how many Chinese are poor by Chinese standards of welfare and entitlement, which reflects national norms, priorities and constraints, and serves to identify the potential beneficiaries of national poverty alleviation efforts. The second one measured the number poor Chinese by international standards of poverty, used for cross-country comparisons of poverty levels.

The international standard used by the World Bank takes \$1 a person a day as the poverty threshold while the national poverty line used in the *Strategy* translates into roughly 60c a person a day. Both studies rely on the same basic source of data-- household surveys conducted by the Chinese State Statistical Bureau--but use different measurements of the standard of living, suggesting different results. The number of Chinese poor measured by international standards is more than triple of the number measured by the national standard. One of the reasons for this difference is that average income measured by the PPP method is now lower than previously thought. The most authoritative estimates (Summers and Heston, the Penn World Table--PWT 5.0) had previously placed China's PPP GDP per capita in the early 1990s close to US\$3,000, but now the new table (PWT 5.6) shows it to be \$1,800. [66](#)

For the \$1 a day per capita formula, while the World Bank asserts that the new adjustment of the number of the Chinese poor "constitutes a significant improvement over earlier estimates..." the Chinese government shows its considerable frustration and dissatisfaction. It argues that with the application of this formula, many relatively well-off areas in China would have to be reclassified as poor. The government also argued that China is moving in the right direction in alleviating poverty while the new Bank

estimates could suggest to the casual readers of the international media that the Chinese government was trying to mislead people about the real situation, which, they claimed, is not true. It questioned whether the Bank estimates were being prepared by a bunch of "academics with computers" without understanding of the realities of conditions in rural China.

The national poverty line that the Chinese government has adopted is different from that of the World Bank in *Strategies*. China has used the following five criteria in different period to define the rural poor: (1) between 1978 and 1985, rural people who lived below 120-150 yuan were poor; (2) between 1986 and 1992, rural people who lived below 200 yuan were poor; (3) in 1993, the poverty line was 300 yuan; (4) in 1994, the poverty line was 450 yuan; and (5) in 1995, the poverty line was 530 yuan. [67](#) The poverty lines used in the fourth and fifth periods are more scientific than the other three. [68](#) These two were designed by including both a food poverty line and a non-food poverty line based on the survey conducted by the State Statistics Bureau concerning farmers' livelihood and changing price.

Eventually, within the Chinese government, several agencies have produced different estimates of poverty incidence based on different poverty lines in rural China. These agencies include RCRD, PADP, MOA (the Ministry of Agriculture), [69](#) CHIP (The China Household Income Project, which sponsored the survey in 1989 which was carried out by a Sino-US team of social scientists), and the SSB (the State Statistical Bureau). [70](#) Yet China still lacks an accurate and uniform estimate of the number its people living below the national poverty line.

Since the World Bank and the Chinese government use different national poverty lines to measure the number of rural poor, the numbers that the Chinese government provides differ from the estimates of the World Bank. In *Strategies*, the World Bank used the national poverty line to measure poverty incidence. In it, it was reported that "World Bank estimates show the number of absolute poor to have declined from roughly 270 million in 1978 to 97 million in 1985, or from about one-third to less than one-tenth of the total population." [71](#) In *Poverty Report*, the World Bank made the same statement about the China's poor that "Between 1978 and 1985, the number of poor declined from 270 million to less than 100 million, according to the national poverty threshold of US\$0.60 per day." [72](#) However, the Chinese government "uses a more stringent definition of absolute poverty for the purposes of targeting its social expenditures," [73](#) and claims that in the same period, the poor population dropped from 250 million to 125 million, averaging an annual reduction of 17.86 million poor, and a decrease in rural poverty to 14.8% in 1985 from 30.7% in 1978.

The other debate comes from the evaluation of the second period of poverty reduction since reform. The World Bank argues that the China's progress was not sustained during the second half of the 1980s, and that there even were signs that poverty increased in 1989 and 1990. The rural poor population increased to 103 million in 1989 from 86 million 1988, and incidence of poverty to 12.3% from 10.4%. Riskin finds that the percentage of the population below the poverty line reached a trough of 12.3% in 1985,

then rose to 14.8% in 1988, based on State Statistical Bureau data. [74](#) UNDP also notes that poverty alleviation efforts decline between 1986 and 1994. [75](#)

In contrast, using updated information on poverty reduction, the Chinese government sees the period of 1986-93 as the period of steady reduction of poor population, in which, the poor population was reduced from 125 million to 80 million, and the incidence of poverty dropped from 14.8% to 8.8%. Another Chinese study, "Regional Poverty Alleviation Programme: Study Report of Poverty Alleviation in China" shows the same figures but slightly different years for the period.

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2 Incidence of poverty is an estimate of the percentage of people living below the poverty line.

3 The definition is narrower than one in *Human Development Report 1997*, Chapter 1.

4 Adult illiteracy rate from the national sample survey of 1% of the total population in 1995 was 12%. See "Updated Government Information on Poverty Alleviation and Development in China."

5 Excerpts of Xu Zhijian's speech, deputy Secretary-General of the State Council and Vice-president of the National Working Committee for Women and Children (NWCWC), "Mid-1990s Child Development in China," in *Beijing Review*, December 16-22, 1996, p. 18.

6 See Chen Yizhi, *China: Ten Years' Reform and the 1989's Movement*, p. 20; and Chen Xiwen, "Rural Reform: Household Responsibility and Township and Village Enterprises," in *China's Model: Reform and Development Report 1978-1994*, p. 68. Both of them argued that about 35% the rural population was living below 50 yuan in 1977.

7 The 1978 poverty line is estimated, by the World Bank, at 98 yuan a person a year, based on a caloric intake of 2150 a day and an approximation of the cost of non-food subsistence based on its share in low income household budgets. See *China: Strategies for Reducing Poverty in the 1990s*, pp. 21-27.

8 For explanation, see The World Bank background note, "Poverty in China: what do the number say?" and the World Bank Report -*China: Strategies for Reducing Poverty in the 1990s*.

9 See The World Bank, "Poverty in China: what do the numbers say?" Figure 1.

10 For a detailed description, see Amei Zhang's report, "Economic Growth and Human Development in China," 1996.

11 Zhongguo shehui tongji ziliao (*Chinese Social Statistical Materials*), 1985, p. 28 and p. 37; and Zhongguo tongji nianjian (*Statistical Yearbook of China 1991*), p. 852.

12 Zhang Ning, "A Conflict of Interests: Current Problems in Educational Reform," in *Economic Reform and Social Change in China*, edited by Andrew Watson, London and New York: Routledge, 1992. p. 150.

13 At the beginning of 1989, Deng Xiaoping and other state leaders admitted that education had been the biggest failure of the decade. See *Guangming Ribao* (*Bright Daily*), March 31, 1989.

14 For a detailed description, see Ministry of Public Health of China, *Selected Edition on Health Statistics in China, 1978-90*, 1991; and the World Bank, *China: Strategies for Reducing Poverty in the 1990s*, pp. 90-99.

15 At 36.4 per 1,000 live births, the infant mortality rate in 1995 provided by Xu Zhijian, Deputy Secretary-General of the State Council and Vice-President of the National Working Committee for Women and Children (NWCWC), slightly differs from the one provided by UNICEF--38. See *Beijing Review*, December 16-22, 1996, p. 18, and *The State of the World's Children 1997*, p. 80.

- 16 *Beijing Review*, December 16-22, 1996, p. 18.
- 17 UNESCO comment received by Human Development Report Office on December 1996. In Xu Zhijian's speech, the adult illiteracy rate for people between 15 and 45 years of age dropped from 15% to less than 7% between 1990 and 1995.
- 18 Zhu Qingfang, "The Urban-Rural Gap and Social Problems in the Countryside," *Chinese Law and Government*, Jan- Feb. 1995, Vol. 28, No. 1, pp. 81-82.
- 19 See the World Bank, *Strategies*, p. 96.
- 20 UNICEF (United Nations Children's Fund), *The State of the World's Children 1997*, Table 3, p. 84.
- 21 The rural-urban migration had been strictly controlled from the establishment of the household registration system in the early 1950s, until the mid-1980s, when the commune system collapsed.
- 22 See Hu Angang and Wang Shaoguang, "Changes in China's Regional Disparities," a paper prepared for The Washington Center for China Studies, Inc., Vol. 6, No. 9, September 1996. p. 29.
- 23 It is different from the figure provided by the World Bank, see Table 3.
- 24 Pan Jinyun, Du Zhixiong and Wang Xinhui, "Regional Poverty Alleviation Programme: Study Report of Poverty Alleviation In China," 1995, p. 3.
- 25 See the World Bank, *Strategies*, pp. 43-44.
- 26 Ibid.
- 27 See Tao Chungfang and Jiao Yongping (eds), *A General Survey on the Social Status of Women in China*, 1993; also see Azizur Rahamn Khan's paper, p. 35.
- 28 See Azizur Rahman Khan, "The Impact of Recent Macroeconomic and Sectoral Changes on the Poor and Women in China," August 1996, p. 37.
- 29 See the World Bank, *Strategies*, p. 90.
- 30 The term "participatory growth" is borrowed from Drèze and Sen, they use the term to describe the reason that accounts for the rapid decline of poverty in China in the eighties, p. 69.
- 31 The World Bank, *The World Bank Atlas 1996*, p. 18.
- 32 Data are from the World Bank, *Trends in Developing Economies 1995*, p. 108; and *Beijing Review*, April 1-7, 1996, p. 2.
- 33 The World Bank, "Poverty in China: what do the numbers say?" p. 5.
- 34 Justin Yifu Lin, "Success in early reform: setting the stage," in *The Third Revolution in the Chinese Countryside*, 1996, p. 17.
- 35 See the World Bank, "Poverty in China: what do the numbers say?" p. 5.
- 36 Calculated according to data from *Statistical Yearbook of China 1994*, p. 363, 373.

- 37 It is called "floating population". According to Goldstein, floating population refers to people "with rural registration living in urban places for various lengths of time." See his work "The Many Facets of Change and Their Interrelations, 1950-1990," in *China: The Many Facets of Demographic Change*, 1996, p. 17. It is estimated that there is a floating population of 80-100 million.
- 38 See Bruce Gilley, "Irresistible Force: Migrant workers are part of a solution, not a problem," in *Far Eastern Economic Review*, Vol. 159, No. 14, April 4, 1996, p. 19.
- 39 The World Bank, "Poverty in China," p. 5.
- 40 Azizur Rahman Khan, "The Impact of Recent Macroeconomic and Sectoral Changes on the Poor and Women in China," pp. 46-47.
- 41 *Renmin ribao*, August 27, 1983.
- 42 *Guowuyuan gongbao (Bulletin of the State Council)*, 1984, pp. 1046-47.
- 43 *Guowuyuan gongbao*, 1985, pp. 283-84. And Davis, p. 592.
- 44 Azizur Rahman Khan's article, p. 40.
- 45 See "State Council of the PRC Report on Strengthening Rural Health Work, January 17th Beijing State Council," *Jian Kang bao*, January 22, 1991.
- 46 *China Daily*, July 16, 1996, p. 2.
- 47 Guanzhong James Wen, "Total Factor Productivity Change in China's Farming Sector: 1952-1989," *Economic Development & Cultural Change*, Vol. 42, No.1, Oct 1993, pp. 1-41;
- 48 See Justin Yifu Lin's article "Success in early reform: setting the stage," in p. 23.
- 49 *Ibid.*, p. 25.
- 50 For detailed information, see Justin Yifu Lin, *op cit.*, pp. 17-19.
- 51 Calculated based on the current exchange rate in 1984, \$1 = 2.8 yuan.
- 52 Calculation based on the exchange rate in 1995, \$1 = 8.5 yuan.
- 53 The exchange rate used is the same as in previous footnote.
- 54 Pan Jinyun et al. p. 8.
- 55 The World Bank calls this the "government's first comprehensive plan to fight poverty." See *The World Bank Annual Report 1995*, p. 67.
- 56 *Beijing Review*, August 28-September 3, 1995.
- 57 "Grim Diagnosis on the State of Rural Health Care, in *China Daily*, July 13, 1991, and "Rural Areas Plan Group Health Care", July 10, 1991; *China Daily*, July 16, 1996, p. 2.

- 58 Pan Jinyuan et al, p. 22,
- 59 See "Updated Government Information on Poverty Alleviation and Development in China," p. 3.
- 60 See Pan Jinyuan et al, p. 18.
- 61 Comment received from UNDP Resident Representative/UN Resident Coordinator, Beijing Mr. Arthur Holcombe on December 6, 1996.
- 62 Ibid.
- 63 See "Statistical Communique of the State Statistical Bureau of The People's Republic of China on the 1995 National Economic and Social Development, March 1, 1996," Beijing Review, April 1-7, 1996, p. 28.
- 64 Data in 1993 and 1994 are from Trends in Developing Economies 1995, Washington D.C.: The World Bank, 1995, p. 109.
- 65 In a news briefing held on March 21, 1997, Chunyun Jiang, a Vice Premier in Charge of Agriculture, said that 58 million people live below the national poverty line. See Shijie ribao (World Journal), March 23, 1997, p. A9.
- 66 Since China has still not conducted the PPP surveys necessary for international comparability, PWT has been used to measure poverty.
- 67 Pan Jinyun et al. p. 1.
- 68 Ibid.
- 69 See World Bank, Strategies, pp. 117-121.
- 70 See Riskin, "Rural Poverty in Post-Reform China," in The Third Revolution in the Chinese Countryside, 1996, pp 64- 69.
- 71 See Strategies, p. ix.
- 72 See the World Bank, Poverty Report, p. 5.
- 73 World Bank, Poverty Reduction, p. 6.
- 74 See Riskin's article, "Rural poverty in post-reform China," in The Third Revolution in the Chinese Countryside, edited by Ross Garnaut, Guo Shutian and Ma Guonan. Cambridge: Cambridge University Press, 1996.
- 75 UNDP, "Strategy for Poverty Alleviation in China: 8-7; Five Ones; 1-2-3-3."

Table I: Progress in Poverty Reduction (I)

	Life expectancy at birth (in years)	Infant mortality rate (per 1000 live)	Adult illiteracy rate (estimates) (%)
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				births)			
	Both sexes	Female	Male		Both sexes	Male	Female
Pre-1949	34.7 a	200 a	80 b
1950-1955	40.8	42.3	39.3	195	..	..	..
1955-1960	44.6	46.2	43.1	179	..	..	..
1960-1965	49.5	50.4	48.7	121	..	..	..
1965-1970	59.6	60.4	58.8	81	..	..	..
1970-1975	63.2	63.9	62.5	61	..	..	..
1975-1980	65.3	66.3	64.5	52	34.0	21.4	47.3
1980-1985	66.6	67.7	65.5	52	27.5	16.6	39.1
1985-1990	67.1	68.4	65.8	50	22.2	13.0	31.9
1990-1995	68.5	70.5	66.7	44	18.5	10.1	27.3
1995-2000	69.9	71.7	68.2	38	15.0	7.7	22.6

Source: Life expectancy and infant mortality rate are from *Demographic Indicators 1950-2050 (The 1994 Revision)*, by United Nations Population Division, 1994. Adult illiteracy rate is from UNESCO 1996.

Note: a. WHO, "Evaluation of the Strategy for Health for All by the Year 2000: Seventh Report on the World Health Situation, Vol. Western Pacific Region, 1986, p. 56.

b. "Updated government information on poverty alleviation and development in China."

Table I: Progress in Poverty Reduction (I)

	Daily calorie supply per capita	GNP per capita
1969-71	1,999	..
1974-76	2,086	..
1980	2,337	270
1981	..	290
1982	..	290
1983	..	300

1984	..	340
1985	..	380
1986	2,577	390
1987	2,588	380
1988	2,582	380
1989	2,610	380
1990	2,679	410
1991	2,714	440
1992	2,729	470
1993	..	490
1994	..	530

Source: Country Tables 1994, FAO, Rome: 1994, pp. 50-51. World Development Report 1992, 1993, 1994 and 1995.