



The End of Poverty in China?

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I write this Research Brief from Linfen, a prefectural-level city in southern Shanxi Province. The city was once China's [most polluted](#) thanks to Shanxi's extensive coal mining, but in recent years has cleaned up, and is now graced with a high-speed rail link to Taiyuan and Beijing, and an extensive new city stretching along the rejuvenated Fen River.

To Linfen's west, up on the [Loess Plateau](#), lie five nationally designated poverty counties (国家扶贫重点县 *guojia fupin zhongdian xian*). They are clustered along the Yellow River, with small county towns in the valleys, and rural villages in the surrounding plateaus and gullies. The Loess topography and climate defines these places: farms are typically small and fragmented, drought is a constant worry, transport is limited, and in more remote villages some people still live in cave houses (窑洞 *yaodong*) built into the Loess cliffs. Average rural per capita net income in these counties ranges from 2500-4500 RMB per year (about \$500-800 AUD), well below the national rural average of 10,500 RMB (about \$2000 AUD).

Places like these are central to the central government's latest anti-poverty push. If it works, by 2020, all remaining [70 million](#) poor farmers will be lifted out of poverty. China will have rid itself of entrenched disadvantage in rural areas under the leadership of Xi Jinping, completing the dramatic reduction in poverty that began in the 1980s. However, given the declining contribution of economic growth to poverty reduction, growing inequality in rural areas, and the fiscal precariousness of many local governments, this will be no easy feat.

China's approaches to poverty alleviation

Poverty in China is unevenly distributed. More than 10% of the populations of most central and western provinces are poor, while the coastal provinces have very low rates of poverty. And within provinces, it is often mountainous areas that have the highest rates of poverty. Recognising this uneven distribution, China's approach to poverty alleviation has long been geographically targeted.

In the 1980s the central government designated [592 counties](#) as poverty counties; these counties would receive the bulk of poverty alleviation funding in the coming decades. However, not all residents of these counties are poor, not all poor people live in designated poverty counties, and the fiscal benefits of being labelled a "poor county" led to significant mis-targeting of resources. Counties have gone to great lengths to retain [or even reacquire](#) their poverty "hat". As a result, in 2001 China shifted its focus to 150,000 designated poor villages. Again though, a [World Bank](#) study found significant mis-targeting, with many of the poorest villages not designated as such. Then in 2011, 14 concentrated, contiguous special poverty areas (集中连片特困地区 *jizhong lianpian tekun diqu*) were identified across the

country, including the Lüliang Mountains to the west of Linfen. To date, there has been little research on the effectiveness of this approach.

The vast majority of poverty alleviation funds come from the central government. They are used for the nationwide low income allowance, for low-interest loans, and for specific village-level programs that are managed by county governments. For a number of years the focus was Building a New Socialist Countryside (社会主义新农村建设 *shehui zhuyi xin nongcun jianshe*), which encompassed improvements to village infrastructure and agricultural modernisation. This has been largely replaced by Beautiful Countryside (美丽乡村 *meili xiangcun*), which continues most of the programs of Building a New Socialist Countryside but with more of a focus on tourism. The problem is that these kinds of projects are selective: county governments have great discretion in where to invest, and [there is evidence](#) that they consistently select already wealthier, more developed villages.

Poverty alleviation in China can therefore be highly politicised, and with slowing progress, despite massive injections of central government funds, and rising inequality *within* rural communities (China is now amongst the world's [most unequal societies](#)), a fresh approach was clearly needed. Enter Xi Jinping and the [new guiding ideology](#) of targeted or “precision” poverty alleviation (精准扶贫 *jingzhun fupin*).

Precision poverty alleviation

In an effort to achieve shared prosperity (共同富裕 *gongtong fuyu*), precision poverty alleviation will help each household to find [a suitable path to wealth](#) through greater precision in projects, funding, measures, and evaluation. Precision poverty alleviation shifts the focus from regions, counties and villages to households. All poor households will be classified into batches depending on the strategy needed to address their specific circumstances. In Linfen there will be [five batches](#): poverty reduction through expanding production, poverty reduction through resettlement, poverty reduction through ecological compensation, poverty reduction through education, and poverty reduction through social security payments. County governments now have strict targets for how many people will be lifted out of poverty each year between 2016 and 2020. They should also have less discretion in choosing where to invest poverty alleviation funds, and will be watched closely for misappropriation of funds.

Despite these changes in approach, there is one strategy that remains at the centre of China's poverty alleviation policies: resettlement. China has engaged in mass relocation of its citizens for a variety of reasons, including dam construction and environmental protection, but poverty resettlement has become increasingly common over the past decade, particularly in North China. Under precision poverty alleviation, the second batch of households – those to be resettled – includes [10 million people nationwide](#) over the 13th Five Year Plan period (2016-2020). This is a significant increase from the 12th Five Year Plan target of 2.4 million people. So, many of China's remaining 70 million poor people will be *taken to* services, infrastructure, and employment opportunities, not the other way round.

In theory, the large government housing subsidies and compensation payments that accompany resettlement should ensure poverty reduction. In practice, however, China's past resettlement programs have consistently been found to result in greater financial insecurity, particularly for older farmers with few skills to transition out of agriculture. Indeed, the financial impact of resettlement is just one example of how people are vulnerable to falling back into poverty for a variety of reasons; a fluidity that hard poverty reduction targets based on income do not account for. Gender, age, and disability are rarely mentioned in official discourse. Nor is the intersection of poverty and the impacts of climate change in agricultural communities.

There are also other incentives and interests at play when it comes to poverty resettlement. Moving farmers off their land is one way for local governments to offset new urban developments under the strict land quotas imposed by the central government. When farmers move into high-rise apartments built by local government, the land their houses, animal shelters and vegetable patches used to occupy in the village can be turned into farmland, freeing up the equivalent amount of land somewhere more profitable. There are also instances of resettlement being used by private and state-owned companies to acquire land for tourism development and ecological parks. Farmers essentially trade their farmland for jobs in the company with, unsurprisingly, mixed outcomes.

So while precision poverty alleviation represents a welcome shift in focus to households, and will no doubt be more effective than existing geographic approaches, there are some red flags. The continued use of crude targets for local officials is incompatible with the complex nature of poverty and tends to produce perverse incentives. The reliance on resettlement is of concern given its mixed success in actually alleviating poverty, and its link to land acquisition. How this all plays out in Linfen over the next five years will determine whether or not farmers in the five Loess Plateau counties will finally share in China's growing prosperity.