



## PRO-POOR POLICY OPTIONS: INTEGRATED REGIONAL DEVELOPMENT & RURAL POVERTY ALLEVIATION IN CHINA

### INTRODUCTION

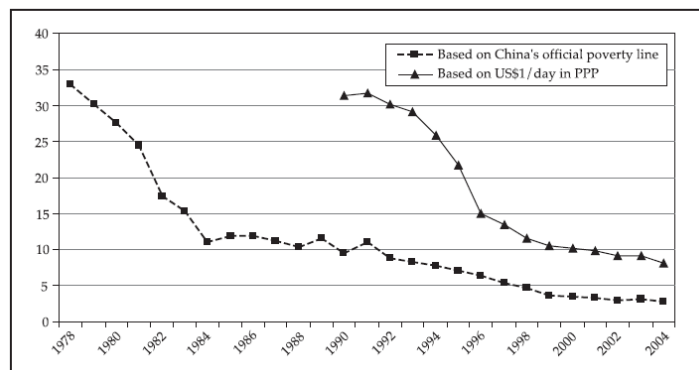
This policy brief suggests that integrated regional development is an effective strategy for reducing persistent rural poverty in China. Given the proximity of mature markets, strong government power to mobilize resources and coordinate organizations' work, and effective stakeholder participation, the two key stages of integrated regional development include 1) infrastructure construction and 2) industrial development. Government resource mobilization and provision of public goods in the form of infrastructure will lead to improved market competitiveness and access and benefit individual households.

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 brief<sup>1</sup>. 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 countries<sup>2</sup>.

### 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 China's 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). Although previous poverty

<sup>1</sup> Huang Chengwei (International Poverty Reduction Center in China) and Lu Hanwen (Sociology College of Central China Normal University) authored the study on which this brief was based. The report utilizes the Dongbafeng Grand Battle of Guangxi and the Dawu county resource consolidation pilot as case studies to reveal mechanisms for integrated regional development. Study methods included a literature review, in-depth interviews, focus group discussions and secondary data analysis. The original study was written in 2009 and can be accessed by contacting: INFORMATION.

<sup>2</sup> The other selected policy issues for China include Integrated Regional Poverty Reduction in Special Regions and East-West Pairing-Off Cooperation Policy for Poverty Reduction.

reduction efforts focused on particular regions, a trend toward targeting “pockets of poverty” at the village level has resulted in imbalanced development between regions. Poverty-stricken populations are especially concentrated in 18 mountainous and arid areas which face natural and resource conditions not favourable to agriculture, remote locations with poor infrastructure linkages, and poor education and medical care.

## **PROBLEM STATEMENT**

In spite of China’s remarkable achievements in reducing poverty, challenges to improving the lives of the rural poor remain, namely:

- **Poor infrastructure** and inconvenient transportation severely impacts the development of a commodity economy in remote areas. Existing infrastructure has low utilization and low return on investment, and insufficient funds have been dedicated to constructing facilities.
- **Existing industrial organization and capacity** prevent modernization and market-orientation of the agricultural sector. Small-scale production does not allow for technology adoption or effective use of technical services, while high costs and risks associated with market competition may prevent farmers from investing in market-oriented agriculture.
- **Cultural and social obstacles** include poor market awareness, conservatism, low access to education and medical care.

In addition, urban industrialization and market-oriented development has widened the economic gap between urban and rural areas and between coastal and inland areas. Efforts to address the national poverty-imbalance require renewed investment and sharing of resources toward those regions that have been ‘left behind’ in China’s prosperity.

## **PROPOSED SOLUTIONS**

Integrated Regional Development, through resource mobilization and government provision of public goods, is proposed as a means to equalize disparities between regions in a way that fosters harmonious society and develops the poorest regions. At its core, integrated regional development requires:

- Mobilizing resources to improve infrastructure in a short period of time
- Organizing farmers into cooperative economic organizations, improving management capacities and promoting participation and market awareness.

Improving road infrastructure reduces the isolation of remote areas and opens up access to markets. On the other hand, promoting farmer organization and capacity to participate in competitive markets, once related infrastructure exists, can improve livelihoods and also develop agricultural industry.

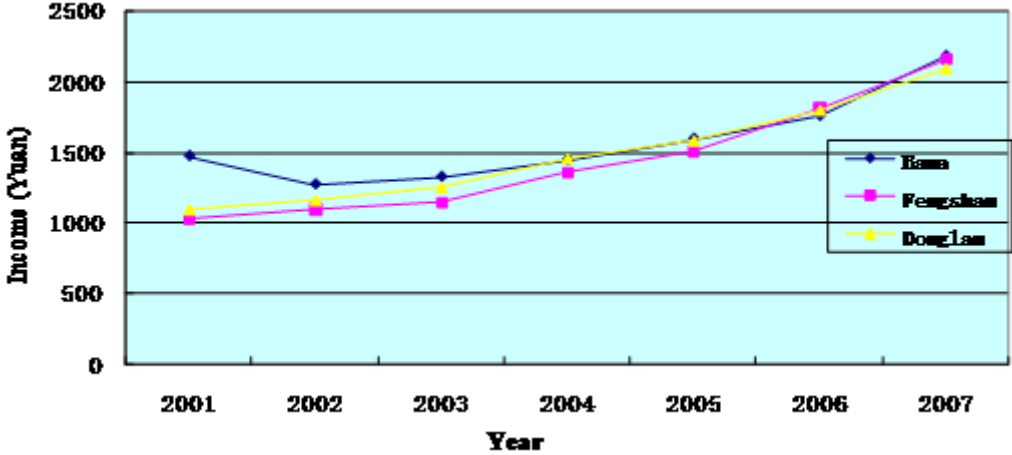
## **PREVIOUS EXPERIENCES**

Several policy options are suggested based on the experiences of the Donbafeng Grand Battle and the Resource Consolidation in Dawu County. Both interventions illustrate poverty reduction achievements and experience useful for understanding the necessary conditions of regional development.

The Dongbafeng Grand Battle refers to the 2003-4 effort of three counties in northwest Guangxi to pool human, material and financial resources in order to construct common infrastructure. The Grand Battle’s immediate and long term results testify to improved economic and social living conditions including better road infrastructure and transportation

connections between villages and counties, increased school enrolment and decreased dropout rates, improved health facilities, as well as better environmental management and drinking water access. In the five years following the Grand Battle's completion, striking increases in per capita GDP have been associated to the improved infrastructure and public service systems created by the project, in conjunction with unique and profitable industries which have subsequently attracted investment.

**Figure 2. Per capita net income of rural residents in 3 districts of Dongbafeng (1978-2004)**



Integrated development in Dawu on the other hand, focused on reducing poverty through developing key agricultural industries with competitive advantage, as well as farmer specialized cooperatives for livestock and tea production. The Dawu County resource consolidation experience began in mid 2007, and focused on integrated regional development at the same time as it consolidated resources within the county as a unit. Successes included the extension of road and drinking water infrastructures, establishment of new agricultural production bases for the tea and chestnut industries, and improved skills training and social services to the poor. These initiatives benefited tens of thousands of rural Chinese. Mobilization of grassroots actors – namely farmer mobilization and participation – was essential to achieving results in Dawu. Difficulties encountered constitute lessons learned that can be utilized in future approaches.

**POLICY OPTIONS**

The Dawu and Dongbafeng experiences demonstrate that integrated regional development can reduce poverty, bridge the growing wealth gap – both among individual and regions, facilitate the expansion of a domestic market and even out China's economic structure, which is currently weighted in favour of prosperous eastern regions.

Recommendations for implementing integrated regional development include:

**1. Encourage the pre-conditions necessary for successful integrated regional development.**

Before scaling up, the government must examine the model's feasibility for different regions. Systematic and focused planning that ensures effective use of poverty reduction resources will therefore assess the following conditions, including:

- **Environment and resource conditions** are favourable when industries possess a niche, lend themselves to commercialization, and/or are in expansion.

- **Mature market conditions** create synergies of purchasing and shared means of production.
- **Strong government power** to marshal and deploy human, material and financial resources in a short period of time. Principally this requires financial strength, a fund consolidation mechanism which allows for pooled, cross-sectoral use of government funds, as well as coordinated development planning.
- **Independent and voluntary stakeholder participation** is especially crucial for the industrial organization and capacity building stage, in order to create lasting change. Experience shows that this condition may be difficult to fulfil, due to low community capacity- but continual efforts to engage and develop capacity will yield lasting results.

## ***2. Create linkages between regional and village-level poverty reduction efforts***

Macro level integrated regional development should be combined with village and micro level actions. In addition, new studies should be commissioned in order to better understand the changing realities of poor communities in China. Both definitions of poverty and living conditions have changed, making empirical investigations all the more essential.

## ***3. Effectively target intervention areas- geographically and by resource conditions***

Income gaps exist even within poor areas, so targeting is essential to ensuring that poverty is effectively reduced. Additionally, regional planning must carefully consider existing resource conditions, transportation facilities and other factors necessary to promote industry and market formation. Administrative boundaries should not be used as a fall back when defining a “region” for development.

## ***4. Strengthen decision-making power of actors, especially poor farmers***

Joint efforts between the government and NGOs are necessary to mobilize the enthusiasm and involvement of the poor in integrated rural development. Long term and patient investment, planning, and action can assist to this end. Ultimately, the success of integrated regional development will depend on the degree to which poor farmers benefit from market participation and competitiveness- which is role they need to fill themselves.

## **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) remain vulnerable: for every one poor person, another risks falling into poverty in any given year. Poor infrastructure, unfavourable cultural factors and existing industrial organization and capacity are obstacles to effective poverty reduction.

Yet, integrated regional development presents an opportunity to reduce poverty and bridge the rich/poor divide – both among individuals and among regions. At its core, integrated regional development requires investment to improve infrastructure, and organizing farmers and improving their management capacities. These processes can include:

- Centralizing human, material and financial resources to improve infrastructure in a short period of time
- Promoting awareness and capacity building
- Organizing farmers into cooperative economic organizations and improving management capacities.

Therefore, recommendations regarding the scale-up of integrated regional development, based on previous interventions in Dawu and Dongbafeng, include:

- Encourage the resource, market, government and participation pre-conditions necessary for successful integrated regional development
- Create linkages between regional and village-level poverty reduction efforts
- Effectively target intervention areas- geographically and by resource conditions
- Strengthen decision-making power of development actors, especially poor farmers.

## REFERENCES:

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