

PRO-POOR POLICY OPTIONS: EAST-WEST PAIRING-OFF COOPERATION FOR POVERTY REDUCTION IN CHINA

INTRODUCTION

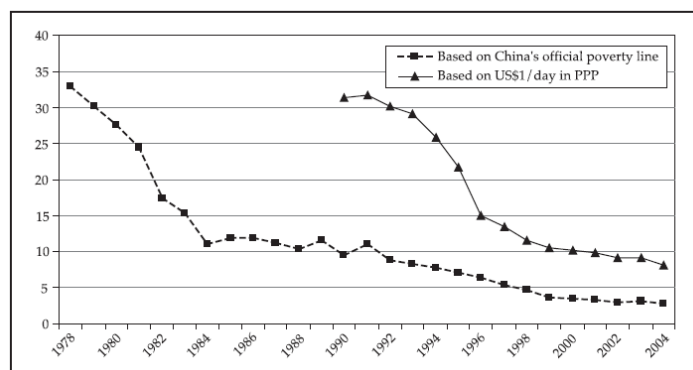
This policy brief suggests that innovations focused on standardization, practicability, and operability of east-west pairing-off cooperation can further improve the approach's impact in reducing persistent poverty in China's western regions. Begun more than 12 years ago, east-west pairing's rich experience and results can be further strengthened by creating relevant policies and standards.

Policy analysis findings and recommendations from a study conducted under the auspices of a "Pro-poor Policy Formulation, Dialogue and Implementation at the Country Level" project inform this brief¹. Between 2007 and 2010, the Food and Agriculture Organization–Regional Office for Asia and the Pacific (FAO-RAP), with support from the International Fund for Agricultural Development (IFAD), implemented this project in partnership with governmental and non-governmental organizations in eight Asian countries. The project goal was to enhance institutional capacity to conduct policy analysis, formulate and implement pro-poor agricultural and rural development policies. In total, twenty-three policy studies examined issues identified at national level dialogues in all project countries².

CONTEXT

Approximately 60 percent of China's population lives in rural areas and 20 percent of citizens depend on farming for their livelihoods (World Bank, 2009). China's rapid economic growth in the past thirty years has been associated with impressive poverty reduction (Figure 1). Based on the national poverty line, more than 230 million rural residents have escaped poverty in the past twenty-five years (Huang et al, 2006).

Figure 1. Poverty incidence in China (1978-2004)



Source: Huang et al, 2006

Yet China still has a high number of poor people by international standards. In addition, the prosperity of rural Chinese remains tenuous; for every poor rural inhabitant, another one risks falling into poverty in any given year (World Bank, 2009b). Since the mid-1990s, pairing-off cooperation between China's more developed eastern regions and less developed western regions has been a key institutional arrangement to alleviate poverty and bridge the previously widening gap of

¹ Zuo Ting and GAO Guoli, along with Liu Yanli, Zhong Ling, Zheng Jinghan, Yu Lu and Qin Songhua (China Agricultural University) authored the study on which this brief was based. Study methods included literature review, statistical analysis and field work utilizing qualitative analytical tools. It also involved institutional analysis and examination of several specific cases of regional cooperation. The original study was written in late 2008 and can be accessed by contacting: Zuo Ting, Professor, College of Humanities and Development, China Agricultural University, Beijing 100193, China, zuoting@cau.edu.cn.

² The other selected policy issues for China include Integrated Regional Poverty Reduction in Special Regions and Village Poverty Reduction Funds Cooperatives.

wealth disparities between these regions. The main forms of east-west pairing-off cooperation include centralized government assistance, social support from individuals and non-government actors, and business cooperation between the eastern and western regions.

Since cooperation arrangements began in 1996, the State Council has guided and supervised cooperation strategy and collected and shared its own and regional experiences with pairing-off cooperation³. In their early years, these arrangements achieved significant results, by strengthening the capacity of western regions' poverty alleviation systems, developing agriculture and tourism resources in the west, and creating new markets through economic cooperation.

East-West cooperation has shown itself an effective platform for advancing both economic growth as well as social stability. By developing regions that were previously left-behind, cooperation increases opportunities for economic growth and expanding domestic demand which results in common prosperity. More equal development levels between the eastern and western regions also correspond to the national socialist agenda. Cooperation is therefore considered a common responsibility and obligation of localities throughout the country.

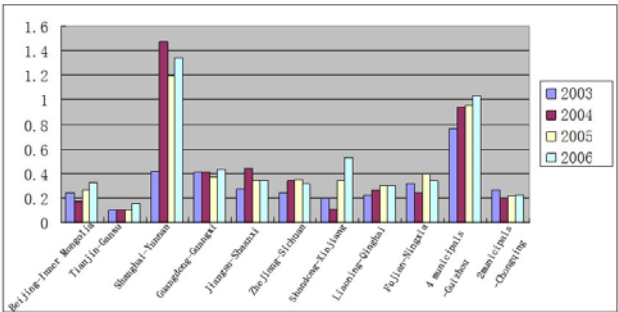
PROBLEM STATEMENT

In spite of China's remarkable achievements in poverty reduction and the tremendous development potential offered by east-west pairing-off cooperation, there remains space for improvement. Key issues include:

- **Lack of central government policy on east-west pairing:** There is no national law or regulation binding east-west cooperation in poverty reduction strategies. As a result, the implementation of cooperation measures is *ad hoc* and reliant on provincial good-will and buy-in on the part of concerned leaders and local populations. When processes are linked to individuals, rather than institutions, changes in leadership can alter the overall character and investment in cooperation. As a result, clear differences are seen in the implementation of cooperation arrangements between and among provinces and counties.

- **Lack of institutional and financial commitments:** Between 2003 and 2006, government financial assistance between eastern and western regions totalled some 1.8 billion RMB Yuan. Yet commitments to increase material, financial and human investment in cooperation have been inconsistent. Figure 2 illustrates the unpredictability and inequality of financial investment between and among regions. Disparities between regions are also significant; in absolute terms, the richest relationships exchange nearly 10 times

Figure 2. Financial assistance between western and eastern provinces (2003-2006) (100 million RMB Yuan)



Source: Zuo et al, 2008

³ At the 1996 national poverty reduction conference, the State Council Leading Group Office of Poverty Alleviation and Development made a resolution that the developed provinces in the east should support the poverty-stricken provinces and autonomous regions in the west. The National 8-7 Plan, which was adopted for implementation in 1994, as well as a 1996 circular of the State Council on the Organization of Cooperation Implementation are also foundational documents which provide a framework and arrangements for cooperation pairing between regions.

more assistance than the lowest cooperating provinces. In addition, over the 12 years of experience with east-west cooperation, no province or municipality has invested an accumulative amount of 1% of the local total production value.

- **Lack of unified and standardized national guidance documents on cooperation arrangements:** There are no nation-wide operational standards for project fund management or other processes, to ensure consistency and quality of operations. Over the years, processes and rules have been developed and some standardized guidance has been put forward at the state level. Nonetheless, the implementation of this guidance depends on the recognition and efforts of relevant departments and even particular individuals, as previously mentioned.

Based on these circumstances, east-west pairing-off poverty reduction efforts should be upgraded to provide more emphasis on practicability, operability and standardization is essential. In this manner, cooperation can take full advantage of the valuable opportunities present in the 12th Five Year Plan period, during which the state will increase its anti-poverty investments.

POLICY OPTIONS

1. Build institutional support and structures for east-west cooperation

East-west pairing-off cooperation can benefit from the existence of supporting policy documents, implementation plans, as well as the establishment of necessary management structures in both eastern and western provinces. Although cooperation is organized at the national level, provinces, municipalities, and autonomous regions implement actions at a local level. Yet current administrative arrangements sometimes create obstacles to provinces' and autonomous regions' effective coordination and management.

- **Adopt relevant policy documents and implementation plans:** Clearly defined documents are needed to promote and provide incentives for cooperation processes. Two existing documents, which confirm that the coastal provinces and municipalities will support provinces and autonomous regions in the west, can serve as a policy foundation for east-west cooperation.⁴

In addition, since poverty alleviation is not included in eastern regions' local government planning, their cooperation activities presently occur outside their formal plans. By integrating east-west cooperation into eastern regions' overall plan of support, better synergies can be made.

Cooperating regions should therefore develop long-term (5-year minimum) pairing plans, stipulating the sustained measures that will be taken. The highest levels of authority must agree to the agreement contents and plans should be integrated into the 12th Five Year Plan of each regional party to institutionalize the actions.

- **Establish management mechanisms in the eastern provinces:** Unlike western provinces, eastern provinces do not have Poverty Reduction Offices, meaning that different departments assume responsibility for east-west cooperation on an *ad hoc* basis. Moreover, scattered personnel and functions can create contradictions. Nonetheless, the nature of east-west cooperation (involving government, individual and enterprise cooperation) requires a multi-departmental element. Eastern provinces should therefore establish a counterpart leadership group and specialized agency to be

⁴ Document #2 (1996) 26 issued by Depart of General Affairs of the State Council and Resolution on Resolving Food and Clothing Problems of the Rural Poor in a Speedy Manner

responsibility for liaising with the poverty reduction sector in cooperation matters. Such an entity can consolidate the functions and personnel from relevant departments to form a specialized institution, or attach the unit permanently to a particular department.

- **Build coordination, consultation and supervision structures in western provinces:** Each of the western province Poverty Reduction Offices should establish a special department as a standing agency for overall coordination of pairing arrangements at the provincial level. These offices should assume a more prominent role in decision-making and initiative supervision, which are currently largely managed by the eastern regions. Investing in improved western institutions and capacitating them with supervisory roles will help to improve programme implementation and also ensure sustainability.

2. Institute financial assistance standards

As previously indicated, current levels of financial assistance are unequal between provinces and inconsistent over years. The creation of percentage criteria will enable eastern provinces to budget in a standard manner, and ensure that the western provinces have a more firm idea of the commitments they will receive year after year.

Specifically, it is suggested that budgeted assistance should represent 1/1000 of the provinces' previous years' financial income, to ensure assistance to western provinces grows at a rate equal or great than eastern provinces' total production value.

3. Invest in human resources and standardize human resource exchanges

In order to increase infrastructure efficiency and human resource capacity, western regions' health and education personnel must be trained with standardized trainings and support methods.

Labor and human resource transfers occur formally through secondments of personnel between regions, and informally through migration and other individual factors. Plans for talent exchange should therefore be formulated to standardize regulations that explicitly define the selection, duration and incentive for various types of talents. These exchanges, accompanied by relevant trainings, can develop human resources only when arrangements are institutionally binding. The strategy of secondment must be further developed in other sectors, since the number of seconded technological personnel remains low.

4. Create awareness to mobilize social support for east-west cooperation and its goals

Volunteers, NGOs, individual and enterprise associations play a significant role in east-west cooperation by donating funds, materials and direct participation in poverty reduction programs. From 2003 to 2008, social support from eastern provinces totaled more than 10% of total government funds invested toward east-west cooperation. Social support as a cooperation modality can be further encouraged, by building awareness of the needs and importance of east-west cooperation. Part of the information should address the various functions of cooperation which include poverty reduction, as well as human resource development, management capacity, and cultural sharing. To this end, exchanges should be not only for government officials but also for the general public.

5. Build platforms for industrialization of the western provinces

Market-dependent and therefore more risky, industrial cooperation remains an important strategy for poverty alleviation which can be further developed. Eastern provincial governments can create favorable loan or taxation policies to encourage enterprises to invest in western provinces. Such incentives have already proved successful in other parts of China. In

addition, the eastern provinces can assist western provinces to boost product competitiveness, as well improve access to western markets.

It will be important to uphold principles of mutually advantageous complementarities that favor common development of the east and the west. China's east is seen as having advanced management, operation and technology resources while the western region has a rich labor force and natural resources. Western provinces can strive to enhance their social service capacity and improve standards for business operation such as export declaration, transportation, and subsidies. Although western provinces can be nurtured as huge potential markets, their labor force should not be exploited for cheap labor.

There remains strong demand for industrial cooperation and efforts are still nascent with a limited number of successful cases⁵. Nonetheless, the economic prosperity that will result from the industrial cooperation will be a critical indicator that western regions are in a position to advance their development.

CONCLUSION

Although China has made notable progress in reducing poverty over the past thirty years, rural Chinese (who represent more than half of the population) still remain on the brink of poverty: for every one poor person, another risks falling into poverty in any given year.

With more than 12 years of experience, pairing-cooperation has shown results in bridging the wealth gap between China's eastern and western provinces. To optimize the model's promise, it is recommended to:

- Build institutional support and structures for east-west cooperation (including adopting relevant policy instruments and creating action plans, establishing management mechanisms in the eastern provinces, and building coordination, consultation and supervision structures in western provinces)
- Institute financial assistance standards
- Invest in human resources and standardize human resource exchanges
- Create awareness to mobilize social support for east-west cooperation and its goals
- Build platforms for industrialization of the western provinces

It is hoped that these recommendations will facilitate development innovation and further consolidate the achievements of cooperation in poverty reduction between the east and the west so as to meet the strategic requirements of constructing a harmonious society. What now remains to be explored in theory and practice is how to establish operational mechanisms that intensify east-west cooperation and gradually change it from unilateral support to mutual promotion.

⁵ A mushroom production project in Fujian-Ningxia is held up as one such successful example.

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