Development and Poverty Alleviation in China: Policy Issues

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This issue of Development Bulletin provides discussion on today's most critical development issue — poverty reduction. We selected China as a case study of poverty alleviation and poverty reduction because it provides an example of successful poverty alleviation, as well as examples of missed opportunities for achieving sustained poverty reduction and for dealing with entrenched poverty. The China example provides information on models of poverty alleviation and poverty reduction and the impact of different political approaches to poverty reduction. In particular, it provides insights into the need for policies, legislation and tax regimes that support poverty reduction, rather than working against the very poor and further entrenching poverty. In addition, the papers in this issue provide valuable discussion on introducing participation and participatory approaches to poverty reduction in a socialist state.

We have brought together papers from a very wide range of internationally recognised researchers, writers and observers of social and economic development in China. We would like to thank them for their contribution.

Peer review
The papers in this issue are fully peer reviewed and we would particularly like to thank our international editorial board who assisted in this process.

Update
As a valuable addition to the perspectives on aid and development in the South Pacific included in our last issue, South Pacific Futures, we have included Ruth Saovana-Spriggs and Maev O'Collins paper on insider and outsider perspectives on aid to Bougainville. This paper provides useful insights for NGOs, consulting companies and donor organisations.

The 'back half'
We have listed some of the most recent literature on development and poverty reduction in China and provided information on key organisations working on poverty alleviation. If you have further information on poverty alleviation in China or the organisations involved, please contact us and we will include this information in the following issue of the journal in our 'Update' section.

Next issues
Our next issue of Development Bulletin will focus on the development and policy implications of rapid changes in population structures in Asia and the Pacific. This issue will include a number of invited papers, as well as the papers, discussion and recommendations from the Development Studies Network symposium, 'Population change in Asia and the Pacific: Implications for development policy', held at the National Museum of Australia, 5–6 June 2003.

The following issue will mark the International Year of Fresh Water, and will look specifically at the relationship between development and access to water, management of water resources, and conservation of water. If you would like to contribute a paper to this issue, please contact us.

Subscriptions
We appreciate your support — without it we would not be able to keep the journal going as we are fully self supporting. Please renew your subscription when it is due and encourage your friends and colleagues to become members of the Development Studies Network. Annabel, Catherine and I wish you interesting reading.

Pamela Thomas
Managing Editor

May 2003
Introduction: Development policy and poverty alleviation in China

Pamela Thomas, Development Studies Network, The Australian National University

Over the last 15 years China has made very considerable achievements in reducing rural poverty. Based on the monetary indicator of US$1 per day per person, it is estimated that the incidence of poverty among the rural poor has declined from 287 million in 1991 to 106 million in 1998. Since the mid 1990s, however, the rate of poverty reduction has slowed and may even have reversed. The following papers outline some of the underlying physical and political reasons for the decline in poverty reduction and discuss the potential benefits of new policies for dealing with intractable poverty.

Recurring themes throughout the discussion are the difficulties in addressing poverty through a highly structured, authoritarian and top-down bureaucracy; the limited knowledge of the concepts surrounding participational development and civil society; policies and legal structures that disadvantage the very poor; the narrow definition of what constitutes poverty; the widely held opinion among bureaucrats that the very poor are ignorant and not able to make decisions for themselves; and the physical barriers to development posed by extremely poor and eroded soils, lack of water and social services, most particularly in the western provinces where there are relatively high numbers of ethnic minority groups. Lack of consideration for public health issues is a recurring theme in these papers.

Poverty reduction policies and participation

Joe Remenyi and Li Xiaoyun review the history of poverty alleviation policies in China and focus on the potential of a new policy that provides a greater emphasis on participational approaches to analysing and redressing the major causes of chronic poverty. County poverty alleviation planning involves village communities in identifying problems and finding solutions. This type of planning is new to China, and, as Remenyi and Xiaoyun suggest, the increased emphasis on participatory, bottom-up procedures implies important changes in governance at national and local levels that will meet with considerable resistance, as well as bureaucratic inertia. It is hoped that by better targeting of the very poor and poor areas and by-passing two levels of government, there will be lower administration and transaction costs and fewer resource leakages. Studies on China's poverty alleviation program show that poor targeting has resulted in resources intended for the poor have leaked to benefit others.

Nick Young provides additional information on the role that international organisations have played in introducing participatory concepts of poverty alleviation into China since the early 1990s. Although community participation was emphasised in most NGO and World Bank projects in China, it proved difficult to introduce these concepts into large, top-down, government-run programs. However, in the last ten years a number of Chinese development practitioners have emerged who have a strong interest in more participatory planning for poverty alleviation. They propose a participatory poverty index which includes new indicators for identifying poor communities and households — these include health, education, housing, and access to water, as well as the usual economic indicators. Five-year Village Development Plans will be developed in a participatory manner and incorporated into overall county development plans. However, there are considerable difficulties in establishing participatory mechanisms. Chinese bureaucratic culture is steeped in a belief
that peasants are feckless, dimwitted and have no opinions worth considering. This, in part, informs the bureaucracy's history of seeking technocratic solutions to poverty.

Katherine Morton reviews the growth of civil society in China and the increasing potential for more participatory poverty alleviation. Although genuine social empowerment will be difficult to achieve and government support for it is likely to be guarded, there is a rapid increase in the number and effectiveness of NGOs and self-help organisations. NGOs now represent a major driving force behind poverty alleviation. Chinese civil society, Morton maintains, is best understood as the continuing consolidation of social power by the state, tempered by the emergence of an autonomous sphere of social activity. A push for social empowerment is also coming from within Chinese society as a rising middle class becomes more aware of the need to safeguard individual rights and seek legal redress.

Legal issues and poverty alleviation

Issues of empowerment in the context of law reform are discussed by Stewart Fenwick. He queries the commonly held assumption that rule of law is necessary for economic growth or is an essential prerequisite to democracy. He reviews the basis on which foreign donors are supporting law reform in China and maintains they are attempting to introduce law reform 'by stealth'. He gives the example of the AusAID-funded China Capacity Building Program, which incorporates projects aimed at enhancing personal and business tax laws in China and includes capacity building for a central legislative review committee and seminars on current tax analysis. In conclusion, he maintains that while the Communist Party dominates political and executive decisions, reform in China will remain contingent and limited, and it will be some time before the premise that growth is sustainable without democracy can be tested.

Rachel Tolhurst and colleagues undertook research into the impact in poor counties of the implementation of the maternal and infant health care legislation, which came into force in June 1995, and covers antenatal and peri-natal health. It requires that the state will provide material support to make health services more accessible for mothers and children, particularly in poor and remote areas. The authors found that the law had had little or no impact on improving maternal and infant health. They recommended that policy makers provide clear financial support mechanisms to implement the legislation; provide dedicated and qualified staff; encourage performance evaluations that focus on quality improvement not punishment; that Ministry of Health and health departments design more specific regulations, roles and responsibilities. Without sufficient resources, the law cannot be implemented.

Availability of microcredit and microfinance

In considering the factors which have entrenched poverty in China, Jonathan Unger looks at taxation policies, lack of credit available to the very poor, and the deterioration in access to education and health services. Credit, which was meant to assist the poor went instead to county enterprises and private firms in the belief that it would provide work for the poor. Taxation policies in China have tended to benefit the better off to the detriment of the rural poor and policies to alleviate rural poverty have been negated by government policy. In 2001 new rural taxation policies shifted an even higher portion of the tax burden onto poor farmers. This is exacerbated by their lack of access to credit to buy fertiliser—a critical factor in areas where soils are thin and infertile—and an increasing lack of access to education and health care. This has created a downward spiral resulting in entrenched poverty.

The issue of microcredit and microfinance as poverty alleviation measures are followed up by Bob Frame and Caleb Cheuk-yin Kwong. Microfinance programs in China are very diverse but fall roughly into two groups—small, usually foreign-assisted programs that apply international lessons in microfinance to Chinese conditions and the government's mass delivery of subsidised microfinance to poor households under the 'ba-qi' plan. Kwong provides two case studies, one of a UNDP project in Yilong County and the other of the government-run large-scale Shangluo program, based on the Grameen Bank model. Frame provides two case studies from Gansu Province, which look at the major constraints to poverty alleviation.

Kwong found that the UNDP Yilong program was successful, especially in providing microcredit to women. However, there were significant institutional obstacles, including the issue of registration of credit providers as civil society organisations. This prohibits their involvement in all forms of financial services and requires that the interest rates charged are equivalent to the government's subsidised microfinance program rate of 2.88 per cent. This makes autonomous programs economically unviable. The government program, based on the Grameen model, suffered from inefficiencies and inconsistency between a top-down framework and the participational Grameen model. Staff had little knowledge of the process and there has been serious mis-targeting. Overall, the smaller UNDP program achieved a similar level of outreach compared to the state-implemented Shangluo program, but a much higher level of impact and sustainability. It spent only half what the Shangluo program spent in the same period and was much more efficiently run.

Lack of water and irrigation schemes

Frame found that in the very poor counties of Jingyuan and Jingtai the major causes of poverty identified by farmers were lack of access to irrigation, lack of access to social services and off-farm earning opportunities. There was a considerable need for microfinance and microcredit, most particularly for small-scale irrigation projects, yet microfinance was not available for irrigation.

One of the major constraints to poverty alleviation, especially in the karst region of western China, is lack of irrigation. Although in some areas there is adequate rainfall, moisture is not retained because of limestone substrata. Jonathan Unger considers the
potential benefits of small scale and inexpensive irrigation works. He found that the introduction of irrigation resulted in a doubling of crop yields during a normal year and that small-scale irrigation schemes in the poor regions of China could pay for themselves in just a few years. However, very few irrigation projects are installed. Banks and credit associations are not allowed to make loans for irrigation because government is supposed to provide free grants for irrigation. However, the number of grants made are very limited as in the poor regions of China governments have very little money. Ironically, the irrigation projects that do get funded are those that are relatively large scale, technically 'modern', and require expert engineering. Unger recommends that donor agencies operating in China should consider giving priority to loans for small-scale irrigation waterworks projects. He recommends loans rather than grants and irrigation loans at commercial rates.

Ben Hillman reviews the indicators used to identify poverty and discusses the benefits and constraints of China's new 'opening-up' poverty program. The logic behind 'opening-up' is that poor areas can only rise out of poverty through increased markets and income generating opportunities. Hillman argues that this approach makes the assumption that the poor just need more money in order to make ends meet when, in reality, if they are to participate in the market economy they need education, training and reasonable health, and projects need to be built on indigenous knowledge. Instead, projects are given to outside contractors who bring their own skilled labour teams with them. By prioritising rural infrastructure and economic growth, health and education have suffered. To escape poverty, the poor need greater investments in social and human capital. In Hillman's opinion, China's 'opening-up' policy will not substantially improve the battle against poverty.

Agriculture, farming and poverty

Rural poverty in China is often closely related to severe environmental degradation. This is particularly the case in mountainous regions. In an attempt to deal with the ecological problems related to sloping land the Chinese government established the Sloping Land Conversion Program, which aimed to convert large areas of farmland on steep slopes back to forest or grassland. Ben Hillman discusses the possibly negative long-term problems related to sloping land the Chinese government established the Sloping Land Conversion Program, which aimed to convert large areas of farmland on steep slopes back to forest or grassland. Ben Hillman discusses the possibly negative long-term problems related to the introduction of irrigation resulted in a doubling of crop yields during a normal year and that small-scale irrigation schemes in the poor regions of China could pay for themselves in just a few years. However, very few irrigation projects are installed. Banks and credit associations are not allowed to make loans for irrigation because government is supposed to provide free grants for irrigation. However, the number of grants made are very limited as in the poor regions of China governments have very little money. Ironically, the irrigation projects that do get funded are those that are relatively large scale, technically 'modern', and require expert engineering. Unger recommends that donor agencies operating in China should consider giving priority to loans for small-scale irrigation waterworks projects. He recommends loans rather than grants and irrigation loans at commercial rates.

China's accession to the World Trade Organization

In December 2001 China joined the World Trade Organization (WTO) and will be bound by a number of trading agreements and quotas. To help China prepare for the extensive changes required by an open trading system, Australia has provided support that would lead to an increased appreciation by Chinese officials across the range of trade and economic agencies involved, of the rights and obligations which membership of the WTO provides, with an increased awareness of the benefits of open trading systems. Gus Hooke discusses the AusAID-funded Economics and Foreign Trade Training (EFIT) project, and how accession to the WTO and to new foreign trade and investment regimes and the resulting globalisation of the Chinese economy are likely to impact on rural poverty. Hooke maintains that if the income of farmers is to be increased and total farm income can be raised only marginally, poverty-reduction policies must place emphasis on reducing farm populations — a trend that has been particularly strong in China over the last ten years.

Poverty and HIV/AIDS

Jane Bell reviews the situation of HIV/AIDS in China and current efforts to address its spread. The major means of transmission identified are fairly closely related to poverty and to the provinces where there are high levels of poverty. There appears to be a link between poverty, ethnic minorities and HIV. Poor provinces with high levels of HIV/AIDS, such as Yunnan and Xinjiang, also have high numbers of people from ethnic minority backgrounds. Yunnan, with 19 minority groups, has the highest reported HIV-positive rate in China. The major routes of transmission are from illegal blood collection — many poor farmers sell blood — intravenous drug use and commercial sex work. Prostitution is widespread in China and on the increase among poor rural women. Overall, the problem is one of unemployment, poverty and relative poverty.

Conclusion

The following papers suggest that while China has been extremely successful in reducing the level of poverty, it is now facing difficulties in maintaining those who have climbed above the poverty line
and in having an impact on entrenched poverty, most particularly in the western provinces and amongst rural, farming communities. Policies implemented to reduce or alleviate poverty are no longer as effective as they were in the past, and, in some instances, policies and legislation serve to further entrench rural poverty. Attitudes of policy makers and government officials towards the poor, and, in particular, ethnic minorities, do little to help alleviate poverty. New approaches are now needed to address entrenched poverty and to counteract the impact of China's accession to the WTO on the very poor.
Attacking hard-core poverty in village China

Joe Remenyi, Deakin University, and Li Xiaoyun, China Agricultural University*

Introduction

No country in recorded history of recent economic development has achieved as much in reducing rural poverty than China (Wang 2001, World Bank 1992; 2001a; and 2001b; LGOP, UNDP and World Bank 2000; UNDP and ILO 2000). Against an official rural poverty line of US$0.66 per person per day, the incidence of poverty in China is estimated to have declined from more than 300 million people in 1978 to 120 million in 1988, and 42 million in 1998 (LGOP, UNDP and World Bank 2000). Even against the World Bank's more stringent poverty line of US$1 per person per day, the number of rural poor is estimated to have been 287 million in 1991, falling to 106 million in 1998 (World Bank 2001b). However it has been widely recognised that rural poverty reduction stalled, and may have reversed since the mid 1990s (World Bank 2001b).

This paper reports on current efforts in the evolution of China's national poverty policy to stem the leakages of poverty resources and tighten the focus on reduction of hard-core poverty. The paper arises from an invitation from the Leading Group for Poverty Reduction (LGOP), working in collaboration with the Asian Development Bank (ADB), to the authors to examine the methodological implications of a new strategy, called County Poverty Alleviation Planning (CPAP), which is based on village poverty reduction (VPR).

Institutional change, governance and important poverty policies

China's formal national poverty-alleviation program officially commenced with the establishment in 1986 of the LGOP. This group brought together the heads of the main in-line ministries and agencies, which were perceived by the State Council as key policy-making and implementation stakeholders, and whose cooperation is essential for a national approach to poverty reduction.

At its first meeting, the LGOP defined absolute poverty in China as resting on four criteria: (1) annual per capita income of US$53 (in 1985 prices); (2) food deficit for at least 3 months of the year; (3) lack of access to drinking water at less than 2 km horizontal or 100 m vertical distance from the home; and (4) lack of irrigation water for at least 6 months of the year. Great gains were made in poverty reduction under this system. The incidence of poverty across China is estimated to have fallen by 210 million persons between 1980 and 2000. At its first meeting the LGOP also identified China's national poverty goal as being to meet the basic needs of all the poor by 1990. Thereafter, poverty eradication would be a priority in China's western provinces, in the old revolutionary provinces of central and southern China, and provinces where minority populations represent a significant proportion of poor households (LGOP 2000).

In its year 2000 report on poverty in China, the World Bank and UNDP attribute the failure of poverty trends to keep improving to three main factors: (1) ineffective poverty targeting, reflected in a rising proportion of poverty resources that never reach the poor, in part because of poor poverty-intervention decisions associated with failed investments in Township Village Enterprises (TVE) using LGOP-sourced poverty funds; (2) perverse fiscal policies that have lead to taxation systems in which the poorest 20 per cent of rural households are paying 50 per cent of taxes collected in rural areas; and (3) increasing income inequality, which grew by 23 per cent in rural China during 1988–1995 (World Bank 2001b; LGOP, UNDP and World Bank 2000).

In May 2001, the State Council convened a national poverty-alleviation meeting in Beijing, coordinated by the LGOP in its role as the newly authorised public-sector agency responsible for national poverty-reduction strategy formulation, policy design and implementation. At this meeting, the State Council endorsed a new national poverty reduction strategy to address the problem of hard-core poverty and the leakage of national poverty resources to the non-poor.

The new policy shifted the geographical focus of poverty policy in two important ways: (1) Future poverty policy would be directed at the geographic source of poverty in rural China, poor villages; and (2) national policy would concentrate on village poverty in the poorest regions in China, which are heavily concentrated in China's western provinces, in the old revolutionary bases in provinces that had harboured the industrial heart of the Maoist revolution following the Long March, in sensitive border areas that suffer poorly developed infrastructure, and in areas with significant minority populations. Within these priority areas, the national list of poor counties would be replaced by a list of Key Working Counties (KWCs). County authorities would assume responsibility, previously delegated to provincial agencies, for ensuring that poor villages were integrated into national poverty planning processes.

Associated with the announcement of VPR as the core of China's new national poverty-reduction strategy are a number of important changes to the governance of poverty-policy formulation and implementation. The most prominent change is the institutionalisation of the LGOP as China's premier independent agency responsible for all aspects of national
poverty-reduction planning, policy development and implementation. Previously, the LGOP had been imbedded in the Ministry of Agriculture (MA), with no power to manage or organise its operations without the approval of the MA hierarchy. The State Council has now separated the LGOP from the MA, establishing the LGOP as a formal public-sector agency with its own functional structure to deal with both internal and external matters. The LGOP has been given the lead roles in poverty planning, finance, monitoring and evaluation, and coordination of the involvement of stakeholder agencies, especially the Ministry of Finance (MF), the State Development Planning Commission (SDPC), the State Statistics Bureau, and the Agriculture Bank of China (ABC).

Other governance changes arise from the shift in national poverty-reduction policy to embrace participation, gender, community-based planning and an expanded role for NGOs in poverty-policy implementation, progress monitoring and impact assessment. Village poverty reduction planning is the heart of the new program, with individual village plans based on the situation-specific needs of the poor. With the assistance of the county LGOP, Village Poverty Reduction Groups (VPRGs) will need to be formed to take the lead in village poverty-reduction planning. The role of county government is limited to ensuring that village poverty plans are integrated into the County Development Plan (CDP), setting specific poverty-reduction targets for each plan period, and ensuring that national poverty reduction resources are directed, through local LGOP offices, at income- and employment-generation initiatives identified by VPRGs. It is left to the LGOP to ensure that the methodology and guidelines to be applied in implementing village poverty reduction are appropriate and flexible enough to account for socioeconomic, cultural and geographic differences between counties.

China’s VPR strategy is based on participatory approaches to the analysis and redressing of key sources of chronic poverty in China. Because the county is the lowest level of local government with which national authorities have direct contact, administration of the policy will be coordinated through county-based authorities, including county-based offices of the LGOP. CPAP builds from the village up, using the rich lode of local knowledge held by village communities to identify sustainable income and employment generation activities for inclusion in village poverty reduction plans. CPAP employs participatory methods of problem analysis, solution identification, activity designs, budgeting, progress monitoring and impact assessment.

It is the commitment to participatory approaches that marks CPAP as critically different from predecessor strategies of national poverty-reduction policy. However, there is a desire by the State Council that this shift should be accomplished with a minimum of conflict or reform of existing LGOP-managed governance of national poverty-alleviation policy and practice in China. This is a laudable and understandable goal, but the increased emphasis given to participatory, bottom-up procedures does imply some important changes in governance at both national and local levels, and change of this sort rarely comes without some opposition.

Motivation for change in national poverty policy

One might ask, what is it that has caused the State Council to determine that a shift in strategy is needed in national poverty policy and practice at this time? In the immediate past, poverty-policy practices biased the flow of resources to the support of TVEs, only some of which benefited poor people in the poorest villages in China. In the main, the hard-core poor have been bypassed and poverty-reduction resources have ‘leaked’ to the benefit of the non-poor. In recognition of these outcomes, the State Council has determined that a new approach is needed—one that will target the hard-core poor in ways that significantly increase the probabilities that sustainable poverty reduction will be achieved. Participatory village poverty reduction planning through CPAP embodies this new approach, with administration shifted from provincial and township levels to counties.

Neither the State Council nor the LGOP are so naive as to believe that a policy shift such as CPAP represents will not meet bureaucratic inertia or resistance. As a result, those responsible for national poverty policy in China are keen to see that the governance of CPAP will involve a minimal set of bureaucratic reforms, and gradual re-education within existing administrations to the realities of participatory poverty-reduction planning. Nonetheless, change is heralded by this shift in policy, if only because the shift has signalled a significant clarification of goals for national poverty policy:

- more effective targeting of poverty-reduction resources at the abolition of hard-core poverty;
- increased poverty reduction through the capture of poverty-reduction fund ‘leakages’;
- greater village-level self-reliance for sustainable poverty reduction through the use of participatory approaches to location-specific poverty-reduction interventions; and
- the repositioning of national poverty-reduction programs to move away from relief and welfare payments to the poor, towards investments in productivity-based growth in capacity for self-help in poor villages.

Effective poverty targeting

Participatory poverty-reduction planning is new to China. It is a step along the path to rural democratisation that parallels national trends towards smaller government, and user-pays strategies of service delivery by local government. Institutional changes will be needed at village level to accommodate the different roles that will be played by existing planning and poverty reduction agencies and local government authorities. By going directly to the county, CPAP addresses county poverty priorities rather than township or provincial development planning goals. Hence, CPAP bypasses two levels of government, which, if nothing else, should produce a dividend in terms of lower administration and transactions costs. Less of the budget for poverty reduction activities will be needed to trace and document the paper trail of bureaucracy.
Effective targeting of poverty-alleviation measures

The most important method by which poverty-reduction resource leakages is expected to be cut is through more effective and deliberate targeting of poor people and poor areas. A series of studies on this issue in China’s poverty alleviation program has shown that lack of attention to targeting has meant that resources intended to go to the benefit of the poor have leaked to the benefit of others (Ling and Jiang 1996; Li Ou 1996; Li Xiaoyun 1997; World Bank 2001).

One area of national poverty policy in China that has not been changed by the State Council is the commitment to the need for close collaboration between the many relevant stakeholder institutions, ministries and agencies. Multi-institutional participation in national poverty-policies has been one of the strengths of China’s approach to poverty reduction since at least the early 1980s. This has meant that in addition to the flow of national poverty reduction funds from Beijing, all key ministries — finance, agriculture, health, education, infrastructure, development planning and statistics — have allocated their own resources to the national poverty alleviation effort. Li Zhou (2001) estimates that in 2000 the financial contribution made by cooperating ministries accounted for 30 per cent of all official funding for poverty alleviation in China, which in that year exceeded 9 billion yuan. It is envisaged that national implementation of CPAP over the next three to five years may involve 300 billion yuan, (according to an informal source from the LGOP), to support village poverty reduction. Hence, a good and effective working relationship between the LGOP, the Ministry of Finance, the Agriculture Bank of China and the State Development Planning Commission will be essential.

Monitoring poverty reduction

Current practices in poverty-reduction monitoring in China are based on tangible output levels, not impact assessment (Li Xiaoyun 2001). The LGOP’s management system is focused on the flow of money in a manner consistent with a system that has treated hard-core poverty as a welfare problem. Consider the contrast between Diagrams 1 and 2.

In Diagram 1 the village is a minor player. What little that trickles down from above is some employment opportunities and welfare transfers for the destitute and those hit by natural disasters, but little else. There may also be some spin-off benefits from infrastructure development, but these are serendipitous and rarely deliberate. The work program of in-line agencies is not poverty focused, even though there are regular contacts between village committee members and staff of the ministries of agriculture, health, education, finance, etc. Statistics collected for monitoring purposes concentrate on documentation rather than impact assessment or discrimination between who benefits, who does not, and which initiatives contributed most effectively to change in the incidence of poverty.

Diagram 2 represents an idealised schematic representation of what a shift to a participatory village poverty reduction planning process such as CPAP implies. In Diagram 2, welfare payments do not appear, as they are not an investment in sustainable poverty reduction. The links that appear are those that represent cash flows into poor villages for employment creation, plus expenditures on activities identified by the VPRG to increase the absolute level of productivity of village household livelihood activities. The local PAO shares centre stage with the VPRG.

Procedures for monitoring the impact of CPAP must be designed to be consistent with the flows represented in Diagram 2. At its core, this means that there will be far more attention given
to the factors that will ensure that village poverty reduction is sustained. Six key performance indicators will be given special attention:

- value of village output, in total and on a household basis;
- per person productivity of household livelihood activities;
- changes in the absolute number of households and individuals in each functional poverty group in the village;
- volume of cash flow passing through village households from all sources;
- changes in the village weighted participatory poverty index (PPI) and its component parts; and
- level of participation by the poor.

Up until mid 2002 there were only limited signs that the system is gearing itself up for the bureaucratic changes that the adoption of CPAP on a national basis will bring. However, there is reason to be positive. The LGOP has embraced CPAP and enthusiastically assisted in the field testing of component parts in several provinces, including Hebei, Gansu, Qinghai and Yunnan. The LGOP has also cooperated unreservedly in the initiation of a 'training of trainers' program in the essential elements of the participatory methods used in CPAP for county-based PAO staff and village leaders.

CPAP is a further devolution of poverty planning in China towards a needs and demand driven framework, as compared to a centrally controlled bureaucratic process. The devolution is to be welcomed, and should be seen as a further step towards democratic processes in an important aspect of Chinese public policy.

* The field research on which this paper is based was undertaken as part of the Asian Development Bank's Technical Assistance Project No. 3610-PRC, 2001-2002. This paper is a much-shortened version of a report on the project.

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International exchange and participatory discourse in Chinese poverty alleviation

Nick Young, China Development Brief

Overview of poverty alleviation in China

In 2001, China’s Leading Group for Poverty Reduction (LGOP), the national body charged with coordinating poverty alleviation in rural areas, officially embraced ‘participation’ as a guiding principle of its work. At first sight, this was a remarkable vindication of the efforts of international agencies, which, over the previous decade, had earnestly recommended more community-based approaches to rural development. The discourse of participation may be useful in securing more effective targeting and use of poverty alleviation project funds, but there are clear limits to its real application in China. There is also some danger of its distracting attention from critical yet neglected policy issues, which cannot be addressed through a ‘development projects’ approach.

The LGOP was established in 1986 when the early, spectacular gains in rural living standards achieved by policy reforms — the de-collectivisation of agriculture and the establishment of rural markets and rural industry — were beginning to falter. From 1986 to the end of 2000, it distributed 154.6 billion yuan (US$18.8 billion) of central funding (supposedly matched by funding from provincial governments, although this was not always forthcoming at the intended level) in grants through Poor Area Development Offices to counties designated as ‘poor’.

The funds were allocated partly to general budgetary support for county governments, partly to food for work programs on infrastructure projects such as irrigation systems, terracing and land reclamation, and partly to very low interest loans (generally around 2 per cent). Official data shows a steady decline in the number of absolute poor, from around 130 million in 1986 to some 30 million now, but by the late 1990s the ratio of poverty alleviation funding to people ‘lifted out of poverty’ had become very high. In 1998 US$2.2 billion was allocated from central funds, and eight million people were raised above the official 66 cents per day poverty line: this amounts to an investment of US$275 for each person brought above the line, without counting local government contributions.

Such figures are all the more striking for the fact that 1998 was the first year in China’s very long history that, according to government statistics, more of the active workforce were employed in manufacturing, mining and service industries than in agriculture (an aggregated 50.2 per cent against 49.8 per cent). Given this signal of ongoing, profound structural changes in the national economy, it is relevant to ask how government poverty alleviation efforts connect with central development processes, other than as a rather expensive palliative for those left behind on the farm.

Targeting poverty

Targeting of poverty alleviation funds was always a major problem. Designation as a poor county had obvious benefits for local officials, and, in some cases, designation was more the result of effective lobbying than systematic assessment. Moreover, although absolute rural poverty was largely concentrated in remote, upland areas of inland and western provinces, with low natural resource endowments and high levels of environmental degradation, significant pockets of poverty also persisted elsewhere. Even in relatively prosperous areas, capital and labour shortages caused by catastrophic illness, disability or death could plunge families into poverty that it would take a generation to escape. Thus, a joint LGOP, UNDP and World Bank (2000) report revealed that as many as half of those who, by government reckoning, remained absolutely poor, were not living in officially designated ‘poor counties’, and so were beyond the reach of available funds.

Within designated poor counties, funds frequently went to areas that were not themselves poor. Local officials were inclined to invest the low-interest loans in projects that they (often mistakenly) believed would bring a financial return — existing enterprises in which they had a stake, or new ventures such as building hotels, restaurants and karaoke bars in the county seat. From the late 1990s, at the urging of the central LGOP, there was more effort to direct these loans to rural households, but many local officials resisted this, continuing to feel that the poor are an unreliable investment. Others distributed credit in return for kickbacks — according to one Chinese researcher, ‘field interviews in many of China’s poor areas confirms that [this] is often the rule rather than the exception’ (Wang 2002) — and funds were further haemorrhaged by the routine entertainment budgets of local officials.

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Role of international organisations

During this same period, international organisations were working to demonstrate more participatory approaches to poverty alleviation. The Ford Foundation led the way, in the early 1990s, with support for a series of projects in Yunnan Province that brought together government officials, natural and social science researchers in empirical studies and small-scale community interventions designed to encourage greater community involvement in management of natural (especially forest) resources. Also from the early 1990s, international NGOs, such as CARE, World Vision and Oxfam Hong Kong, began integrated rural development programs, notably in the south-west, typically with health, education, water supply, rural infrastructure and income-generation components.

From the mid 1990s, a broadly similar approach, often with microfinance components, was adopted in a number of larger programs funded by Official Development Assistance donors, including UNDP, UNICEF, the European Union and the governments of Australia, Canada, Germany and the Netherlands. From 1995, the World Bank also provided soft loans totalling US$350 million for a series of poverty-reduction projects with a multisectoral approach that offered farmers a menu of household investment options, along with support for rural infrastructure, schools, health and agricultural extension services. These projects were unusual in that they also included components to provide information, training and job placement services for intending rural-urban migrants, reflecting the bank's belief that surplus rural labour needed to be absorbed into the growing manufacturing and service industry sectors.

In almost every case, from the smallest NGO to the World Bank, international agencies conceived their work as 'demonstration' projects that would provide China with models of good practice in which to invest its own, substantial resources. Consistent with prevailing international approaches to rural development, variants on the theme of 'community participation' were emphasised in all of these projects. The largest donors (notably the World Bank), were best placed to explore this theme with central government agencies, especially the Leading Group for Poverty Reduction, with which the bank worked closely. But China's bureaucratic fragmentation and lack of a unified mechanism for receiving foreign aid complicated donor efforts to communicate their 'advocacy' messages. It is extremely hard to infuse such ideas, from the top-down, into large, government-run programs. Smaller donors and NGOs exercised comparative advantage in honing project experience and developing close, long-term relationships with practitioners nearer to the grassroots.

The Ford Foundation's early program in Yunnan was particularly influential in nurturing several relatively independent local groups — such as the Centre for Biodiversity and Indigenous Knowledge, the Yunnan PRA (Participatory Rural Appraisal) Network and the Centre for Community Development Studies — that now manage internationally funded pilot projects or project components, and also offer research, consultancy and training services. Members and associates of these groups have been an increasingly important source of local knowledge and expertise for international agencies, providing inputs ranging from social impact assessments of Asian Development Bank road-building schemes to Participatory Rural Appraisal training for government officials in bilateral and multilateral project sites. Similar groups have since emerged, again with support from Ford and other private donors, in the provinces of Guizhou and Sichuan. Beijing also has several well-established centres specialising in rural development and with strong links to international agencies. Particularly prominent is Beijing Agricultural University's College for Humanities and Development, which has undertaken research, training, project management, monitoring and evaluation for numerous international agencies.

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Such centres and groups have often enjoyed an 'NGO' cachet that is unquestionably useful in their dealings with an international donor community keen to imagine and engage with Chinese civil society. But their nature is distinctly hybrid, also combining the aspirations of scholarly research institutes and commercial development consultancies. Professor Li Xiaoyun, Dean of the College for Humanities and Development, and founder of its predecessors, told this writer that he had always been striving to create 'an internationally recognised centre of development expertise and excellence — like IDS [Sussex University's Institute for Development Studies]'. Lack of sharp definition in emerging Chinese institutions is neither surprising nor blameworthy: China's restrictive legal environment for non-government activity naturally encourages organisational blur, as groups of all kind seek legitimate space in which to operate; and many international organisations also have a distinctly hybrid nature, especially given increasing pressures of commercialisation in the international aid industry.

Chinese involvement in participatory approaches

It is, however, clear that the last decade has seen the emergence of a community of Chinese practitioners — well-networked with international organisations and fluent in the international discourse of participation — who have a strong interest in the development-project cycle. As well as bodies attached to universities, this includes groups such as the (government-initiated and endowed) China Poverty Alleviation Foundation, which is particularly keen to present itself as an NGO. In October 2001, the foundation hosted a substantial international conference on 'NGO Poverty Reduction Policy' that drew more than 250 delegates. This culminated in a 'conference statement', (prepared, it has to be said, with little participation from the majority of delegates), that called, inter alia, for liberalisation of NGO registration laws and also for 'competitiveness tendering' of state poverty-alleviation projects.

Official recognition of a role for NGOs in poverty reduction is indeed one plank of the new poverty-alleviation policies unveiled in 2001. This was a fillip for China's nascent civil society, signalling government's continued interest in recruiting 'social forces' into social-service provision — although this interest is clearly tempered by determination to control the kind of social forces that might emerge.
But the new policies go well beyond inviting the participation of NGOs. They propose a ‘participatory poverty index’ that includes new indicators for identifying poor communities and households (including health, education, housing and access to water, alongside the conventional measures of per capita income and grain consumption); and they require poor counties (still numbered at 592, but with some changes to the list) to identify poor villages in their jurisdiction, to engage those communities in the preparation of five-year Village Development Plans, and to incorporate these into an overall County Development Plan.\(^6\)

The proposed methodology drew heavily on the recommendations of a 2001 Asian Development Bank-funded technical assistance project with the LGOP, in which Li Xiaoyun of the College for Humanities and Development served as lead consultant. \(^5\) According to Li, the ink was not dry on his proposals before they were adopted, virtually in full, by the LGOP.

Such alacrity was matched by the speed with which the new program has been put into action. During 2002, LGOP officials report, 80,000 villages across China had completed Development Plans. According to Li’s methodology, this process should involve, firstly, collection of baseline data by village leaders, followed by village meetings in which members of the community weight a range of poverty indicators to reflect their own priorities. This generates a participatory poverty index ranking of villages on a scale of 1 to 100. A Village Poverty Reduction Group is then established — largely overlapping with, but in principle larger than, the existing Village Committee. This group should receive training in participatory rural appraisal techniques and apply these to develop a profile of the community, including classification of the poverty status of each household. It then convenes a village meeting to analyse the village’s situation, using a problem tree analysis. The Poverty Reduction Group then drafts, in consultation with officials from the local Poor Area Development Office, a wish list of local development projects that villagers subsequently discuss in mass meetings and rank in order of priority. The resulting development plan — examples of which run to dozens of pages each — is passed to the Poor Area Development Office for consideration and incorporation into its own county plan.

### Bureaucratic constraints to participation

Although largely relying on established village governance mechanisms, the ‘participatory’ novelty of this process should not be underestimated. Chinese bureaucratic culture is steeped in the customary belief that peasants are feckless and dimwitted, and officials are inclined to speak without embarrassment of the ‘backwardness’ of their constituencies (especially in the case of ethnic minorities who, in the 1950s, were ranked in a series of pseudo-Marxist ethnographic studies according to how backward or advanced they were). This dismissive tendency was richly illustrated in August 2001 at a joint LGOP–Asian Development Bank forum in Beijing, entitled ‘Reflecting the Voices of the Poor’. Two farmers from Guizhou Province were invited to speak on the value of participation in projects in their villages. After their presentation, an LGOP official apologised to the assembled intellectuals and policymakers for the farmers’ strong accents and ‘low quality’.

In this context of bureaucratic and elite prejudice, encouraging poverty-alleviation officials to think that peasants may have any knowledge or opinion worth considering is itself a major achievement. International donors, including the World Bank, Asian Development Bank, UNDP and the governments of Australia, Britain and Japan, are therefore providing technical assistance for capacity-building support to improve implementation of the new policies. There is a great deal of training to be done, and China’s small community of experts in this field will be very busy.

Given China’s size and diversity, implementation will almost certainly vary widely across the 592 counties, doubtless ranging from the extremely good to the dreadful (thus mirroring the varying quality of implementation of Village Committee elections). But even at its best, and despite the PRA ‘tools’, the village planning process is a limited form of participation. Essentially, it is a consultation process, in which villagers are empowered to do no more than express their preferences regarding the use of state funds. From the pronouncements of senior LGOP officials, it seems clear that this new approach is not driven by recognition of the right to participate so much as by growing appreciation of the efficacy of stakeholder consultation — especially when combined with better targeting to reduce ‘leakage’ of poverty alleviation funds. As Li Xiaoyun puts it: ‘the government is open to any effort to improve programme quality, and the participatory approach, in this regard, is considered as a technical alternative.’ Again, an analogy may be drawn with the Village Election process, which was motivated more by a concern to ensure rural stability than by a concern for representative democracy per se.

The ‘participatory approach’ is nonetheless a considerable progression beyond the kind of state-led mass mobilisation that, echoing long traditions of corvée labour, marked the public works and political campaigns of the Maoist years. As such, it may be a significant development in state-society relations. On the most optimistic view, it may perhaps represent a weathervane — or serve as a bridgehead — for the spread of more democratic approaches to policy making. And once the poor get used to being consulted, they may press for their voices to be ‘reflected’ on wider issues.

But there are also dangers here. China has a propensity for seeking technocratic fixes for poverty (‘Science and technology poverty alleviation’ is a lingering favourite). Adopting participation as a ‘technical alternative’ may backfire if other constraints on rural development remain in place. Indeed, the focus on participation (and, for that matter, on targeting) as refinements of current practice may perpetuate an approach to rural development that relies unduly on ad hoc projects.

Rural China’s great leap out of absolute poverty in the early 1980s was not achieved by poverty-alleviation projects, and such projects — as presently conceived — fail to address critical
Through a natural forest protection plan, sloping land conversion program, grassland restoration and reforestation projects, the privatisation of ‘waste’ land and the creation of protected areas — has frequently been carried out in (far from participatory) ways that reduce poor communities’ access to and control over productive assets.

Social and health issues

Public health services have fared particularly badly, receiving on average only 4 per cent of straitened county budgets (LGOP, UNDP and World Bank 2000). This has made them increasingly reliant on cost-recovery mechanisms. Health-service providers have therefore increasingly centralised and geared their services to the ‘market’ of urban populations with medical insurance cover, while rural populations, without medical insurance, pay out of pocket for treatment that is invariably expensive and often inappropriate. At the household level, lack of access to affordable and appropriate medical care in the case of seriousness illness is an important contributing factor in remaining absolute poverty, also affecting families in areas that are not themselves poor.

Chronic shortage of budgetary finance encourages local officials to levy supplementary fees and charges that add to the household burden of a regressive taxation system, and, in many cases, cause open conflict between rural people and cadres. Also severely eroded is investment in agricultural research, development and extension. Although government continues to direct much of agricultural production, in many poor areas technical support services are moribund. Farmers associations might have the potential to promote specialisation and competitiveness, but in fact their development is severely constrained by government fears of independent organisation in the countryside. Even water-user associations formed under the aegis of World Bank loan projects have been denied legal registration by local authorities.

Many farmers also lack access to credit for productive investment. Although the low-interest ‘poverty loans’ appear designed to address this, they still tend to be seen as poverty-alleviation handouts and arguably impede rather than encourage the development of sustainable rural financial institutions. This reflects weaknesses in the debt-ridden banking system as a whole which, especially in the poorer, western provinces, remains more geared to propping up ailing enterprises than to sustainable wealth creation.

Finally, although a worthy objective, ‘ecological restoration’ — through a natural forest protection plan, sloping land conversion program, grassland restoration and reforestation projects, the privatisation of ‘waste’ land and the creation of protected areas — has frequently been carried out in (far from participatory) ways that reduce poor communities’ access to and control over productive assets.

Conclusion

Central government has at least recognised, and is attempting to respond, to several of these key problems, but progress in most areas is slow, and the central issue of fiscal reform appears intractable. State poverty-alleviation programs, as one of the few available mechanisms for redistribution, may be a temporary palliative, but are unlikely in themselves to provide a ‘cure’ for poverty. Participation is no doubt a commendable principle, but it remains to be seen how far it will extend through Chinese policy-making processes.

* Nick Young is the founding editor of the Beijing-based China Development Brief (www.chinadevelopmentbrief.com). This article draws on the work of his colleague, Jim Weldon, who has researched and reported on poverty-alleviation policy in China Development Brief.

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Notes

1. Quote from "There was everything to be done": Memoirs and agenda of Ford's China hands, China Development Brief, Winter 2002-2003, V(3), 30.

2. A vague and highly generalised policy outline is provided in The Development-Oriented Poverty Reduction Program for Rural China, Information Office of the State Council, PRC Beijing, October 2001. Here, however, I am also interpreting poverty-alleviation policy through the statements of senior LGOP officials.

3. Since 1993, 592 of the nation's 2200 counties have been officially designated as poor.

4. This started out in 1998, with initial core funding from GTZ, as a relatively freestanding Centre of Integrated Agricultural Development, affiliated to the university. It has provided consulting services to the Asian Development Bank, World Bank, European Union, International Fund for Agricultural Development, UNDP, Unicef, UK Department for International Development, the government of the Netherlands, Plan International, Caritas and Misereor. In 1998, it opened a College of Rural Development, with Ford Foundation support for curriculum development, offering a two-year Masters course in rural development. At the end of 2002, another department at the university was merged with the Centre, expanding its teaching and research role, but also integrating it further into the university.


6. Although it had provided loans to China since 1986, the Asian Development Bank did not establish a representative office in China until 2000 — the same year that the bank formally committed itself to making poverty alleviation the overriding objective of its work. Restricted by the Chinese government's unwillingness to accept commercial loans for projects that would not generate a financial return (and also by the fact that under bank rules China was not poor enough to qualify for soft loans), the bank was keen to make its mark in direct poverty alleviation through grant-funded technical assistance projects. It was, along with the Ford Foundation, a co-founder of the 'NGO Poverty Reduction Policy' conference mentioned above.
Engaging civil society in China

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Introduction

The golden monkeys in Yunnan province in China are now internationally classified as an endangered species. Over the years, commercial logging has accelerated their extinction by destroying habitats and, in turn, providing greater access for poachers. The story is a familiar one in which local officials sell the rights to clear old growth forests in order to supplement their income. In this case, however, the authority of the local county government was challenged by a group of Chinese environmental activists. In 1997, Friends of Nature, an environmental NGO based in Beijing, launched a campaign to save the golden monkey that led to a central government ban on logging and, in turn, the establishment of a wildlife sanctuary.

It is important to stress that the campaign was successful on two fronts. First, it was effective in mobilising green activists and the media to put pressure on the central government. And second, leading campaign members were able to encourage a dialogue with local stakeholders over the sustainable utilisation of natural resources. The combination of attracting nationwide media attention and active engagement at the grassroots level proved to be a winning formula in garnering the necessary central and local government support.

This particular case provides important insights into the growing influence of environmental advocacy in China, as well as the changing nature of state–society relations. Over the past decade, environmental networks, student campaigns, research institutes and advocacy groups have proliferated. Despite wide differences in organisational form and capacity, these social organisations now operate with a measure of independence from the state. Indeed, they are currently positioned at the vanguard of China’s emerging civil society. This is because their agendas mesh comfortably with that of the central government and their particular brand of advocacy is one of engagement rather than confrontation.

What other factors account for the shift towards greater autonomy amongst environmental NGOs in China? To what extent are other social organisations following in their footsteps? And what are the limitations on the future development of an autonomous sphere of civil associative life? This paper will present an overview of the evolving and complex nature of civil society in China. It will focus in particular upon the diversity of NGOs, new developments in state–society relations and continuing constraints.

What is Chinese civil society?

Chinese civil society (wenming shehui) is often described as state corporatist (Shue 1994; Chan 1995; Unger 1996). In other words, social organisations are seen to be under the domination of the state and merely acting as mechanisms for channelling state interests. Without doubt, social organisations in China are heavily circumscribed. As witnessed by the recent crackdown on Falungong, the Chinese authorities are intolerant of any social movement or organisation that is perceived to pose a direct threat to the regime and the stability of the nation. It comes as no surprise therefore that government regulations on social organisations were first promulgated by the State Council following the student-led pro-democracy campaign in 1989. These were updated in 1997 but remain restrictive. First, before registering with the Ministry of Civil Affairs, organisations must be sponsored by a government-owned unit; second, only one social organisation is permitted for any single sphere of activity; third, organisations can only operate at the administrative level at which they are registered; and, fourth, organisations must have at least 50 individual members with initial assets of US$12 000.

Although state corporatism explains an important dimension of Chinese civil society, it fails to capture new developments. In practise, many social organisations operate in China by circumventing the rules. They either register as a business or maintain a very loose association with a state-owned unit. Many illegal organisations also operate, albeit under the constant threat of closure. Examples include the support networks that have been set up within migrant worker communities, the many small NGOs offering counselling services in the cities, or the growing number of grassroots groups involved in environmental and poverty-alleviation work in remote areas.

Taking into account changes over time, Chinese civil society is therefore best understood as the continuing consolidation of social power by the state, tempered by the emergence of an autonomous sphere of social activity. These processes are not necessarily antithetical. As noted by Saich (2000), social organisations stand to benefit from their close association with government in that they are better able to expand their influence over decision making by working through government connections. In the words of Liang Congjie, Director of Friends of Nature, 'the principle is to work with government as this is the only way to arrive at practical solutions' (Morton 1999a). Likewise, the state stands to gain from the service-delivery potential of social organisations, particularly in those areas in which its capacity is weak.
The diversity and complexity of Chinese social organisations

The dual identity of Chinese civil society means that social organisations are difficult to define (see Table 1 for a typology of Chinese social organisations). Over the past six years, social organisations have expanded rapidly and achieved greater distance from the state. Even mass organisations (qunzhong tuanti) established after 1949 to channel party interests to various constituent groups, such as workers, women, or youth, are in a state of transition. In particular, the All China Women's Federation organisations have expanded rapidly and achieved greater distance from state interests, attract funding, and participate in international exchanges. Commonly known as GONGOs (government-owned NGOs), these organisations are involved in a wide spectrum of activities ranging from consumer rights to family planning and industrial relations. They expanded rapidly in the 1990s from an estimated 100,000 in 1993 to 187,000 in 1996 (Wang 2001). More recently, GONGOs (shehui tuanti) have started to act as intermediaries between government and societal interests. For example, the China Family Planning Association, through its involvement in pilot projects at the grassroots, has become more sensitised to women's needs. As a consequence, it has become a keen advocate of rights-based reproductive health. Notably, the association has influenced the government approach to family planning with the introduction of pilot projects in more than 32 counties to promote the shift away from the traditional target-driven quota system.

Outside of official civil society, developments are far more difficult to trace. What is becoming clear is that a growing number of advocacy NGOs (minjian shehui zuzhi) have formed with extensive international contacts. Although advocacy NGOs are generally limited to issues such as the environment, women's rights, or legal aid, they enjoy a high degree of independence and often network extensively at the international level. Many of these organisations are the offspring of research institutes such as the Yunnan Entomological Society, which was created by a group of scientists to promote organic foods and the reduction of pesticide use.

Many self-help organisations (shequ zuzhi) have also sprung up across China to pursue more locally focused interests. These are mainly based in urban areas and provide social services by catering to the needs of the elderly, physically handicapped or victims of domestic violence. Organisations such as the Green Mountain Women in Yunnan Province also work directly with impoverished communities to bring about social (and in this case environmental) change. In fact, NGOs increasingly represent a major driving force behind China's efforts to alleviate rural poverty. It is worth noting here that Yunnan, one of China's poorest provinces, is now home to one of the largest number of NGOs in China. According to the Ministry of Civil Affairs, the number of registered NGOs in Yunnan reached over 10,000 in 1997 compared to 7000 in Shanghai (Wang 2001). The relationship between civil society and the provincial government is relatively open and flexible, and the region has also benefited from the spill over of NGO activity from across the border in Thailand (Morton 1999b).

Evolving state–society relations

What accounts for the growing independence of social organisations or NGOs in China? We can distinguish at least four motivating factors. First, the waning capacity of the state to deal with escalating social and environmental problems means that it has little choice but to turn to civil society. Essentially, NGOs are filling the gap left by the reform of the central planning system. The decline of the danwei (work unit) has created an urgent need for alternative methods of social welfare provision, which NGOs are able to provide. A redistribution of social power away from the state to social forces (shehui shili) is also taking place in recognition of market failures, especially in relation to widening income disparities and environmental degradation. It is for this reason that the sectoral distribution of Chinese NGOs is currently weighted towards the environment and poverty alleviation. A second factor relates to budgetary constraints. It is not mere coincidence that the boom in NGOs in the late 1990s coincided with the administrative reforms initiated in 1998 to reduce the size of the government sector. One reason why many GONGOs are starting to act more independently is that government funding to these organisations is being drastically reduced and will possibly not exist beyond 2005 (Young 2000).

Table 1  Typology of Chinese social organisations

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<th>Type</th>
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| Mass organisations (qunzhong tuanti) | All China Women's Federation  
|                               | All China Federation of Trade Unions  
|                               | China Family Planning Association  
|                               | Beijing Energy Efficiency Centre  |
| GONGOs (shehui tuanti)        | Friends of Nature  
|                               | Centre for Legal Culture (Beijing)  
|                               | Yunnan Entomological Society  
| Advocacy NGOs (minjian shehui zuzhi) | Green Mountain Women (Yunnan)  
|                               | Migrant Workers Document Handling Service Centre (Guangzhou)  
|                               | Maple Women's Psychological Counselling Centre (Beijing)  |
| Self-help NGOs (shequ zuzhi)  |                                                                         |

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The push for social empowerment is also coming from within Chinese society. A rising middle class is more aware of the need to safeguard individual rights and seek legal redress, thus creating a greater demand for counselling and legal services. At the same time, rising dissatisfaction in China's rural areas is stimulating a greater interest in self-help modes of organisation. Little research has been done on rural civil society in China, yet anecdotal evidence suggests various kinds of informal networks exist that are often constituted along kinship and familial lines. Farmers' associations at the village and township levels can be classified as more formal organisations, but these tend to be unevenly distributed, with relatively few to be found in the western provinces.

A fourth motivating factor behind the growing independence of social organisations in China relates to international influences. Recently, international aid agencies have started to play a major role in stimulating the development of Chinese NGOs, in keeping with the broader global trend in civil society advocacy. Clearly, the Chinese government is in favour of relieving its social budgetary pressures by attracting outside funding. Not surprisingly, therefore, Western civil society discourse has become increasingly fashionable within policy circles in Beijing. Aid agencies such as the Canadian International Development Agency and the Department for International Development in the UK are now working with Chinese partners to strengthen institutional support for civil society at both the central and local levels. In addition, a growing number of aid programs are being established to support individual NGOs in poverty-stricken areas. Although it is too early to determine the actual impact of this activity on the ground, it is likely that international aid will have some effect upon the future capacity of Chinese NGOs to operate more independently from the state. This is not to suggest that Chinese NGOs are passive actors. As mentioned above, many of the better resourced NGOs have established extensive international networks on their own initiative.

Continuing constraints
The above discussion highlights recent developments that are helping to strengthen Chinese civil society. The extent to which these changes are leading to genuine social empowerment, however, should not be exaggerated. Central government support for a stronger civil society still remains guarded. Above all, a fundamental tension exists between the instrumental goal of providing social services and the normative goal of respecting the freedom of association. This tension was made explicit at an international conference on NGOs and Poverty Reduction Policy held in Beijing in October 2001. While some civil society representatives (including academics) expressed an urgent need for a revision of the legal framework for NGOs, government representatives focused on the need to strengthen the auditing and public supervision of NGOs. In the words of one official, the government needs 'to punish illegal behaviour by throwing the bad apples out' *(FBIS 2001).*

Aside from the political constraints on civil society in Beijing, three other kinds of constraints need to be considered. First, what is becoming part of the government discourse and practice at the central level may differ considerably at the local level. NGOs are unevenly distributed across China, hence a local official in Qinghai is likely to be far more familiar with the concept than an official in Beijing. Moreover, many local officials remain distrustful of relinquishing power and giving funds to outside organisations. Second, in the eyes of many ordinary Chinese, long accustomed to the 'cradle to grave' provision of welfare services, the state is still perceived to be primarily responsible for alleviating social grievances. Breaking this dependency culture and overcoming public passivity presents a major challenge. This is particularly the case in relation to fundraising. Many Chinese appear to be deeply suspicious of the motives of private individuals trying to pursue just causes. Public distrust of philanthropy is reported to be particularly high in rural areas.

A third and closely related constraint is the weak organisational capacity of Chinese NGOs. As noted by Young *(2000)*, managing the transition from government ownership to ownership by the community is no easy task. The majority of NGOs lack the necessary fundraising skills to support their activities. They have little experience in project management and often face difficulties over auditing. The issue of representation also presents a major challenge to those NGOs that operate on the basis of centralised leadership. In particular, the new advocacy NGOs have a tendency to depend upon the guidance of one charismatic, and usually well-connected, individual.

Conclusion
Chinese civil society is a hybrid model of state control and autonomous societal action, which is based upon engagement rather than resistance. Official support for NGOs lies in their social entrepreneurship rather than their associational value. By engaging with the state, NGOs can create opportunities to take up causes and participate in public affairs. Arguably, in so doing they are more likely to succeed in reshaping the state. But where do we draw the boundaries of engagement? And at what point can engagement stifle the potential of civil society to genuinely represent the interests of the Chinese people? The extent to which Chinese NGOs can act as the true representatives of societal interests within a confined associational space remains to be seen.

Notes
1. Civil society can be translated in a number of ways into Chinese including shimin shehui (city people's society), minjian shehui (people based society), or gongmin shehui (citizens' society). In this paper, I use the term wenming shehui (civilised society) because it is now in common usage.
3. For an excellent guide to both old and new forms of NGOs see 250 Chinese NGOs: Civil Society in the Making, edited by Nick Young, published by China Development Brief, Beijing, August 2001.
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The continuing success of China's economic reform and consistent growth over recent years mirrors the advances of the Asian 'tiger' economies in the 1980s. Just as this runaway economic success fuelled a debate about 'Asian values', so law reformers have identified a paradox at the heart of China's success. A common assumption underlying law reform is that support for the 'rule of law' is necessary for economic growth and is an essential prerequisite for democracy. China's success, however, appears to have been achieved by pursuing only the first, economic, part of this equation, thereby undermining a core theory of governance policy. There are clear limits to the type of reform that can be undertaken in a socialist state, with higher-level legal and constitutional reform off the agenda, and no prospect of democracy. Ultimately, therefore, law reform in China is testing policy makers' understanding of the rule of law.

This situation raises key issues. On what basis are foreign donors supporting law reform in China, and what impact can these efforts be expected to have on poverty alleviation? It appears that some foreign donors are promoting law reform activities on the basis that they aid economic reform, while simultaneously hoping to transfer a Western sense of legality, leading in the longer term to political reform. This 'reform by stealth' agenda is a necessary response to the reality of working in a socialist setting, but donors need to be realistic about program design and delivery in this context. The peculiar legal and constitutional framework of socialist countries means that rights will not be delivered simply because they can be articulated, and this has implications for poverty alleviation. Donors need to acknowledge that in the short term, development in both the economic and social sphere will remain contingent upon the political will of the Chinese authorities. In the longer term, they need to contemplate the possibility of China continuing to succeed on the basis of a modified definition of the rule of law.

China, Marx and the law

Historically, China has been seen as representative of an 'Oriental' school of law, with Chinese legal practice inhering Confucian and other social or philosophical influences. This historical analysis holds some relevance to China's experience in the twentieth century. The Chinese legal tradition has been described as having a 'deeply ambiguous' attitude to the nature of law. This attitude is strongly influenced by a tradition of 'instrumentalism', in which law is seen as a tool of state control (Orts 2001:69). The law suffered major setbacks under Mao, who specifically rejected the notion of the rule of law stating, 'we want the rule of the individual, not the rule of law'. More significantly, the Great Proletarian Cultural Revolution led to the closure of law schools and the elimination of the profession, virtually expunging law from Chinese society (Orts 2001:57-59).

The contemporary slogan 'the market economy is a rule of law economy' indicates the extent to which the post-Mao leadership has embraced the liberal assumption of the need for a strong legal system to underpin its market economy. It has undertaken widespread reforms since the 1980s (Orts 2001:62-64), however, this approach is also consistent with the instrumental tradition in Chinese law and reflects a conflation of law, policy and Communist Party power. Orts concludes that while the government has embraced the need for laws to underpin the development of a market economy, and, while the legal system on paper looks substantially similar to any modern legal system, there remain fundamental constitutional shortcomings (2001:62-69). These are inherent in the tension between the constitutional supremacy of the Communist Party and the supremacy of the law — both are theoretically placed in privileged positions under Chinese constitutional law, but both cannot hold sway. Law reform in China thus takes place in an unusual environment — Western and modern in its content and aims, but fundamentally restricted in scope.

The primacy of the party is a classic condition of socialist legality. Whereas Marxists saw law as an instrument of coercion of the ruling class, and declared that both state and the law would ultimately 'wither away', in reality all longstanding Marxist-socialist regimes strengthened the state and the legal system. Eventually, such regimes abandoned any pretence that the state and law would disappear (Tay and Kamenka 1985:217, 232). China may have developed socialism with Chinese characteristics, but shares the trait of all socialist systems — primacy of the Communist Party in establishing and implementing public policy (Tay and Kamenka 1985:243). The centrality of the party in socialist countries resulted in law being relegated to an administrative function, and prevented the development of a concept or theory of justice, as this is understood in the West. In this setting, where law is an instrument of politics, the state is unwilling to see rights as derived from anything but itself (Tay and Kamenka 1985:249).

This is relevant for understanding legal reform in the few remaining socialist countries, and in 'transition' economies. A major ambition of law reform in post-socialist transition societies is usually
to ensure that rulers of the state learn to be kept within their bounds (Krygier 2001). This is a simple formulation for one of the key aims of 'rule of law' programs. This approach seeks to ensure that government decisions are subject to review and that the natural centrality of state authority is balanced by other independent centres of authority. An independent judiciary is an important institution for providing this balance, but independence is at least partly a product of the relevant constitutional framework. Strengthening the judiciary and improving legal education are measures that assist this aim, but, ultimately, judicial independence is determined by the attitude held by all actors in a political-legal system. Martin Krygier's test of the prevailing attitude is to determine whether the law 'matters' — whether it counts for anything in the exercise of power (2001).

In addition to considering to what extent the law 'matters' in China, another threshold question is whether law works at all, in the sense of providing an effective means of enforcing rights. Donald Clarke has studied the problem of enforcing civil judgments in Chinese courts and concludes that successful litigants face numerous difficulties. There is a low rate of execution of judgments, and a significant reason for this is a reluctance in Chinese legal culture to back decisions that are technically correct, but possibly 'wrong' in substance (Clarke 1996:83). This 'reluctance to accept finality' effectively allows defendants several chances to make their case. A further problem is the 'anomalous' position held by courts in China. They lack the independent authority to cut across government and administrative authorities and are particularly susceptible to opposition at the local level (Clarke 1996:85-86). This raises a quandary for law reformers because, in theory, successful economic reform is only possible with an effective legal system to enforce newly introduced property rights (Clarke 1996:88-90).

Reform by stealth

Matthew Stephenson argues that American legal development policy for China is premised on the hypothesis that law reform is essential for sustained economic reform. However, the American-sponsored reform program accompanies market reforms with other rule of law initiatives in the hope that a 'culture of legality' will spread eventually to Chinese society (and he notes that this 'spillover' approach is common in fact to both China and Vietnam) (2000:13-14). Not surprisingly, in dialogue with the US, the Chinese administration specifically sought to limit reform to the economic sphere, wanting no seepage into the political sphere. Stephenson therefore calls the USAID China Rule of Law Program a deliberate 'Trojan Horse' strategy, an opinion also held by policy makers in the US administration. The US thus funds a range of projects — from enhancing China's ability to comply with the WTO, building capacity for legal aid clinics, local and international training for judges and legal scholars, and building capacity in areas such as enforcement of labor and environmental law — without directly addressing higher-level structural reforms.

Australian law reform in China broadly repeats this pattern. For example, the China Capacity Building Program incorporates projects aimed at enhancing personal and business tax laws in China. This project has included several phases incorporating capacity building for a central legislative review committee and seminars for Chinese officials in current tax analysis techniques. Simultaneously, the Human Rights and Equal Opportunity Commission has been operating quite a different program under the Human Rights Technical Cooperation Program. This program includes training for government officials in human rights, seminars for civil society organisations on subjects such as human trafficking, and a review of government-funded legal aid services. China therefore accepts assistance that contributes to a market economy and tolerates assistance that promotes broader law reform. Foreign donors effectively subscribe to a 'reform compact' when dealing with socialist states. The compact excludes fundamental change to key state institutions, but allows knowledge of Western or international legal and political concepts.

Is it really likely that Western notions of legality, including higher order concepts of justice, will leech into Chinese institutions and society? Recently, a Chinese lawyer participating in a legal reform seminar was eager to tell the author that, through study and work abroad, Chinese citizens were well aware that there were other 'options' available — meaning that they understood the attractions of democracy. Even without the complicity of the authorities in law reform, Chinese elites are certainly watching and perhaps waiting for a more liberal political future. Some commentators suggest, however, that the rule of law is not necessarily co-extensive with democracy (Orts 2001; Carothers 2003). Rather than there being an axiomatic relationship between the rule of law and democracy, countries in transition may be able to choose which legal interventions they want to employ, to achieve what political benefits. Taking this one step further, Eric Orts suggests that the rule of law can exist in a range of political environments — his only caveat being that there ought to be some theory of political legitimacy to underpin that conception of the rule of law which prevails in a given political context (Orts 2001:102-4). Therefore, given the low chance of China adopting a more liberal political system, Orts questions the ultimate aim of rule of law programs. If economic change will not necessarily lead to political reform in China, should democracy be a goal at all (Orts 2001:109)?

Law reform and poverty alleviation

If introducing democracy is not an aim of aid-funded law reform in China, what are the implications for poverty reduction, and what does this have to do with law reform? Amartya Sen identifies two ways to conceive the role of legal and judicial reform. On the first approach — which he tends to favour as more constructive — law reform fits conceptually into the development sphere in a natural way, as do all facets of development activity. This approach is captured by Sen in the idea of 'conceptual integrity', because it considers development as an integral whole. He contrasts this integrated and comprehensive concept of development with 'causal
interdependence', which emphasises specific causal relationships — such as that 'legal reform is needed to support economic growth' (Sen 2000:8).

In the case of China, this second approach can be used to identify the benefits of specific components of a program. Tax reform is part of broader economic reform, which leads to national prosperity, which leads to poverty reduction. Legislative reform in the area of tax law and related capacity-building work is a technical legal intervention and well away from the grassroots, but is intended to address poverty reduction, if only indirectly. Human rights training, on the other hand, empowers individuals and educates officials, leading to greater awareness of rights and, hopefully, more just decisions for individuals in specific legal and administrative situations. This type of activity is of a less purely legal nature than legislative reform, but is perhaps more directly connected to poverty reduction due to the more immediate impact of its outcomes. Grassroots law reform of this type can be described as 'legal empowerment' (ADB 2001:27).

Causal interdependence tends toward a fairly mechanical view of development activities. Sen therefore suggests that legal development must take account not only of what the law is and how a judicial system operates — which is the perspective generated by the causal approach — but also take note of the enhancement of people's capability — their freedom — to exercise the rights and entitlements we associate with legal progress' (Sen 2000:11). This approach facilitates a different perspective on law reform in China and assists with tying law reform, governance and democracy together.

A broad range of development policies identify law reform, as part of good governance, with sustainable development. The World Bank's Comprehensive Development Framework clearly supports the notion of effective rule of law, and the bank sees legal and judicial reform as critical to poverty alleviation. AusAID's principles of good governance (AusAID 2000) also make explicit links between good governance and legal institutions. This document describes the rule of law, upheld by an independent judiciary, as an inherent part of accountable government, and therefore critical to advancing sustainable human development. More recently, the Human Development Report 2002 (UNDP 2002) openly promotes political reform as a key to sustainable development (adapting Sen's work on 'development as freedom'). The report encourages democratic governance as an end in itself, and also as a key means of achieving human development. It advances the notion that effective governance is best ensured through political freedom in the form of electoral accountability.

The Chinese paradox

The policy and theory appear to be in strong contrast with the reality of law reform in China. Clarke's (1996) findings on the inherent weaknesses of adjudication in Chinese courts suggest that China is managing — and may continue to manage — without an efficient and independent judiciary, as we understand it in the West. The constitutional structure in China also precludes the development of a judiciary truly capable of challenging government decision making. Despite this, Orts feels that law reform can lead to China being a country 'marked' by the rule of law. In order to achieve this nuanced conception of the rule of law he suggests programs should focus on: fostering the independence of the judiciary; enhancing legal training to encourage critical and 'rational' legal analysis; supporting development of transparent legal decision making; and promoting the role of the courts as defenders of human rights (Orts 2001:111–15). While these interventions might assist in making the legal system more responsive to the needs of citizens, they will remain contingent upon the acquiescence of the Chinese authorities. Even if Chinese courts learn to operate outside the constraints of Chinese legal culture, the extent to which they can enforce economic and social rights is also restricted by the socialist conception of rights and legal institutions.

At a higher level, the decoupling of the rule of law and broader political reform in China also appears to contradict governance policy and development theory. The Human Development Report puts the position quite clearly:

Sustained poverty reduction requires equitable growth — but it also requires that poor people have political power. And the best way to achieve that in a manner consistent with human development objectives is by building strong and deep forms of democratic governance at all levels of society (UNDP 2002:v).

In the short term, the reform-by-stealth approach may merely be an attempt to make a virtue out of a fundamental clash of Western and socialist political ideologies. Training programs and capacity building will offer officials and civil society a vision of how things might be, but without offering any assistance in realising this vision. In any event, China is not in the market for political reform.

As there is no sign of democratic reform, the wider and longer-term benefits of law reform remain open to speculation. In theory, the sustainability of economic and human development is reinforced by systems of liberal democratic governance. Without this, in theory, advancements in China will be compromised because of the absence of a legitimately accountable government. This situation appears to offer two alternatives: to maintain a socialist system; or to move inevitably toward democracy. The Human Development Report leaves the door open to success under alternative political structures — democratic governance is the 'best', not the 'only' way to sustain growth. China's embrace of market systems and consistent economic growth offer the possibility that it will continue on a divergent path. If it does, China may remain unchanged by the aspirations of current governance policy, and may force a re-think of the governance paradigm. Alternatively, Randall Peerenboom has dubbed law reform in China as a 'long march toward rule of law', suggesting that it is likely that democracy in some form will be needed to overcome a 'legitimacy deficit' (2003:27). If this is to be the case, Western models and governance policy will converge in China.

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Conclusion

For liberals and democrats, law should not merely serve the purposes of rulers but also those of citizens, as a protective and facilitative device available to them in their relations both with the state and with each other (Krygier 2001).

In reality there are liberals, democrats and socialists and China therefore offers challenges for law reformers. What seems to be occurring in China is a gradual enhancement of aspects of the legal and judicial system through a range of programs, from legislative reform to capacity building of government institutions, and 'legal empowerment' though civil society. Such activities contribute directly and indirectly to poverty alleviation, to the extent that they respectively enhance the legal and economic architecture and make the legal system more responsive to people's needs. The conclusion could be drawn, however, that legal reform that fails to enhance the range of basic freedoms is inadequate. If contract rights do not lead to human rights, are individuals really being empowered?

From a Western perspective of governance, it is hard to escape the conclusion that a significant piece of the reform picture is missing. The Eastern bloc may not have failed specifically because communism violated principles of the rule of law, but its absence did nothing to assist socialist societies. While the Communist Party continues to dominate political and executive decision-making, reform efforts in China will remain contingent and fundamentally limited, and the law will not 'matter' in the sense suggested by Krygier. On this view, China will remain in transition whilst it employs a modified conception of the rule of law, and, in the short term at least, concrete rule of law outcomes cannot be expected. Having survived the fall of socialism elsewhere, China is in the process of exploring whether successful poverty reduction can be achieved within the bounds of development currently being employed. Rule of law programs may well set the stage for a political transition in the longer term, but it is likely to be some time before we are able to test whether China's growth is sustainable without democracy.

References


Improving maternal and infant health care for the rural poor?
A case study of the implementation of maternal
and infant health care law in two poor counties

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Introduction
This paper presents and discusses the findings of a case study on the implementation of health legislation in China. The paper describes the background to and content of the Law of the People's Republic of China on Maternal and Infant Health Care and presents and discusses the methodology and findings of the study. Conclusions and recommendations for Chinese and international policy makers are drawn.

Background and objectives
In the transition to a market economy in China, legislation has been developed to offset the weakening in the central planning mechanism and political control, which has historically influenced the behaviour of institutions and individuals in the Ministry of Health. The aim has been to establish a legal regulatory framework to ensure that the interests of the public, including the poor and vulnerable groups, can be protected. Many anecdotal reports suggest that the implementation of some important health laws in the poor areas of China has been in jeopardy (Tang 1999). However, no specific research has been carried out to investigate the implementation and impact of health legislation that aims to improve access to basic services.

The Law of the People's Republic of China on Maternal and Infant Health Care (the MIHC law) was passed in 1994 and came into force in June 1995. The stated aim of the law is to 'ensure maternal and child health and improve the quality of the population'. The research project focused on those aspects of the law relating to the provision of health care services for maternal and infant health.

The law contains 38 articles outlining health care provision for antenatal and peri-natal health, and includes guidelines on technical implementation, management and liability. The general principles of the law (Chapter 1) require that the state will provide the necessary conditions and material support to make the health service more accessible for mothers and children, particularly in remote and poor areas. (Chapter 1, Article 2). The MIHC law states that medical care institutions should provide health care for pregnant women during their pregnancy, during and after delivery, and gives details of the content of such health care, its management and supervision.

Methodology
The study aimed to explore the factors affecting the implementation of the law, and to examine the impact of the law on improvement of health care in poor, rural areas of China, using a case study approach in two counties in Chongqing municipality. A case study approach was taken to gain an in-depth understanding of the factors influencing the implementation of the legislation and the processes affecting its impact, using qualitative primary data collection methods and supplementing these with the collection of secondary quantitative data.

Qualitative data
Key informant interviews were used to investigate the views and experiences of the major groups of officials and providers. At the national and provincial level, key informant interviews were held with the MIHC Director, Chongqing Health Bureau; the Director, Health Economic Research Institute; and the Director, Education, Culture, Health and Sport Committee of the National People's Congress.

Three townships in each county were selected to represent different levels of economic development and distance from the centre of the county. One village was selected in each township. Key informant interviews were held with the deputy director of county government (responsible for public health); the director or deputy director of the county health bureau (responsible for the MIHC program in each county); the director of the county MIHC centre in each county; the person responsible for the MIHC group in township health centres; and the village level provider(s) of MIHC services (midwife or doctor).

Village-level respondents were also sampled to elicit the views and experiences of actual and potential users of services, as well as other decision makers and sources of support in the family. Individual interviews were carried out in each selected village with
at least one woman who had given birth in the last two years and one who had given birth before the law was passed in 1994. Focus group discussions were held separately with mothers, fathers and grandmothers in each village.

With the permission of each participant, interviews were taped, transcribed and translated. The researchers used a content-analysis approach, and developed a framework for analysis using the categories employed in the research tools and those emerging from the data. A triangulation process was followed to ensure the trustworthiness of the data. This involved comparing the findings from different types and sources of data, and crosschecking the results and analysis with local policy makers.

Secondary and institutional data

At the county and township levels, institutional data was collected on the number, structure and qualifications of the MIHC service workforce; training provided to MIHC service providers; revenue and expenditure of MIHC facilities; equipment acquired for MIHC services; service capacity; service performance; and maternal and child health outcomes.

Logical checking was conducted in the field and at the analytical stage. Unusual data were checked by the research team and returned to the county for correction and/or explanation. The quality of the data concerned with resources (workforce, financing, and equipment) was found to be reasonable. However, the data on service provision and utilisation was found to be unreliable, because key informants admitted that figures were altered to appear to meet targets (this is discussed further in the next section), as well as the low-skill level of local MIHC statisticians and problems with reporting on the 'floating population'. It was therefore not possible to quantitatively test hypotheses relating to the impact of the legislation on levels of service provision, utilisation of services, or health outcomes in the study areas. However, the strength of the qualitative data is that it provides an in-depth understanding of the factors affecting implementation and its impact in a specific context that takes into account the perceptions of the various relevant actors.

Background to the study counties

The two study counties, Yunyang and Zhongxian, are both located in the Three-Gorges Dam Area of Chongqing municipality, which was part of Sichuan Province until 1995. Over 90 per cent of the population of the two counties live in the countryside and the vast majority work in agriculture. Both counties are regarded as poor, although Zhongxian is richer than Yunyang in terms of GDP per capita and annual average net income per rural resident. Zhongxian has a population of 978 030 (1997). The county comprises 42 townships (served by 61 township health centres) and 780 villages (served by 737 village clinics). Yunyang has a population of 1 250 000. The county has 65 townships (served by 62 township health centres) and 827 villages (served by 860 village clinics).

Findings

Utilisation of MIHC services in the study counties

<table>
<thead>
<tr>
<th>Service use variables</th>
<th>Yunyang</th>
<th>Zhongxian</th>
</tr>
</thead>
<tbody>
<tr>
<td>% receiving at least one antenatal check-up</td>
<td>57%</td>
<td>66%</td>
</tr>
<tr>
<td>% hospital delivery</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>% home delivery, assisted by village doctor/midwife</td>
<td>27%</td>
<td>71%</td>
</tr>
<tr>
<td>% home delivery, assisted by a doctor from a local facility</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>% women who delivered at home because they did not think it necessary to deliver in hospital</td>
<td>46%</td>
<td>52%</td>
</tr>
<tr>
<td>% receiving at least one postnatal care visit</td>
<td>12%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Whilst the majority of women in both counties received at least one antenatal care check-up, economic considerations were taken into account in deciding how many antenatal checks to have. The average of 2.5 visits in both counties is well below the standard of five set by the Ministry of Health.³ The township health centre is the main provider of all MIHC services for the majority. The proportion of women receiving postnatal care visits is particularly low in Yunyang, where villagers are expected to invite doctors to visit them and will only do so if they feel there is a problem, largely because they expect to pay for this service. The main reason given for delivering at home was that there was no need for hospitalised delivery, because the birth was expected to be normal. In addition, the lower cost and flexibility of payment methods to village doctors or midwives were disincentives frequently cited in most villages. Distance and poor transport were given as reasons for not attending facilities in some remote rural villages. A minority of respondents cited the poor conditions and/or the poor attitudes of doctors at facilities.

Perceptions of the impact of the law

Key informants in the selected counties felt that the law has had some positive impact because greater priority has been given to MIHC services by local government, health administrators and service providers since the law was passed. Some of the positive improvements in services, such as investment in equipment and provider training, are attributable to various projects in the study counties - supported by the World Bank, the UK Department for International Development (DFID) and by the national government - which were established and implemented explicitly to support the implementation of the law.

In Zhongxian County, some initiatives to improve access to services by the poor have been supported by these projects. For
example, the nationally funded Project to Reduce Maternal Mortality and Neo-natal Tetanus supported a subsidy available for poor families. However, some informants were concerned about the sustainability of the benefits of this initiative for the poor. In Yunyang County, informants felt that the MIHC law had not improved access to services for the poorest. There is no data on utilisation of MIHC services by the poorest at any level. Some villagers did comment on increased government emphasis on MIHC, but few had heard of the MIHC law and most of those who had heard of it were unsure of its contents.

Factors affecting the implementation of the law at the county, township and village levels

A number of economic, political and institutional factors served as barriers to the effective implementation of the MIHC law.

Financial issues

Firstly, key informants said that the lack of financial support from government at all levels limits the ability and willingness of service providers to provide MIHC services. There are no full-time staff dedicated to MIHC at any township facility, which limits service coverage, especially with regard to outreach services. Government budgets cover approximately 30 per cent of provider salaries at the township health centres and the remaining income for service provision is gained from service fees. The need to generate income to cover their salaries means that providers spend the majority of their time on providing curative services, which can prevent them from visiting villages to provide postnatal care or health education. Recurrent budgets received by the township health centres are also insufficient to fund such visits. Few village-level providers reported receiving any financial incentives from the township level. An exception is a scheme run in some areas of Zhongxian County. Village teams have been created to take pregnant women to hospital and 15 yuan is given as an incentive for each woman who is brought to hospital for delivery.

The law should act as a point of leverage for providers to raise funds for service provision, and some informants felt that the MIHC law had enabled them to raise more funds than previously. However MIHC providers have to compete for resources with other political priorities, such as family planning. According to the secondary data, the overall county government health budget in both of the two counties increased between 1994–1997. However, the share of government health budgets allocated to family planning rose over this period, while those for MIHC did not increase significantly, even after the implementation of the law in June 1995. Despite an increase in resources allocated to township health centres by township governments since 1994, the secondary data show that there has been no increase in the resources allocated to MIHC services.

Personnel issues

Secondly, the low level of skills and qualifications of staff limit the quality of services provided. According to the secondary data, only 10–30 per cent of township health centre staff are medical school graduates, although more training of staff has been conducted in recent years, due to support from the World Bank and government-funded MIHC projects. The MIHC law’s national implementation regulations outline a certification system that requires MIHC providers to conform to technical standards. However, the shortage of sufficiently trained personnel undermines the practical application of this regulation. Some informants felt that the lack of ability of staff to deal with complications contributes significantly to the high maternal mortality rate. Some villagers said that the lack of female providers prevents them from using services. Only about two-fifths of the villages in Yunyang have female providers with any MIHC training.

Management and supervision issues

Thirdly, the regulatory power of the law is insufficient. Key informants stressed that the content of MIHC law does not apply to the family planning department, which has begun to provide MIHC services since the MIHC law was passed. MIHC services provided by the family planning department are therefore unregulated and these services are not included in statistics for monitoring and evaluating implementation of the law.

The law is relatively weak in terms of detailed regulations, supervision arrangements and disciplinary power. Regulations to accompany the law have been passed by the Chongqing municipal government, but these give insufficient detail about the provision and management of MIHC services. The public health bureau is responsible for carrying out target-oriented management of the maternal health care centres and township health centres each year. Salary bonuses and deductions are linked to performance through a points system. However, officials admit that this supervision process is often weak due to the lack of human and financial resources and poor transport conditions, as well as poor management capacity in some areas. A number of informants said that few providers report failures to meet targets, whatever the actual situation. Targets set are often unrealistic in the poor areas, encouraging misreporting in the context of punishments for low performance. For example, one informant admitted:

According to our target oriented management, we achieved more than 80 per cent (coverage for ante-natal care). However, the data is not real. The majority of rural women don't come for ante-natal care because they don't think it is necessary. I think the real figures should be about 40 per cent.

The management and supervision of providers at the village level is even more difficult. Weak supervision and discipline is also related to the lack of resource provision by supervising agencies. As one respondent from a township health centre put it:

The village doctors do not belong to the health care system so that THC [township health centre] has no power to reward or punish them. The village doctors are out of our control.

An exception is a scheme in one township in Zhongxian, where village providers who perform particularly well are given an award of around 100–200 yuan, which is raised through charging village doctors an administrative fee.
‘Demand side’ issues

Finally, discussions and interviews with both villagers and providers revealed that there is a low demand for MIHC services, particularly amongst the poor, due to low educational levels, lack of purchasing power and opportunity costs. Most villagers agree that in each village there are some people who cannot afford services. According to the National Health Services Household survey in 1996–1997, 17 per cent of those who delivered at home in Yunyang and 16 per cent in Zhongxian did so for economic reasons. Amongst those who can afford services, many need to borrow or to sell crops for cash. The law does not address the affordability of services, which is a major issue influencing demand.

In conclusion, the lack of financial support from government at all levels limits the ability and willingness of service providers to provide MIHC services. This, combined with the lack of regulatory power of the law, and the institutional weaknesses of the regulators, severely limits the influence of the law on provider behaviour. Finally, the low demand from actual and potential service users restricts the effectiveness of the law in improving access to services.

Lessons learned and recommendations for policy makers

Clear financial support mechanisms are necessary to implement legislation. To address this issue, key informants suggested that budget investment should be redirected from curative to preventive services, MIHC services should be managed separately through earmarked funds, and MIHC-related targets should be included in county governments’ assessments of township government management to encourage investment.

Dedicated and qualified staff are needed to effectively implement legislation. The law should cover all government departments and institutions rather than be limited to the health department. In this context, the conflict between the family planning and MIHC departments, as well as the unregulated nature of MIHC services provided by family planning, must be resolved. Informants suggest that the family planning and MIHC departments should be integrated, especially at the township level, as has been achieved in some places.

Performance evaluation methods need to be refocused away from punishment and towards quality improvement. Technical assistance and direction are more important than a monitoring system linked to individual performance. Special, external supervision arrangements for the law should be put in place.

Specific and detailed implementation regulations are crucial for effective implementation. During the study, the State Council issued new implementation regulations in June 2001. However, this is insufficient to address the problems. The Ministry of Health and provincial health departments must carefully design more specific regulations (such as detailed financing methods) and guidelines (such as training guidelines), which stipulate the roles and responsibilities of different institutions such as health and family planning, as well as local government. The regulations also need to specify measures to discipline those who break the law. However, this can only be achieved in a context of sufficient resource allocation for MIHC services, subsidies for the poor and incentives for unqualified providers to support new regulations. Finally, health law may only function well as a tool in an enabling context.

Sustainable and equitable development is clearly a necessary foundation for efforts to encourage government, providers and villagers to prioritise preventive care services.

Notes

2 Guo jia or ‘state’ is used to cover all levels of both government and the Chinese Communist Party.
3 The methodology for this survey is described in Gao, J, Tang, S, Tolhurst, R and Rao, K, ‘Changing access to health services in urban China: What implications for equity?’ Health Policy and Planning, 16(3), 302–312.
4 In this survey, 10.7–35.5 per cent of women received five or more antenatal checks.
5 The average number of months of training rose from half a month in 1992 to four months in 2000.
6 The UK Department for International Development (DFID) supports policies, programs and projects to promote international development. DFID provided funds for this study as part of the objective, but the views and opinions expressed are those of the author(s) alone.

Reference

As in many other developing countries, government economic and fiscal policies in China have often benefited the better off, to the detriment of the rural poor. The Chinese government has launched ambitious, well-funded programs to alleviate rural poverty, but these have been offset by the overall climate of government policy.

Poverty and rural taxation

Within each region taxes discriminate against the poorest rural households, since the taxes are based largely on agriculture and take less account of other sources of income. A survey in the mid-1990s, based on 500 rural households that were selected randomly from poor regions spread across China, concluded that 'the taxes appear to be highly regressive, with households in the lowest quintile paying a higher absolute amount than those in the top quintile' of the surveyed rural households (Wu et al. 1996:12).

Another survey found that while the average rural household in 1995 directly lost 3.4 per cent of its total income to taxes and fees, impoverished households in the poor regions paid 5.6 per cent (Riskin and Li 2001). In a third survey, conducted in 1994 in a poor rural township in Shanxi Province, the average rural household paid 12.3 per cent of its income in taxes and fees, while the local wealthy paid only 0.13 per cent (Xiong and Yang 1997:119).

The poor households in non-poor regions fare even worse. In a 1995 survey, it was found that such transfers to governments absorbed fully 15.7 per cent of their total incomes, a high burden for a very impoverished family (Riskin and Li 2001). Analysing the survey, Riskin and Li have concluded that the 'government and collective seem to be major contributors to rural poverty in non-poor regions'.

Starting in 2001, new rural taxation policies have been put in place across China that shift an even higher portion of the tax burden onto the shoulders of poor farmers. Under the previous system of revenue collection, China's villagers had, as a whole, suffered from local officials' imposition of a wide range of user fees. These have now been prohibited, and only a single tax on farmland is allowed. This reliance solely on a land tax discriminates against the impoverished households, which generally rely on farming full-time, unlike their more prosperous neighbours — while the abolition of user fees disproportionately benefits the well off, as many of the fees were imposed against their discretionary spending, such as annual motorbike fees and the like. In short, the new tax system is even more regressive than its predecessor.

The fertiliser crisis

Poor farmers are also hurt by another government practice of the reform era. Due to changes to the rural credit system, they do not have access to chemical fertilisers, which they need to supplement the very infertile soils prevalent in most of China's impoverished districts. Extensive household interviewing that I conducted in the impoverished hill country of China's southwest revealed a doubling or, in some cases, a tripling in grain output by families who can afford to buy sufficient chemical fertilisers in comparison to those who cannot afford any. One vital reason is that the improved grain seeds now on the market depend upon sufficient soil nutrients. Thus, in many of these villages, chemical fertiliser use is the dividing line between households that are able to upgrade to the high-yield varieties and households that cannot. It is the difference between development and hunger.

In Mao's day, each rural market town contained a publicly owned credit association. When the collective fields were divided up among households in the early 1980s, these credit associations, which accept interest-bearing savings deposits in the rural areas, became the main source of loans to support farming by individual families. The credit associations initially gave priority to providing credit for 3–12 months' duration, which would enable families to buy agricultural inputs at the start of the growing season, to buy animals for fattening and quick resale, or to tide a family breadwinner over during a sudden illness.

The credit associations, however, have come under strong pressure from the state to be businesslike in their operations. They therefore normally reject the poorest households' requests for loans on the grounds that such households cannot guarantee repayment as they do not possess collateral. The applicant's own residence and the fields the family has been allotted do not count as collateral, as evictions of families are next to impossible. This latter policy is worthy of praise, since it protects rural families in China from descending into the status of landless labourers. But it also means that they need to fall back on draught animals or pigs or other movable assets as their collateral. And these families do not have the wherewithal to raise animals precisely because they lack fertiliser and cannot grow enough to feed themselves, let alone their livestock. Families can get trapped with persisting low yields in this vicious circle. Overall, in the three dozen impoverished villages I visited in Yunnan, Guangxi and Guizhou provinces, somewhere between 10 and 15 per cent of the households had fallen into this trap, unable to afford any chemical fertiliser whatsoever. In the worst-off villages, a majority of the families were in these straits.
In these circumstances, various state welfare agencies do intervene to keep the very poor from starving. The poorest of the poor obtain some free relief grain for a couple of months of the year. But even these grain deliveries are usually not sufficient to stave off hunger pangs in the late winter and early spring. Officials in two of the counties that I visited in the poor hill country noted the absurdity of delivering free grain to families when these same families could more cheaply, greatly increase their own grain yields if provided with some chemical fertiliser.

Many of us hold reservations about chemical fertilisers because their misuse sometimes produces damaging side effects: to soil structures, rivers and ecosystems in general. But the alternative in rural China, notably, spells hunger and stark poverty, as families that cannot afford chemical fertilisers struggle to raise crops in fields that lack nutrients. To be sure, such families add to the fields whatever organic fertilisers they can find, but, on the whole, the families that use chemical fertiliser simultaneously add more organic fertiliser to their fields than can households that lack chemical fertiliser. The reason is simple — families with bigger crops also gain more silage as a by-product, which means they are better able to raise livestock and so obtain extra manure to recycle into their fields. Fortunately, this assiduous use by Chinese farmers of organic fertilisers (including, of course, household faeces) to supplement applications of inorganic fertiliser also helps to offset the potentially deleterious effects of chemical fertiliser misuse on soil structures.

Misuse of chemical fertiliser does occur, however. Discussions with agricultural specialists in China reveal that a great many Chinese farmers — and even local agricultural extension officers — know little about how to apply fertilisers in ways that will retain a balanced soil. Higher yields mean more trace elements are sucked out of the soil and many of the farmers know nothing about the need to replace trace elements. They know little about optimum levels of fertiliser use, and when they can afford to buy all of the fertiliser that they feel they need, they reportedly spread too much. China would do well to use the mass media to provide advice to farmers on the use and abuse of chemical fertiliser. But unless some miraculous genetic engineering of crops can provide a cure-all to the problem of depleted soils, chemical inputs will remain all too necessary.

**The central government's poverty-reduction programs**

The government is well aware of the hardships faced by the poor. A number of special programs have therefore been established that are targeted specifically toward helping impoverished families. In particular, the State Council established a Leading Group for Poverty Reduction in 1986, and, in the 14 years up to mid-2000, this organ had funnelled a total of 138 billion yuan into poverty-reduction efforts (LGOP, UNDP and World Bank 2000:32). In 1999 alone, 26 billion yuan (US$3 billion) of central government funds were budgeted to these ends (LGOR UNDP and World Bank 2000:14). Until recently, almost all of these funds were targeted toward 592 designated ‘national poverty counties’. This list was revised in 2001 to shift more of this funding toward counties in China’s western poverty regions. A quandary, though, is that today more than half of the rural poor live in areas that have not been designated for this central government assistance (for example, see Riskin and Li 2001). Government policy has meant they are cut off from most forms of poverty assistance.

Within the nationally designated poverty counties, lists of impoverished households are usually drawn up based on village heads’ appraisals. As a means to minimise the corrupt diversion of aid funds, notice boards in each village display lists of these poor households in numerous counties. To a certain extent this safeguard works. Interviews turned up a number of very poor households that have received interest-free or low-interest loans under this program. But the central government’s efforts to constrain corrupt diversions of the funding have not always been successful. In the course of my rural household interviewing, I came upon several instances where quite prosperous households had been provided with substantial aid-the-poor credit; and, in all of these cases, the households were closely connected to important local officials. In one case, for instance, when I asked to interview a recipient, the man I was escorted to was the township Party Secretary’s elder brother, who lived in a well-furnished home.

Even officially, the central government has not always required that the aid-the-poor credit be directed toward a poor rural household. Starting in 1989 and lasting through the first half of the 1990s, priority was given to lending such funds instead to county factories, even to private firms, in the mistaken belief that this would provide considerable work for the poor and thus have a trickle-down effect. In 1992 and 1993, at the height of this program, about half of all of the subsidised poverty-reduction loans were lent to industrial enterprises in the nationally designated poverty counties (World Bank 2000:para 110). But Beijing belatedly discovered that the program had ‘minimal or no poverty reduction impact’ (World Bank 2000:para 326-27). The poverty counties are poorly located for industrial development and many of their enterprises, public and private alike, started losing money. Rather than promoting development, the expanded publicly owned enterprises became a drain on local government coffers. The central government eventually abandoned the trickle-down argument; and, by 1996–1997, the Leading Group for Poverty Reduction was specifying that loans should instead be aimed directly at impoverished village households. Nevertheless, rural governments sometimes continue to divert the poverty funds to county industry. In December 2000, the deputy head of the poorest county in eastern Qinghai advised me that the county was currently directing 30 per cent of the aid-the-poor credit provided by the central government into county-based industry, much of it privately operated.

In recent years, the Leading Group in charge of China’s anti-poverty work has moved to channelling funds into microcredit programs for the most impoverished farmers (Unger 2002a). These microcredit projects presuppose that there are micro-entrepreneurial activities available to pursue in isolated hill villages, activities that are only waiting for the provision of a
small amount of start-up capital. This is not necessarily the case — not unless a household's agricultural productivity has increased above subsistence level. For instance, raising pigs or flocks of chickens or handfed sheep requires extra foodstuffs beyond a family's subsistence needs — and there are few other entrepreneurial opportunities available to farmers in isolated communities.

The government's microcredit model derives from the very different circumstances faced in the crowded countryside of Bangladesh, where market women who turn over their stock of goods in mere days or weeks can do well with short-term microcredit at high annual rates of interest. Transplanting the program to China's remote hinterlands has, understandably, frequently encountered difficulties. Similarly, the current 'open door' poverty-reduction efforts (described by Ben Hillman in this issue of Development Bulletin), which seek to push more poor subsistence farmers toward crops for the market at a time of progressively lower agricultural market prices, is fraught with risks that these vulnerable households are ill-suited to undertake.

A number of the other programs financed by the Leading Group operate just as poorly. But the very large sums of money that the Chinese government has pumped into poverty-reduction projects in the nationally designated poverty counties nevertheless have had a positive effect. A set of surveys analysed by Azizur Rahman Khan and Carl Riskin (2001:77) show that the numbers of rural Chinese caught in what they call 'extreme poverty' declined by about 22 per cent between 1988 and 1995. This rate of decline was almost twice as high as they found to be true for the rural poor as a whole. During the following eight years between 1995 and 2003, the aid-the-poor funding has continued to flow into impoverished counties, and it appears that the numbers in absolute poverty have continued to decline to some extent. During this same period, the far larger numbers of rural families across China who are impoverished, but less abysmally so, have remained persistently high, and probably have even increased due to the falling prices for agricultural produce and a decline in opportunities for off-farm work (on the latter, see Unger 2002b:128–9).

A crisis in schooling and medical care

Education and medical-care delivery in China's prosperous rural districts have improved dramatically over the past two decades. Some rural townships in the coastal regions, with revenue pouring in from rural industry, have become mini-welfare states. But the story is quite different in the impoverished regions in China's hinterlands.

It is vital for the children there to receive primary-school educations. Illiteracy and innumeracy would condemn them to a lifetime of poverty, unable to take advantage of new farming techniques and unable to obtain a living wage in industry. Already, a lack of education means that young adult migrant workers from poor villages secure only the most poorly paid and most dangerous work in the worst of China's industrial sweatshops (Unger 2002b).

Yet, today in many of the poorer counties, the education system is in crisis, again, due to government policies. During the Maoist period, the central government largely left the local rural areas to fend for themselves, providing few resources, and little has changed. Beijing continues to leave it up to county administrations, village governments and parents to foot the lion's share of the costs of schooling, and in poor districts they are very hard-pressed to do so. Under the collectives, the leaderships of impoverished villages were able to divert funding from the collective coffers into the village school before the villagers received their wages. Today, with the land divided among households, there are no such collective funds to draw upon in these villages.

The county governments are supposed to step in to maintain education, but in the impoverished regions the county budgets are very tight, and education often gets short shrift. The village schools are largely sustained on the principle of 'user pays', which means rural parents have to pay tuition fees to cover a great many of the expenses. School facilities are inadequate as a consequence. In some of the poorest villages that I have visited, there are not enough desks and chairs to go around, and children are requested to bring their own. Where the county governments do not provide sufficient funding to help with teachers' salaries, it becomes hard to attract adequate staff and the quality of teaching can be as bad as the school facilities. Many of the teachers in the poorest villages are themselves not adequately educated.

Even though the facilities and teachers tend to be sub-standard, the school fees in poor rural areas tend to be as high or even higher than in the better-off parts of rural China, since the latter schools receive far more generous local government support. An example of how expensive rural education has become for households in poor areas is provided by a survey conducted in a rural county in Hubei Province. It found that 40 to 50 per cent of a family's net income is absorbed by student expenses if all of the children are at school. Not surprisingly, school attendance in some parts of this county had fallen below 50 per cent (Nongmin ribao (Farmers' Daily), 13 October 1999). In Qinghai Province, I gathered information on school expenses in half a dozen villages, and, as of the 2000–2001 school year, the charges averaged about 120–60 yuan per year for primary school and up to 400 yuan per year for ninth grade. These are very poor communities where per capita annual incomes amount to less than 600 yuan.

The impoverished parents I interviewed were usually very concerned that their children would be severely disadvantaged in life if they received little or no education. To a degree that is at once touching and inspiring, parents in these poor villages generally make major sacrifices to keep their children in school, even when it means cutting back on the quality and quantity of food consumed and on other very basic essentials.

It is also clear, in examining my field notes on education from more than three dozen villages, that the poorer the household and village, the more likely that children will drop out of school early. The better off the household and village, the more likely that all of the children, including the girls, will be in school. In the poorest households of poor villages, one or more of the children is likely...
never even to have entered primary school, especially the daughters. Girls marry out into other families when they grow up, while boys stay in the family, and farmers know that in old age they will need to rely exclusively on their sons’ earning power. Given this, the education of girls in poor families is more frequently sacrificed.

In the poorest parts of the countryside, with low funding, a complete six-year primary school education may not be available to any of the children. In one village I visited in Yunnan Province, no schooling was available after the fourth grade because the school’s poorly paid teacher was too busy supporting his family through farmwork. In an even poorer village in Guizhou Province, the village school only went up to second grade. In a third village, where schooling during the period of collectives had been offered through to fourth grade, this was no longer the case. Instead, each year only one grade of children was taught, and the school’s only teacher advanced from grade one to grade six with this one group of students. All other children have had to hike to another village for their schooling, or else wait for the local school’s six-year grade cycle to be repeated.

In short, a crisis exists in impoverished areas, in which some poor students cannot afford to attend primary school and some schools are not fully functioning. In light of this crisis in elementary education, it is surprising that, in a sweeping move in the late 1990s, the central government decreed that education must be universalised up through ninth grade. What made the decree doubly unrealistic is that the central government has given no indication that it will supply the funding even to universalise primary education, let alone grades 7 through 9. Nonetheless, parts of the decree are being strictly enforced. In Qinghai counties visited in 2000, some of the very impoverished parents who have pulled their children out of primary school were arrested, put on trial and heavily fined — though the effect was nullified by the fact that they have no money to pay any fines and also obviously could not afford to pay the hefty tuition fees for their children to attend school. In the midst of this campaign, in a poor Muslim village in Qinghai, the village party secretary admitted that some 30–40 per cent of primary school-aged children — including the great majority of the girls — were not enrolled and there was little the government could do to enforce attendance.

The central education authorities have also been unrealistic in a different respect. In the late 1990s, Beijing decreed that schools everywhere in China must provide a ‘quality education’ (Kipnis 2001) and strongly indicated that this included primary-school English classes and classes on operating computers. In Qinghai, plans were obediently put in place in 2000 in very poor villages for rural primary school teachers who themselves do not know English to teach the language. Rural township education departments that could not afford to fix broken windows at primary schools or to provide desks and chairs in classrooms were purchasing the obligatory computers. The central education authorities were demanding that all of China must be fully ‘modern’ and were imposing that vision (without adequate funding) in ways that are incongruous with the hardships facing destitute schools and parents.

The medical-care systems in such villages are often in as bad shape as the schools. To China’s credit, practically all villages have an appointed medical officer. But in the poorer regions they tend to be no better trained than the barefoot doctors of the past. The only pay these part-time personnel receive from government sources is a sum for each inoculation they provide, and the amount is so small that some of the village medical officers are negligent in carrying out this duty. ‘User pays’ underpins all other services, and poor farmers generally try to avoid the expense of being tended to by such an ill-trained neighbour.

For more than rudimentary treatment, they can go to the township medical clinic, which is staffed by genuine salaried doctors. But in the poor areas that I have visited, county and township budgets do not stretch far enough to cover more than 65 to 70 per cent of what the doctors are supposed to receive as a salary — and even this amount is often months in arrears. The clinics are supposed to make up the difference through charges to patients. Across rural China, they tend to make the bulk of their income by prescribing and selling medicines, and this very often has meant overprescribing and overcharging for medicines. Officials at the national Ministry of Health, whom I interviewed in Beijing in 2000, are well aware of this, as are county and township officials, but they generally consider it too difficult to try to root out the practice. The end result is that many ill people avoid treatment, and the rural clinics tend to be seriously under-utilised, especially in the poorer regions. At the same time, preventable diseases such as tuberculosis have been gaining ground in rural China.

A vicious circle ensues, in which a working family member’s illness pushes a family further into poverty, putting medical care even further out of reach. Recurrent ill health makes it that much more difficult for families to lift themselves out of poverty, and is one of the most pernicious aspects of the poverty trap. A weak and underfunded Ministry of Health and local governments do little to assist. It is a crisis in rural medical care that will exacerbate in coming months by an expected onslaught of Severe Acute Respiratory Syndrome (SARS) and the medical system is almost sure to fail the test. This coming year, the impoverished of China face especially troubling times.

Notes
1 Khan (1998:46) makes a further claim that in ‘rural China the poor (ultra poor) pay “net taxes” at a rate that is 27 (36) times higher than the “net tax” rate paid by the non-poor’.
2 Also see Lu (1997:119) for a 1992 survey of a Guizhou township, which found the poor paying a far higher percentage in taxes than the prosperous.
3 Notwithstanding Riskin and Li’s conclusions about the impoverished households in the better-off districts, these households may be in a less onerous situation than their counterparts in the poor regions. Importantly, the local governments of the better-off districts provide better public services such as schooling and offer marginally better welfare benefits — enough, usually, to ensure that the impoverished households do not literally go hungry. The local authorities in the poorer parts of the hinterlands do not have similar financial resources at their disposal, and the poorest there — unless they are disabled or elderly widows covered by the Civil Affairs Bureau.
are sometimes left without any type of safety net at all. (This footnote is based upon my own on-the-ground observations.) It should be noted that Riskin and Li find otherwise, and conclude from their survey that the poor in both regions received about the same amount of public transfer income (Riskin and Li 2001).

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China’s poverty pockets: Issues for sustainable development

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Context

Poverty reduction achieved through rapid agricultural growth was largely exhausted by 1984. The residual poor remained entrenched in poverty in areas that are very resource poor, with minimal potential for further agricultural gains. Alleviating their plight will require more intensive efforts (Nyberg and Rozelle 1999).

Although China has made significant progress on poverty reduction, it still has significant challenges in the harsh climate of western China. This paper presents some of the issues encountered in two counties in Gansu Province as a case study.

Distribution of poverty in China has shifted with time due to, amongst other things, government and donor interventions. The shift in overall incidence of rural poverty by province between 1991 and 1996 is shown to have moved inland, and is now largely a problem in the western provinces to which the Chinese government has responded with its ‘Go West’ campaign.

There are still estimated to be more than 100 million rural absolute poor (based on the World Bank threshold), with this remaining poverty assessed as ‘both severe and relatively intractable’ (Nyberg and Rozelle 1999). The majority of the rural poor are concentrated in resource-deficient areas, mostly at higher altitudes in the interior provinces, often on land of such low quality and subject to such climatic extremes that it is not possible to achieve subsistence levels of crop production. The situation is compounded by high dependency ratios in poor families, ill health, lower rates of participation in education (especially by females), higher mortality rates (both infant and maternal) and other difficulties.

Administrative boundaries in mountain areas often delineate between better-off townships around the county seat and in wide valley floors and those poorer townships in higher elevations. This geographical distribution of poverty is often masked by statistical data available in China at the provincial and county levels. There is a perception of a growing need to specify the ‘poverty pockets’ within these boundaries and to specify local solutions that respond to the difficulties faced in those areas.

Nyberg and Rozelle (1999) reviewed projects and presented a series of recommendations to the Chinese government. As the authors note, ‘effective poverty alleviation requires getting well-designed programmes to those who need it’. There has also been considerable debate on the impact of credit in rural China and on the most effective mechanisms required for implementation. In the mid-1990s there was much criticism that these credit schemes were not achieving their objectives due to approaches that were often top-down. Since then the focus of subsidised loans has returned to poor households in small geographical units, often below county and township administrative level. Nyberg and Rozelle (1999) note that ‘a debate has raged about how to create an effective structure. Officials are searching for a programme that will lead to growth, reduce poverty, reduce lending costs, and improve repayment rates’. This has led to experimentation with microcredit schemes by donors, including examples in Gansu.

The World Bank promoted the use of microcredit as a potential mechanism that may avoid some of the pitfalls in subsidised credit programs present in China and elsewhere, though it cautions:

- microcredit on its own is unlikely to meet the needs of the absolute poor;
- improved financial management plus intensive training is the key to success;
- programs should experiment with devolving responsibility to grassroots organisations;
- rates of interest must be sufficient to ensure sustainability; and
- impact assessment is needed to ensure costs and benefits of programs (LGOP, UNDP and World Bank 2000).

Gansu

This is one of China’s poorer provinces with a large rural population (82 per cent). The United Nations Development Programme (UNDP) development criteria ranks Gansu 27 out of the 30 provinces in China (UNDP 1998a). Gansu contributes less than 1 per cent of national GDP and its net per capita income is only 56 per cent of the national average. In the rural areas, annual per capita net income is around 1200 yuan (approximately US$170) and is the lowest in the country. Almost 3 million people do not have clothing or food to meet their needs during the harsh winter months and 2 million people do not have access to sufficient drinking water. Rural Gansu has a maternal mortality rate almost three times the national average and infant mortality for remote interior regions is over twice the national average. Utilisation of antenatal services in the poorest counties is only half the rural average.

Conditions in rural schools are not conducive to learning, with dilapidated buildings, lack of heating, few teaching materials,
little equipment, poor sanitation, poor teaching standards, an inappropriate curriculum and low student attainment all contributing to an unattractive image of school for many children and parents. Direct costs of education are estimated at between 15–30 per cent of an average farmer's income.

There has been considerable donor activity in Gansu. The main donor projects cover both sector-specific and sector-wide approaches, with a strong focus on poverty alleviation. Current donor interest is strong in the Hui autonomous counties in Linxia and in many of the other state-designated 'poor counties'. A review (UNDP 1998b), plus web-based research of donor activity in Gansu, revealed that 53 per cent of the counties have received international donor assistance and 70 per cent receive state support.

### Jingyuan and Jingtai counties

The Gansu provincial government proposed Jingyuan and Jingtai counties as appropriate to receive support from the New Zealand government. Both are rural, rely heavily on agriculture, and have poor natural physical environments and generally infertile soils prone to long periods of drought. Although the rural per capita income is not among the poorest, a survey of primary and secondary data shows quite definite 'poverty pockets'.

Both counties are in central eastern Gansu, located at the transition between the Loess Plateau and Tengger Desert. The rangeland is badly degraded and the low vegetative ground cover comprises mostly unpalatable plants. The average rainfall (1980–2000) for Jingyuan is 230 mm and every year a drought is experienced. There has only been one wet year (1985) in the last 21 years, when 416 mm of rainfall was recorded.

Jingyuan has two major water resources — the Yellow River (with an extraction quota) and underground water. In addition, water harvesting with the '1–2–1' system (one collection pad, two tanks and one mu of land) is being used in areas not accessible to river and groundwater (1 mu = \( \frac{1}{15} \) ha approximately). The situation in Jingtai is more complex. The depth of groundwater is deeper, survey work to assess the volume of aquifer available is less rigorous, and some land issues need to be resolved.

### Survey

The New Zealand Agency for International Development (NZAID) conducted a pre-feasibility study for the Gansu Integrated Rural Development Project in January 2000. This identified potential project interventions that would contribute to the alleviation of household poverty in the poorer villages of Jingyuan and Jingtai in Gansu Province and demonstrate the viability of an integrated approach using microcredit as the catalyst to generate rural enterprises and other targeted activities within the agriculture/forestry, health, education and infrastructure sectors.

Data collection took place in 240 households in six townships (Beitan, Yongxin, Caoxian and Dalu in Jingyuan, and Sitan and Zhongquan in Jingtai) and 28 villages (five per township except Caoxian). Participatory approaches were used for wealth ranking, for problem diagnosis and development prioritisation with the participation of township leaders and staff, representatives from technical bureaux, and village leaders and representatives (including women). Tools used included community resource mapping, wealth ranking, social and economic mobility mapping, integrated seasonal calendars, daily activity records, and institutional analysis. Formal government records were also used (Gansu Provincial Statistical Bureau 2000a, 2000b; Jingtai County Government 1999; Jingyuan County Government 1999), although these do not identify localised poverty pockets.

### Poverty issues

The townships have poverty rates of 22 per cent to 57 per cent. The chief causes of poverty are lack of access to irrigation, increasing off-farm earning opportunities and inadequate access to social services. Shortage of water for irrigation and drinking was raised as a problem in almost all villages, with key issues being access to sufficient water, availability of water conservation measures and the cost of water.

To conserve water supplies in dryland areas, three measures are employed — terraces, stone fields (shatian) and plastic-film mulch. Developed 600 years ago, the stone-field system involves placing a layer of medium-sized stones (20–40 mm diameter) on the soil surface to reduce surface water losses. Stone fields have an approximate life of 20 years and, although their capital cost is higher than plastic-film, their maintenance is virtually nil, whereas plastic needs to be replaced annually.

Using a mix of ground water development, terrace development and water harvesting, some households would intensify crop production. Other households would establish lucerne, with a focus on increased livestock production, allowing them to increase annual grain and potato production and support the introduction of garlic production. This would be offset by a marginal decline in legume production and an increase in crop by-products, which, with development of lucerne, would permit additional sheep to be grazed. However, increasing access to credit for livestock could impact negatively on the environment as overgrazing could occur due to the lack of feed supply caused by lack of water.

The yield of crops grown in northern Jingyuan under different water regimes is shown in Table 1. Irrigated crop yields are more than 70 per cent higher than those from rain-fed land that has plastic film, terraced or stone field water-conservation measures in place. The use of plastic-film increases yields by between 25–30 per cent in dry land situations. Plastic is never used in stone fields, while maize and potato are never sown in stone fields. The main rain-fed crops are wheat (planted in early spring) and millet (sown in early summer), with smaller areas of potato and maize grown on valley bottom and terraced land. With the introduction of irrigation, farmers use the irrigated land particularly for maize and potato, which have better returns.

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A major problem is the impact of low rainfall on crop yields, which result in low cash incomes and poor food security. This can only be resolved by improving water inputs through ground water irrigation (where water is available), by reducing water losses (terraces, plastic-film mulch and stone fields) and by water harvesting at a household level with the 1-2-1 system. This lack of access to water for irrigation explains why few viable examples of alternative rural enterprises exist. There was little evidence to support that alternatives, for example wolfberry production, were likely to make significant contributions to overall incomes at a community level. There was also surprisingly little motivation or apparent demand for small enterprises, presumably as most basic needs were already catered for in the villages. The application of these interventions is most dramatically seen through its impact on food security (Table 2).

Solutions to water shortages can focus on supply (for example wells, canals, tanks, etc.), on conservation (changing crops, plastic sheet, more stone fields, drip irrigation), or on non-water specific activities such as facilitating increased off-farm and non-farm income-generating activities.

Long-term sustainable development also requires the integration of increased access to quality education and health services with water issues, by linking community development to changes in production levels. However, the major inhibitor to income generation is access to water — a pre-requisite for development of both cropping agriculture and livestock. Without an increase in the current productivity levels, farmers would not consider increased access to credit. Increases in the range and contribution of new rural enterprises to increasing household incomes are limited. Although some opportunities do exist, these were, in most cases, considered either too limited or, more often, too prone to risk for most villagers to consider these as other than minor contributions to overall income. Some crops, such as wolfberry, garlic and lily bulbs, would be of some benefit, but these would not attract much investment from a risk-averse community mostly at or below the official poverty line. There is, however, adequate scope within existing crop and livestock production options to enable increased income generation provided additional water resources are available.

Increased access to water will require increased access to credit through the Rural Credit Cooperative (RCC), or through emerging options such as the Rural Development Associations (RDAs). While the community and donors can only judge the performance of the latter once they have been established for some time, the scheduling of prior debts and the use of joint and several guarantees over prior debts was identified as a constraint to the use of RDAs as a means of distributing credit. Credit can also be made available through Revolving Credit Funds, which enable a supply of modest loans provided capital repayments to the donor are not required, and there is a very high rate of repayment.

Productivity increases need to be balanced against the effects of overgrazing and nutrient depletion in a highly sensitive ecological area, which has already suffered significant environmental degradation. Achieving this balance will require appropriate developments in agricultural extension activity and this is seen as vital. It will require the involvement of the community in shaping and understanding its development and this will be supported by improvements in access to and quality of education and health services, including improved access to drinking water.

### Table 1 Crop yields for different water regimes, northern Jingyuan

<table>
<thead>
<tr>
<th>Crop</th>
<th>Irrigated</th>
<th>Rain fed, terraced/flat with plastic</th>
<th>Rain fed, valley bottom, terraced or stone field</th>
<th>Rain fed, slope land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>400-500 kg/ mu</td>
<td>200-250 kg/ mu</td>
<td>150-200 kg/ mu</td>
<td>50 kg/ mu</td>
</tr>
<tr>
<td></td>
<td>6 - 7.5 t/ha</td>
<td>3 - 3.7 t/ha</td>
<td>2.25-3.0 t/ha</td>
<td>0.75 t/ha</td>
</tr>
<tr>
<td>Maize</td>
<td>600 kg/ mu</td>
<td>300 kg/ mu</td>
<td>500 kg/ mu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.0 t/ha</td>
<td>4.5 t/ha</td>
<td>7.5 t/ha</td>
<td></td>
</tr>
<tr>
<td>Potato</td>
<td>2500 kg/ mu</td>
<td>1000 kg/ mu</td>
<td>23-150 kg/ mu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>37.5 t/ha</td>
<td>15 t/ha</td>
<td>4 kg/ mu</td>
<td></td>
</tr>
<tr>
<td>Millet</td>
<td></td>
<td></td>
<td>60 kg/ha</td>
<td></td>
</tr>
<tr>
<td>Peas and beans</td>
<td>Inter-cropped</td>
<td>100 kg/ mu</td>
<td>50 kg/ mu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>200 kg/ mu</td>
<td>1.5 t/ mu</td>
<td>0.75 t/ mu</td>
<td></td>
</tr>
</tbody>
</table>

Source: Director, Agriculture Technical Bureau, September 2001, Jingyuan.

### Table 2 Food security under different irrigation interventions, northern Jingyuan

<table>
<thead>
<tr>
<th>Food security (kg grain/capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rainfed, 18 mu, 1 mu flat (existing situation)</td>
</tr>
<tr>
<td>2. Intervention: terrace an additional 3 mu</td>
</tr>
<tr>
<td>3. Intervention: 1-2-1 water system 1 mu; + 3 mu terraces</td>
</tr>
<tr>
<td>4. Intervention: ground water 2 mu</td>
</tr>
</tbody>
</table>

Source: NZAID (2002).
Key to the sustainable implementation of this extension activity will be the use of the village school as the main meeting place for community gatherings. Traditionally, the schools are used for agricultural extension activities and this should be further encouraged through improved physical facilities, resources and discussions on relevant local topics by extension workers from the township or further afield. As earthquakes have affected many schools in the townships, those that have not yet obtained disaster relief funds need to be renovated or, in some cases, fully rebuilt. Planning and building of these should take place with the full involvement of the community to enable a strong sense of ownership and direction of the facility.

Access to modest short-term seasonal credit for education and health services was identified as a clear need and access to a revolving credit facility widely accepted. Funds could be managed through the township Education Bureau representative and, to ensure wider involvement, it would also be important to increase the quality of facilities and learning available.

Similarly, achieving a satisfactory level of public health requires additional support through enhanced medical facilities, better-trained health workers and greater awareness of health issues. Again, access to short-term access to credit was identified as a priority by villagers. Funds could be managed through the existing health system to village health workers.

Another key element is development of the Technical Extension Services (TES), as these are the main interface between the county and township governments and community wishes. TESs will need to facilitate local farmers in taking ownership of irrigation debates and resolving issues to achieve and own their solutions. TESs will also have to coordinate aspects of public health, education, social and environmental development as part of the adult education agenda. It is also important that they facilitate the management of natural resources by the community, training on credit processes, financial management and planning, responsibility on water management and other aspects of water resources, and improved resource management.

Credit analysis

Householders indicated during Participatory Rural Appraisal exercises that, given microcredit, they would largely invest in on-farm income generation. The UNDP microcredit project at two other Jingyuan townships during 1996–2000 had similar results, with most loan applications being for on-farm investment.

It is assumed that seasonal credit is to be repaid over two years, with the livestock advance repaid over three years at a common interest rate of 6.5 per cent per annum. Historically, capital costs associated with development of water resources are borne by central government. The impact at the household level of these costs being passed onto the farmer under a long-term (five-year repayment at 6.5 per cent) funding arrangement is shown in Table 3.

If the capital cost of development of groundwater resources, estimated at around 3000 yuan per mu, is to be met by individual households through a long-term facility, there would be a significant increase in liquidity pressure. Individual funding of the capital investment would also impede the coherent implementation of a community groundwater scheme. While groundwater schemes could be funded at the household level, other strategies may also be viable:

- Terrace development for crop production could result in a negative debt-servicing ratio in Years 2 to 5. This liquidity pressure would undoubtedly increase the risk of loan default.
- Terrace development for lucerne/livestock and water harvesting options are clearly not viable if individual households are asked to repay the associated capital investment.

This supports the existing policy of the central government bearing the capital cost of water development. However, through the TES scheme under the Community Development Programme, rural households can be made responsible for their obligations to resource management, especially water.

Issues

As noted at the outset, alleviation of poverty in these conditions requires the 'intensive efforts' described above. From these, broader issues also arise:

- Is it sustainable to support the large capital investments required to increase local incomes?
- Similarly, are the various community development issues going to continue after the life of the program?

### Table 3 Debt-servicing ratios and net present values for investments

<table>
<thead>
<tr>
<th>Project Details</th>
<th>Debt-Servicing Ratio Project, Year 2 to Project Year 5</th>
<th>Net present values without capital investment</th>
<th>Net present values with capital investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jingyuan ground water</td>
<td>22% to 61%</td>
<td>¥11,100</td>
<td>¥8,782</td>
</tr>
<tr>
<td>Jinggai ground water</td>
<td>64% to 72%</td>
<td>¥11,166</td>
<td>¥8,843</td>
</tr>
<tr>
<td>Terrace/crop</td>
<td>77% to 125%</td>
<td>¥5,631</td>
<td>¥3,307</td>
</tr>
<tr>
<td>Terrace/livestock</td>
<td>227% to 295%</td>
<td>¥488</td>
<td>-¥1,835</td>
</tr>
<tr>
<td>Water harvesting</td>
<td>329% to 368%</td>
<td>¥1,112</td>
<td>-¥1,211</td>
</tr>
</tbody>
</table>

Source: NZAID (2002)
• Are these interventions likely to be easily replicated elsewhere without further investment? Given the role of central and provincial governments, will it be possible to replicate these interventions without further external support?
• Will infrastructure interventions generate the necessary community activities to ensure appropriate integration? This will also need to take place vertically within government and horizontally across functional departments and organisations.
• Can such interventions mitigate negative impact on the environment?

It is only by experimentation in the use of integrated rural development models that the answers to these questions will be obtained. NZAID anticipate trialling such an approach in Gansu in late 2003, based on their conceptual framework of sustainability, replication and integration, and it will be interesting to monitor its development.

Notes

The author acknowledges the financial support of New Zealand Agency for International Development (NZAID) to study the feasibility and design of an Integrated Rural Development Project and their agreement to discuss their conceptual framework. The assistance and good humour of Lin Zhibin, Zuo Ting, Jian Xiaoying, Zhou Xuejun in the Participatory Rural Appraisal studies, and Phil Rolston, Roger Lough and Bruce Trangmar during the feasibility and design phases are also gratefully acknowledged. It is equally important to mention the involvement of Lynn de Silva, Programme Manager, NZAID, for her commitment to the framework and the project.

References


Rural finance and poverty alleviation in China: An institutional perspective

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The history of rural finance in China

In the early 1990s, over 60 million of the Chinese people who lived below the official poverty line were rural farmers engaged in subsistence agricultural activities (Holcombe and Xu 1996). Many of them would have liked to improve their social and economic status by engaging in income-generating activities. However, while informal lending is illegal and exploitative, formal financial institutions have little interest in providing loans for rural farmers because of the lack of information regarding their financial creditability.

Sensing the gap between demand and supply for financial services, the government supported a number of credit programs aimed directly at rural areas. This included the establishment of a large number of Rural Credit Co-operatives (RCCs) and Rural Credit Foundations (RCFs) in the mid-1980s. However, the main purpose of these programs was to mobilise savings rather than provide credit for rural people. It is evident that the majority of funds were transferred to state-owned enterprises in large cities, where the perceived profit is highest. As a result, demand for loans in rural areas remained largely neglected.

The first anti-poverty orientated loan program, namely the Subsidised Loan Programme (SLP), was launched in 1986 as an important part of a wider Poverty Alleviation Project (PAP). The program aimed to provide low interest loans to poor farmers in order to improve their income-generating ability. By 1990, 2.1 billion yuan, or roughly two-thirds of PAP funds went into the SLP, and this steadily increased to over 15 billion yuan in 2000.

The SLP followed a ‘top-down’ institutional framework, relying on an intricate set of bureaucratic arrangements reaching through all levels of government, as well as through various levels of the Agricultural Bank of China (ABC). This top-down institutional framework has had serious shortcomings. It led to a serious mistargeting problem, as the majority of subsidised loans went to township enterprises instead of individuals. The main reason for this was a lack of local staff for serious outreach attempts, a higher perceived return on township enterprises, and strong ties between local government, local ABCs and township enterprises. The government believed that the wealth of these enterprises would eventually ‘trickle-down’ to the rural poor, through channels such as employment and consumption. Needless to say, ‘trickle-down’ was minimal and the impact of subsidised loans was hardly felt at grassroots level.

In addition to mistargeting, default rates were exceptionally high. Repayment rates ranged from 44 per cent to 61 per cent between 1986 and 1997 (CASS 2001). In one extreme case, all 22 enterprises in one county defaulted, making a total loss of 4.88 million yuan (Holcombe and Xu 1996). In most cases, loan distribution is often the last step of the loan process. Borrowers received virtually no technical assistance from the program, which made implementation extremely difficult, if not impossible. Additionally, there was insufficient monitoring on the implementation of loans, resulting in fund diversion and rent-seeking behaviours. Furthermore, repayment enforcement was weak. Strong opposition to repayments came from within the local government and the ABC, as many officials had personal interests in these township enterprises. Thus, as far as outreach and sustainability are concerned, SLP can hardly be considered a success and the problem of lack of financial services in rural areas remains unsolved.

The development of microfinance in China

The failure of the PAP to alleviate poverty generated a new wave of poverty-alleviation attempts in the mid-1990s. The initiation of the ba-qi anti-poverty strategy in 1995 opened China to new ideas of poverty alleviation from abroad, including innovative attempts by microfinance institutions to provide financial services to rural people. In 1993, researchers from the China Academy of Social Science (CASS) visited the Grameen Bank in Bangladesh, one of the pioneers in microfinance development. There the researchers saw how the Grameen Bank shattered the traditional assumption that rural poor were ‘unbankable’ by bridging the information gap between lenders and borrowers through a simple ‘bottom-up’ institutional framework and innovative lending methodologies. Impressed by the idea, in 1994 CASS conducted a small-scale microfinance program in Yixian County, Hebei Province, which replicated the Grameen Bank model. Two more small-scale programs were initiated by CASS in the Yuchang and Nanzhao counties in Hunan.

Initially, the government was sceptical about the microfinance movement, however, as time and again these microfinance programs performed solidly, the government became active proponents of them. By 1998, the government had spent 4800 million yuan on the implementation of microfinance projects in 605 counties within 22 provinces, with some programs reaching 50 000 borrowers after the first year of operation (Controy 2001). In addition to government efforts, many bilateral donors and international NGOs have participated in the microfinance movement. These include AusAID, the World Bank, the United...
Nations Development Programme (UNDP), the International Fund for Agricultural Development, the Ford Foundation, Oxfam, WorldVision and many more, with total distributions amounting to 240 million yuan by 2000 (Du 2001).

Although microfinance programs in China are characterised by their diversity, they can be generally divided into two groups:

The first consists of small (usually foreign assisted) attempts to apply international lessons in microfinance to Chinese conditions. The second concerns the more recent mass delivery of subsidised microfinance to the poor households by government, with the aim of abolishing poverty by the end of year 2000, under the ‘ba-qi’ plan (Conroy 2001).

This paper provides a closer examination through two case studies, one from each group, with a UNDP operation in Yilong County, Sichuan Province, belonging to the first category, and a government operation in Shangluo Region, Shaanxi Province, belonging to the latter.

Autonomous model of a microfinance program

Ever since 1993, the UNDP has expressed strong interest in microfinance, and, in keeping with the Chinese government's legal requirements, it has partnered with the China International Center for Economic and Technical Exchange (CICETE) to implement projects at local levels. By 2002, it had distributed 60 million yuan in loans to over 100,000 borrowers in 48 rural counties.

Despite its large size, the UNDP program has a simplified institutional framework, where each county program responds directly to the CICETE head office. This simplified framework is made possible by a computerised management information system, which automatically analyses performance through a standardised list of statistics collected from each office. By looking at the results, the head office can instantly spot any irregular behaviour by a particular county and act accordingly.

The Yilong County project was initiated in 1995 and is now operating in 64 administrative villages. Between 1995 and 2002, it distributed a total of 17 million yuan to 17,372 households, with 93.5 per cent of borrowers being women. At present, a loan fund of 5 million yuan is shared by 4,500 members. The project is a direct replication of the Grameen Bank model. The project recruits Community Credit Corps (CCGs) staff and Group Organisers (GOs), who are responsible for organising small groups of five unrelated persons and centres of four to eight groups.

Currently there are 3,478 groups and 406 centres in Yilong. Selection of members is based on income (defined by the official poverty line), as well as participatory observation, including quality of housing and lack of furnishings and farming equipment. Groups are usually self-organised, and family connections amongst members are not permitted. Groups are jointly liable for default on repayments, a measure designed to ensure that peer pressure effectively enforces repayments.

Groups democratically elect their chairperson and secretary, who jointly operate group accounts. Once a group is established, each member is required to deposit a minimum of 1 yuan per week, which can only be extracted when they exit the program. Loan proposals are made by borrowers themselves, and are discussed with group members and staff to ensure they will achieve maximum profitability. After loan proposals are approved by managers, they are disbursed in accordance with a ‘2-2-1’ pattern. This means that two weeks after the formation of the group, two members will be given their first loans. The ceiling for first loans is 1,000 yuan, to be repaid with interest in 50 equal instalments at regular centre meetings. After staff have confirmed that these projects have been implemented as planned and that borrowers are beginning to repay according to schedule, two more members will be given loans using the same pattern. The group chair is the last to get a loan, and thus has the highest incentive to monitor the implementation process of all members. Once every member in the group has repaid, a new lending cycle begins with the same procedures, but a different lending order and a higher loan ceiling of 3,000 yuan, which is designed to generate repayment incentives.

Besides deposit of savings and collection of repayments, regular centre meetings serve an important role in the process. Meetings are held every ten days without exception. Even during the harvest seasons, where labour demands are the highest, meetings are rarely suspended. These regular meetings help staff to spot any irregular repayment behaviours by individual members, enabling them to react promptly. Irregular repayment behaviours may be due to a poorly implemented project, in which case staff may provide the required technical assistance, or they may be due to deliberate repayment evasion, in which case staff may begin to apply pressure. Peer pressure, based on self-interest of other group members, may also be applied at this stage. The centre meetings also serve as an important information source for members. The program often provides leaflets and invites speakers to provide seminars on technical issues. In addition, members can also discuss their projects during centre meetings and share their own experiences.

The program is considered by many as a success. Repayment rates have been high. The Yilong program had an average repayment rate of 93.55 per cent over the past seven years, with two villages maintaining a 100 per cent repayment record throughout the whole period (ARDY 2002). The high repayment rate is largely due to the effective ‘bottom-down’ supervision based on self-interest of group members, which required little supervision from above. This is hardly surprising given the joint liability for default, which provides each group member a personal interest in participating in the process of screening proposals, monitoring implementation and enforcing repayments when necessary. The ‘bottom-up’ supervision benefits both sides, as the extra efforts from each member to supervise loans reduces the workload of local staff, ensuring the sustainability, and hence the continuity, of the program.

Many studies also suggest that the program has had a significant impact on members. According to the Association for Rural Development in Yilong (ARDY), success rates for the projects
were over 85 per cent, and average profit ranged between 100 and 500 per cent for each loan. Through the process, the living standards of 80 per cent of participants rose above the official poverty line, with a further 10 per cent reaching the official level of ‘prosperity’ (ARDY 2002).

The success of Yilong program is not an anomaly. Many other autonomous microfinance programs, regardless of their size and lending methodology, have achieved considerable success in terms of poverty alleviation. However, despite the success, there are significant institutional obstacles, which have severely affected their operations.

Currently, autonomous microfinance programs cannot be registered as financial institutions, instead they are recognised as ‘civil society organisations’. This has technically prohibited their involvement in all forms of financial services. So far, the government has turned a ‘blind-eye’ to their financial operations, treating the programs’ activities as social services provision instead of financial services provision. Nevertheless, some implications arise. First of all, interest rates must be equivalent to the government-subsidised loan program, currently 2.88 per cent per annum. Although most autonomous programs have sidestepped this problem by charging services fees, the amount they charge is often below market rates and barely enough to cover running the program.

International experiences suggest that an individually administrated program must charge between 12 and 15 per cent interest to cover all costs while keeping the loan principal revolving on a continuing basis (Tsien 2002). However, even the highly praised Yilong program has an interest rate of just 8 per cent per annum, representing some form of subsidisation from donors. Second, government regulation prohibits autonomous programs from collecting deposits from members. Although many programs have a compulsory savings component, the amount they collect can barely cover the cost of the loan.

From the government point of view, savings programs run by non-financial institutions are potentially unstable, as was shown by the collapse of the RCFs in the 1990s. The government’s worry is understandable. However, lack of savings can severely affect both the outreach and sustainability of microfinance programs, and may hinder the programs’ future expansion. Finally, since microfinance institutions are not proper financial institutions, they have no legal standing when it comes to enforcing repayments. Some borrowers are beginning to notice this fact and are now exploiting the situation.

State model of a microfinance program

The Shangluo program was the first large-scale microfinance program implemented by the Chinese government. Initiated in 1996, the program reached 50 000 households after the first year of its operation. By 2000 the government had input 120 million yuan into this single project, which then reached over 120 000 households. Initially, the government established some local anti-poverty agencies for their lending operations. However, since microfinance is set to replace SLP as the government’s main anti-poverty lending channel, such arrangements have faced strong opposition from the ABC, which is in charge of and has a strong proprietary interest in the SLP. As a result, the power to operate lending programs was gradually returned to the ABC, with local anti-poverty agencies retired to an advisory role on technical issues.

Since then, there has been a considerable change in lending methodologies. The original aim of the program was to imitate the Grameen Bank model. However, most Grameen Bank features, such as joint liability, regular meetings, and the ‘2-2-1’ dispersion pattern were abandoned after the handover. There is strong evidence that these lending methodologies were abandoned because the ABC could not cope with the new demands this placed on their workload: Their existing ‘top-down’ institutional framework made these methodologies extremely costly to implement. Moreover, using these lending methodologies required tremendous effort and commitment from bank staff, who clearly did not have the knowledge or patience required. Many bank staff reside in townships and have little local knowledge of the isolated countryside. In some cases they cannot even speak the local dialect; others are working only part-time on microfinance, having been restrained by their superiors from conducting microfinance programs due to other work commitments.

In addition, there is also evidence of mistargeting. According to an estimate from the local anti-poverty agency in Luonan, a total of 1.3 million yuan was lost through non-repayment, with the top five reasons being (not in a particular order): compulsory payment on public infrastructure and housing development (70 000 yuan); loans to failed township enterprises (50 000 yuan); compulsory payments for local officials; unqualified applicants using false names who then could not be traced; and members who left for large cities without repaying (Pang 2002). Four of the five reasons indicate a mistargeting problem.

With these changes, the microfinance program became little different from an SLP. It is reported that in Luonan County, repayment rates have dropped from 90 per cent to below 50 per cent, rising to 60 per cent after persistent lobbying. Similar trends have been reported in the rest of the region (Pang 2002).

Future perspectives on microfinance in China

Many people have defended government programs by saying that they have achieved a scale that many NGOs are incapable of producing. However, one belief is that the issue here is certainly not about a choice between sizes, but a choice between two models with different levels of efficiency. By plainly looking at the statistics, it can be seen that the overall UNDP program has achieved a similar level of outreach compared to the state-implemented Shangluo program, but with a much higher level of impact and sustainability. More importantly, it spent only half the amount the Shangluo program spent for the same period. Although a direct comparison as such can be misleading, it nevertheless suggests how much more the government program would achieve with a different implementation model. International experiences suggest

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that government-implemented microfinance can be done with an appropriate model, as demonstrated by the success of the BRI unit desa program in Indonesia. Therefore, if the Chinese government is serious about using microfinance as a way to alleviate poverty, perhaps it should now reconsider its microfinance strategy.

As for autonomous programs, they have shown tremendous potential despite their lack of resources. The main issue is the lack of legality in the conduct of financial activities, and this will certainly hinder their development in the future. China's accession to the World Trade Organization may have generated some optimism amongst the autonomous microfinance providers, as the deal requires China to open up its banking sector. However, in a worrying development, the government is trying to 'buy-out' autonomous programs that are performing solidly. The Funding the Poor Co-operative (FPC, organised by CASS) experienced this when the county government of Danfeng (part of the Shangluo region) set up microfinance in their areas. Unable to compete with their low interest rates, the FPC could do little but retire gracefully to the wing as 'technical advisor' (Tsien 2002).

Faced with legal obstacles and the imminent threats of direct competition, many autonomous microfinance programs have begun to rethink their strategy in China. The UNDP, for example, has now concentrated its microfinance operation in just four counties, with more funds devoted to market research and product development. However, it is far from certain that such self-imposed reforms can overcome these problems. At the end of the day, problems that come from within the regulatory framework can only be resolved by a shift in policy direction by policy makers. Creating the political will for such changes requires an understanding of the international 'best-practice' approach. Only when this is realised can sustainable and effective microfinance institutions be created in China.

Note

1 Ba-qi means '8-7', signifying the goal to pull 80 million people out of poverty in seven years' time.

References


Irrigation and poverty in China

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In China's poor agricultural regions today, a lack of irrigation is arguably the single greatest obstacle to substantially higher production and improved livelihoods. These regions almost all suffer from too little regular water to sustain a productive agriculture. Without access to irrigation, even households that are able to lift themselves above the poverty line are often thrown back into poverty by dry spells and droughts.

Most of the persisting cases of absolute poverty among Chinese farmers lies in three geological regions. The large western loess belt, which stretches from Shaanxi Province through Gansu and Ningxia into Qinghai, and the Tibet-Qinghai plateau both suffer from limited rainfalls. The third zone, and the locus of most of China's remaining absolute poverty, is the large karst region of southwest China, stretching from Guizhou and Guangxi provinces through Yunnan. Most of this karst region receives adequate annual rainfall, often well over 1000 mm, but the limestone beneath the soil unfortunately does not retain water and crops go dry whenever rainfalls are irregular. Even a few weeks of dry weather in the wrong season can prove ruinous to crops.

Small-scale irrigation works are surprisingly inexpensive to install in these regions and often extraordinarily cost effective. Visits I have made to several dozens of villages in China's poverty regions over the past 15 years illustrate this. In impoverished villages in both the loess and plateau regions in Qinghai Province, in the three poor southern karst provinces of Yunnan, Guizhou and Guangxi and in Hainan Province, I enquired among farm households about their greatest perceived needs. Repeatedly, inadequate irrigation was high on the list.

To gauge potential gains from irrigation, I asked groups of villagers to tell me the crop types and yields of irrigated local land, and the crop types and yields of similar non-irrigated fields. I subsequently have done thumbnail calculations based on the free-market prices that were reported to me for various crops and for the costs of inputs, and thus can estimate the likely net returns for each irrigation project. In almost all cases, also made use of the estimates of irrigation project costs relayed to the villagers or to myself by county-level Water Supply and Conservancy Bureau personnel. In some other cases, local irrigation projects had already been installed, and I had access to the actual data on increased yields.

Most of these cases show approximately a doubling of crop yields with irrigation during normal years. This is the evidence from villages in the karst region, in the one section of the loess area that I have visited, and in the Qinghai high plateau. More than this, irrigation waterworks storage, normally in the form of a concrete-lined catchment pond, assures stable crop production even during drought years when non-irrigated fields yield almost nothing. In light of these two factors, calculations of costs and yields show that a very large number of small-scale irrigation schemes in the poverty regions of China could pay for themselves through just a few years of improved harvests. Why then do the great majority of the poor villages still lack stable irrigation?

Why irrigation projects do not get installed

The answer principally involves Chinese bank policies. Banks and credit associations are not supposed to make loans for irrigation. Under ordinary circumstances, not even a village or township government is able to apply successfully for a loan for small or medium-scale irrigation projects, even when the local governments can assure repayment on-time and at commercial rates. Under policies that date back to the period of collectives, the higher levels of government are instead supposed to provide free grants toward such irrigation.

Village governments and farmers therefore have to wait patiently for state grants. Yet such grants are few and far between. Provincial and county governments do not give top priority to installing small irrigation waterworks within villages — and with tight budgets they have not donated much toward it. This is especially the case in China's poor regions, where local government revenues are particularly constricted. Most of the impoverished villages are consigned to queuing for decades to obtain an irrigation scheme — if ever.

The county-level Water Supply and Conservation Bureaus make bids each year to higher levels for new irrigation works, but the great bulk of the awarded money goes toward large schemes for substantial dams and reservoirs. There appears to be a bias here in favour of irrigation projects that require expert engineering and that are technically 'modern' and large-scale, even when the cost of irrigation per acre is substantially higher than is the case with small hamlet-level or village-level schemes. In the construction of big projects, lengthier water channels that are needed to bring water greater distances, the additional cement lining needed to prevent leakage over that greater distance, and the large equipment that needs to be bought or rented, etc., all added substantial extra costs. Statistics I gathered in all of the provinces I visited in China's poverty regions suggest that on average these larger dam projects (that is, those costing more than 10 million yuan, and usually far more than that) provide irrigation at a construction cost within the range of about 1700-4000 yuan per mu (1/15 of a hectare), whereas the medium-sized projects (costing on average about
works in impoverished villages. But an official from the Qinghai provincial-level department reported that only a 'very small' amount went toward installing irrigation waterworks, and then only on an 'emergency' basis. In one county, I interviewed the head of the Civil Affairs Bureau, who reported no funds at all were provided for local irrigation.

The various state agencies thus are not adequate providers of irrigation funding — this responsibility rests with the farming communities that can afford it. In much of China, the water bureaus want to stretch their funding, and the consequence is that, unless specifically earmarked for poverty alleviation purposes, irrigation projects tend to go to the richer districts whose farmers can collectively afford to make such investments. The persisting lack of such loans to enable poorer regions to secure materials to build a catchment pool or to lay pipes from the local reservoir to each or in terms of how much each household would benefit from the forthcoming irrigation. For smaller projects that are carried out within a single village, step two applies. No-one gets paid — the households are making an investment of slack-season labour in return for their own future gains. They are required to do so. If a household decides not to provide its stipulated labour contribution, it is fined per day at a rate set by each township or village government. (In most cases, families that are officially designated as very labour-short and below the poverty line are not required to provide such labour.) The result of this free labour corvee is that irrigation projects in China are cheap and any loans for irrigation would go a long way. The persisting lack of such loans to enable villages or hamlets to install small irrigation works is thus all the more puzzling.

Since 2001, small public works have had an even greater cost advantage over large reservoir projects. Whereas free corvee labour before that date was used on both large and small water projects, under new national regulations regarding taxes and corvee labour, corvee labour outside the community is banned, and instead wages now need to be paid on large projects, boosting their costs. Small irrigation projects within villages are still allowed to make use of free slack-season labour, and accordingly remain just as inexpensive.

It is even more puzzling that such loans are unavailable when we take into account the fact that not all villages or hamlets even have accessible sources of drinking water. The residents of one village I studied need to walk three kilometres each way from January to May to obtain potable water, lugging heavy buckets of water back home each day. Such farmers are particularly desperate to secure materials to build a catchment pool or to lay pipes from a water source, since in many cases this would solve both their drinking water and irrigation problems in one fell swoop. Yet China's anti-poverty agencies and foreign aid agencies alike have ignored the potential of combining drinking water and irrigation.

500 000 yuan to build) provide irrigation at a construction cost of some 500–700 yuan per mu, and most of the smaller projects (costing 20 000–400 000 yuan to construct), which can be built by village governments or even households, cost less than 400 yuan per mu. (The loess districts are an exception. In the villages I visited, the small waterworks cost about 800 yuan per mu to construct.) The larger schemes also are less directly relevant to alleviating poverty. They mostly serve the farmers who live in open valleys below the dams and reservoirs, not the poorer communities who live mostly in the hills.

Small projects can be finished and begin producing higher yields several years sooner than the larger projects. Small projects that involve constructing mountain side water catchments and a water storage pool can often be built by a hamlet or village within a slack season, with a further season or two needed to fill the pool. Other small projects merely involve pumping water from a nearby stream into short channels to the fields, with higher yields generated within months.

Despite the small projects' cost effectiveness and potentially significant role in poverty reduction, it is not just the water supply bureaus that neglect them. So, too, does China's major poverty alleviation agency. Over the past decade, the national government has poured very substantial funding into reducing poverty in these regions, yet little of this money has gone into small-scale local irrigation. This was evident in Qinghai Province. The provincial Poverty Alleviation and Development Office (PADO) noted that, throughout the province, only some 60 million yuan per year (AS15 million) of PADO money had gone into irrigation projects, and almost all of these were large schemes. Only a few hundred thousand yuan per year (that is, less than A$100 000) of poverty alleviation funds were made available for smaller irrigation schemes.

The Civil Affairs Ministry, which serves as China's government welfare agency, has funds separately available to support agricultural income generation among indigent households, and thus is the final source of potential funding to provide small-scale irrigation works in impoverished villages. But an official from the Qinghai provincial-level department reported that only a 'very small' amount went toward installing irrigation waterworks, and then only on an 'emergency' basis. In one county, I interviewed the head of the Civil Affairs Bureau, who reported no funds at all were provided for local irrigation.

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The ultimate effect of Chinese government policies is that there is a very strong pent-up demand for irrigation waterworks projects in the Chinese countryside. Projects that offer excellent returns and that would have been put in place long ago if loans were available, are still very much on hold.

The special advantages of small rural waterworks projects

Village-level construction projects to catch and store irrigation water tend to be unusually inexpensive due to a unique characteristic of Chinese rural organisation, which was inherited from the collective era and fortunately persists to the present day. There are no labour costs for local public works construction, these instead depend upon free corvee labour. Thus, the only major expenses for most village and township-wide projects are for cement, the occasional stick of dynamite, iron bars, and, sometimes, water pumps and pipes.

The system works as follows. On larger irrigation projects, calculations have usually been made as to which villages will benefit the most, and then those villages have been apportioned a share of the required labour days in keeping with the amount they would benefit. In turn, the village has apportioned labour requirements to each of the families in accordance with the labour available to each or in terms of how much each household would benefit from the forthcoming irrigation. For smaller projects that are carried out within a single village, step two applies. No-one gets paid — the households are making an investment of slack-season labour in return for their own future gains. They are required to do so. If a household decides not to provide its stipulated labour contribution, it is fined per day at a rate set by each township or village government. (In most cases, families that are officially designated as very labour-short and below the poverty line are not required to provide such labour.) The result of this free labour corvee is that irrigation projects in China are cheap and any loans for irrigation would go a long way. The persisting lack of such loans to enable villages or hamlets to install small irrigation works is thus all the more puzzling.

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and almost always have focused on drinking water to the exclusion of the latter. This has been the case even though moderately larger catchments or larger pipes sufficient for irrigation can sometimes be installed for relatively small amounts of additional funding and voluntary labour.

Not all villages or hamlets have sources of water that can be collected from hillside catchments or even streams for drinking. Such villages have very few prospects for development. But the great majority of the villages on which I have gathered information could very cost-effectively install small- and medium-scale irrigation. This is arguably the single most important way in which impoverished households in these regions can be helped to escape poverty. With irrigation they can attain food self-sufficiency. And irrigation provides sufficient extra foodstuffs and slage for them to begin to diversify their incomes by raising pigs and chickens and larger livestock. Irrigation permits them to plant a portion of their fields with more profitable crops such as vegetables that require highly stable supplies of water. And irrigation enables farmers to invest in small greenhouses of bamboo and plastic sheeting that allow them to extend the growing season for such crops, in some cases, all year 'round. In short, a village that obtains access to irrigation is given a strong boost to lift itself out of poverty.

**Recommendations**

In light of the above, foreign aid agencies that operate in China obviously ought to consider giving priority to irrigation waterworks projects. In most circumstances, it would be preferable that the aid program not provide irrigation project grants, but rather irrigation loans at commercial rates. The reason is that, as noted, the Chinese government presently follows an erroneous strategy whereby almost all irrigation projects are financed in the form of outright grants. A foreign donor project should not, I think, be following the path of the Chinese government. It ought to be showing China that loans should be made available for irrigation, not just grants; that a recirculated loan scheme can help many more farmers and can raise agricultural productivity much more effectively and at a lower cost to the government. The Chinese banks' present policy shortcomings should, by providing an example to be followed, be explicitly pointed out to the authorities. In the various impoverished townships and villages that I have visited, farmers and local officials were almost unanimous in concurring that they would accept irrigation loans at commercial rates with annual repayments. Most villages and households could be expected to easily repay such loans within 8-10 years or even sooner. With small irrigation projects that could be constructed in a few months during an autumn-winter slack season, annual repayments could start within a year and the money recycled to other villages. Through this mechanism, large numbers of farming families could be helped out of poverty.

To secure repayments for the loan, the Chinese would be likely to employ a mechanism by which the aid agency would sign a loan contract with a high-level Chinese government organ, which would sign a subcontract with each participating provincial government, which in turn would sign one with a county and in turn a township government. At that level or at the village level, calculations would be made as to how much each household's lands will benefit from any proposed irrigation project. The repayment burden would be apportioned among households on this basis, and the household head would be presented with a contract to sign. Thus, well in advance — at the time when decisions are made by the program as to which villages will have an opportunity to receive irrigation loans — the foreign aid agency might wish to make sure that communities are presented with a chance for full and open participatory discussion, to ensure that each and every household is allowed to make a reasoned choice about incurring a loan obligation.

**Notes**

1. A good deal of this data may well be based on rosy projections. I have a hunch that most Chinese officials and farmers presume that more water will be made available through projects than will actually turn out to be the case. Do they really take full account of leakages; or, in terms of planned water-catchment capacities, would the water really be sufficient to ensure stable crop yields on all the irrigated fields that they envision if the preceding rainy season was not adequately rainy or if the dry season is especially dry? Yet even if my calculations in the above and other examples are off by a wide margin — even if villagers and water-conservancy personnel have considerably miscalculated how much acreage could effectively be irrigated — it is still obvious how large the gains would be. Even if the schemes are only half as effective as promised, the economic gains would still be worth the investment.

2. A calculation of income earned from irrigated versus unirrigated fields in China's poor regions was recently carried out by a group of economists. Parallel to my own finding on yields, they find that 'revenue from irrigated plots in poor areas exceeds those from non-irrigated ones by 93%.' (Unpublished paper by Qi Qiong Huang, Scott Rozelle, Jikun Huang and Jinxia Wang, 'Irrigation, agricultural performance and poverty reduction in China', May 2002, p. 7.)

3. Because the powdery loess soil will not normally bear the weight of a water pond, and also because evaporation levels are high, local specialists in these districts have designed 35 cubic metre diamond-shaped water cellars, which are dug into the ground and lined internally with rocks or bricks and cement and then covered with a lid. They are linked to catchment channels running off the mountain sides, which pour rainwater into the cellars, and a pipe runs from the bottom of the cellar to a field lying at a lower level than the cellar. Using sprinklers, each cellar can irrigate about 1-1.3 mu. One to two separate water cellars are able to meet the drinking, household and irrigation water needs of a family. Wheat yields increased enough in normal years at the two pilot projects that I visited to provide for a 15 per cent annual rate of return on investment, and gave close to double that rate of return in a drought year. Farmers in the district calculate they can do better yet because irrigation allows them to shift to higher-priced crops.

4. The great economist of development, Ragnar Nurske, devised elaborate schemes by which Third World countries might be able to reduce the up-front costs of irrigation works by mobilising free peasant labour — China long ago adopted Nurskian economics entirely independent of Nurske.

5. In many cases, not enough water is available from local catchment ponds to irrigate all fields unless extra costs are included to provide for a maximally efficient of supply of water.

*May 2003*
Thus, sprinkler systems and movable water-drip systems have recently been incorporated into small water-catchment irrigation schemes. These are shared in rotation among groups of households. A specialist in this at the Qinghai's provincial Water Supply and Conservation Department claims that an expenditure of 1000 yuan would provide a drip irrigation system that can be rotated to cover 20–30 mu: that is, the system would cost only 30–50 yuan per mu. A drip technology is, of course, far more water-efficient than sprinklers. According to a different water-delivery specialist, a drip system can irrigate up to 30 per cent more vegetable acreage with a given amount of water than can sprinklers.
Since the beginning of concentrated poverty efforts in the mid-1980s, China's poverty alleviation strategies have undergone a number of strategic changes. The most important shift was from a ‘relief-oriented’ to a ‘development-oriented’ policy. This article discusses the latest trends in China’s official poverty-alleviation work. Despite rapid gains in poverty eradication in recent years, efforts are still hampered by a narrow spatial and income-based definition of poverty. The ‘development’ discourse of poverty programs continues to be based on the assumption that poverty stems from a lack of reform. This leaves the poor out of the decision-making process and, for this reason, will have a limited impact on residual poverty.

Under the policy guidance of the State Council, China’s Poor Area Development Office (PADO) has adopted ‘opening-up’ (kaifa) as the key principle of its poverty-alleviation programs for 2001–2010. This was based on the belief that the poverty regions, which are largely in China's west and southwest, remain impoverished due to a lack of marketisation and under-investment in rural infrastructure. The Information Office of the State Council (IOSC) described the nature of the new poverty program as follows:

Adhering to the policy of ‘opening-up’ aid means centring efforts on economic construction, supporting and encouraging cadres and ordinary people in poor areas to improve their production conditions, exploit local resources, develop production for the market, and strengthen their ability to accumulate funds and develop by themselves (IOSC 2001a:1–2).

Key aspects of this new poverty alleviation policy included:

- advocate the spirit of hard work and self-reliance in order to overcome the welfare mentality;
- increase investments in infrastructure, especially farmland, irrigation and rural roads;
- secure cheap loans for poor households;
- provide training in advanced agrotechniques;
- combine poverty alleviation with soil and water conservation and environmental protection;
- bring aid within the reach of individual villages and households;
- mobilise and organise all social sectors to participate in aiding the poor;
- transfer labour from poor areas (migration and resettlement schemes);
- promote cooperation between eastern and western regions in aid-the-poor work; and
- aid the poor with technology and education (IOSC 2001a:4–5).

The logic of ‘opening up’

The ‘opening-up’ discourse has permeated all levels of government, including PADO. The logic is that poor areas can only rise out of poverty through increased marketisation and increased income-generating opportunities. For this reason, the new poverty-alleviation policy is largely employment-based. Investments in rural infrastructure, as opposed to more ‘direct’ poverty-alleviation projects, are designed to promote commercialisation and marketisation of produce, transfer surplus labour to rural towns and provide a climate more conducive to outside investment.

While no one can argue against the benefits of income generation and economic growth, China's ‘opening-up’ poverty program makes the assumption that the poor are like any other group in the community and just need more money in order to make ends meet. It is certainly true that since the abandonment of the socialist iron rice bowl, poor peasants have suffered the increasing burdens of user-pays school fees and medical bills. They need money. But the current emphasis on infrastructure and employment reveals the government's narrow understanding of poverty.

Bringing poor rural communities into the market, for example, has made the poor vulnerable to market forces as they have never been before. In China’s mountain areas, where most of the country's abject poor are concentrated, households tend to be self-sufficient in food and to barter rather than sell whatever surplus they might have. There are fixed and stable rates of exchange. In northwest Yunnan, three kilograms of highland potatoes fetch one kilogram of rice. Farmers know that they can feed themselves and diversify their diets through such exchanges, but the marketisation of agricultural and pastoral produce makes everything that they produce vulnerable to external demand and price swings. In Ningling County, poverty researchers found that Yao villagers did not consider marketisation reliable in the long term. The Yao considered increased crop yields were more important to poverty alleviation than cash flow (Huang 2002). Marketisation is also of little benefit to many poor farmers in central China who grow wheat and cotton, crops that are subject to government price control, always set well below market price. China’s recent entry into the World Trade Organization will gradually expose poor farmers to the increased vulnerability of the international market and decreased domestic demand for their grain.

The ‘opening-up’ poverty-alleviation programs are based on the commonly held assumption that poor areas are poor because of a lack of reform. That is why officials decry the backwardness of
Since inception, China's poverty programs have targeted commerce, wage employment and consumption. One of the problems with this is that it tends to stigmatise groups, especially ethnic minorities that practise alternative lifestyles. These groups are seen by officialdom as being backward (luohou) and ignorant.

The Lisu people of the Nuijiang Valley, along China's border with Myanmar, are an example. The Lisu are shifting cultivators who slash and burn forest to plant their crops. Despite the fact that this economic system is considered by forestry experts to be a highly efficient form of agroforestry, state officials saw the practice as backward and an impediment to economic growth. Local state officials complained that the Lisu spent too much time either drinking or in church. These people could not 'develop' unless they adopted a more modern lifestyle. The official conviction that the poor can be saved by changing their outlook is highlighted by the State Council's rationale for transferring people out of poor areas:

Such labour transfers will not only increase the employment and income of workers from the poor areas, but, more importantly, it will also enable these people to learn new technologies, life-styles and working methods from the places where they work, to broaden their outlook, increase their self-confidence and improve their ability to develop independently (IOSC 2001b:23).

While labour transfers are important to economic growth and poverty relief in environmentally degraded areas, the assumption that this will 'improve' people's 'outlooks' and lifestyles only reflects officialdom's condescension for the poor. This attitude creates a dynamic between the poor and state agencies that is alienating and extremely top-down. State agencies consider that they know best and will deliver the services that they consider necessary for the development of poor communities. As one official in a poor Yunnan township told me: 'We tried to hold classes for the villagers on animal husbandry techniques, but it was a waste of time because they couldn't read any of the materials the technician handed out.' Apparently no one had questioned the use of written materials for illiterate farmers.

The ideas that poor farmers have about how they might rise out of poverty usually go unheard. Poor farmers I have interviewed say that they are afraid to challenge officials' ideas lest they be seen as ungrateful and miss out on potential funding or a project. This only serves to reinforce a patron-client relationship and to sustain the belief that there is no point in consulting poor farmers. The concept of genuine village participation in development projects is thus undermined by many in local government. Officials in poor areas have often told me that there is no point in asking the peasants what they want because it always changes from one day to the next.

Opening up, development and the new poverty programs

Since inception, China's poverty programs have targeted investments at poor counties. The year it was established in 1985, PADO identified 271 counties as poverty-target areas based on average per capita incomes. All those counties with a per capita income below 150 yuan per annum were included: 200 yuan for national minority counties (minzu xian) and 300 yuan for revolutionary base areas (laqou) — areas that made special contributions to Communist efforts during the Civil War of 1945—1949.

In 1994 the number of poor counties was revised to 592 based on a baseline per capita average income of 400 yuan. Critics argued that this was a very low estimate as the poverty line was set at basic human survival. The basic index was raised to 500 yuan in 1995, 580 yuan in 1996 and 635 yuan in 1998. Assessments carried out by PADO, the World Bank and the United Nations Development Programme (UNDP) during 1999—2000 found many faults with China's spatial identification of poverty. The organisations' joint report estimated that only about half of China's poor lived in the 592 officially designated poor counties. Those that lived outside these counties received no poverty funds via PADO. The poor counties, too, did not always invest funds in the poorest areas or poorest households, diluting the poverty reduction impact of the investments. Authorities subsequently decided that a key aspect of the new poverty programs would be to ensure that funds went not to the county, but to the villages and households that needed them most.

While the official poor counties still exist, in 2001 provincial governments were asked to identify poor villages to be the focus of new poverty investments. Yunnan Province, for example, created the 1000 Village Fund, which would invest 2 million yuan in several hundred administrative villages over ten years. Half of this money would be for rural infrastructure projects that the villagers themselves would decide and the other half would be distributed in the form of cheap loans to individual households. Participating villages were divided into five groups, ostensibly based on need. The first group would receive funding in 2002—2003, the second in 2004—2005 and so on over 10 years. In the first phase (2002—2003) each county nominated between five and eight villages to be the first recipients.

Taking China's poverty programs down to the villages was a positive step in making sure that more funds reached those who needed them most. The projects, however, continue to be met with the same bureaucratic and operational constraints that have plagued China's poverty program since its inception. Firstly, although the village program targets villages directly, the funding still comes from the provincial government to the prefecture to the county and to the township before villages see any of it. In April 2003, the first installment from 2002 was reported to have arrived at one county's finance bureau, but village leaders interviewed were sceptical about whether or not it would arrive in the promised amount and for the agreed purpose.

Secondly, there is a lack of formal mechanisms for choosing project sites. Poor villages were selected rather arbitrarily by PADO officials, who sometimes succumbed to pressure from higher-up to locate funds in their hometowns. In Xianggelila County in northwest Yunnan, one of the county's wealthiest villages was
selected to be part of the program’s first group. The village lies at the outskirts of the county seat and has adequate roads, electricity and telephone connections. In 2001 villagers were offered subsidised loans to buy trucks. Many are wealthy entrepreneurs. By regional and national standards this is not a poor village.

Thirdly, poverty is still defined in monetary terms, and the solution is understood in terms of providing income-generating opportunities. Local officials do not always have the depth of knowledge required to understand that the poor need more than just income-generating opportunities, but, more importantly, the ability to partake of those opportunities. This means greater investment in human and social capital through formal education and training and by building on indigenous knowledge and practices. Instead, projects are parcelled out to outside contractors who typically bring their own skilled and semi-skilled labour teams with them.

Fourthly, despite the fact that villagers are supposed to participate in the allocation of the funds, there is very little evidence that this is taking place. Poor villages are still ‘backward’ places to which state agencies must bring ‘development’. In each township where a targeted village was located, township officials were tasked with drawing up a proposal for the funds that was to be signed and approved by the county PADO. In two townships in Xianggella County village directors had not even seen the proposals that had already been signed. They were simply told how the money would be spent. In one township, once the project plan was signed with PADO, township officials admitted to me that they had other plans for the money when it arrived.

The microcredit component of the new village program was not delivered to villages on schedule because PADO simply had no idea how to distribute the funds. China’s rural credit cooperative system is notoriously corrupt and inefficient, and there are no other institutions or staff at the local level capable of administering loans. According to the policy, the village government committees (cunweihui) are to decide which households or individuals get the loans and how much, but strict guidelines and training will need to be provided before that task can be performed fairly and efficiently.

Lack of access to credit is an ongoing obstacle to the poor in their own battle against poverty. Most of the poor are concentrated in mountain areas with small landholdings, limited by harsh climate, poor access to water and low soil fertility. The poor usually need to borrow money if they are to invest in fertiliser and irrigation works, but credit is hard to come by and, when it is available, the usual fortnightly or monthly repayment requirements are impossible to meet. Despite all the premises of increasing credit availability to households in the new ‘opening-up’ poverty programs, there are still no signs that the authorities have figured out how to make it happen.

Perhaps the biggest continual problem with the direction of new ‘opening-up’ poverty investments is that by prioritising rural infrastructure and growth, health and education have received smaller and smaller shares of the pie. While economic growth has arguably been the main reason behind China’s poverty reduction successes in the past, it alone will be insufficient in the fight against remnant poverty, concentrated in China’s remote mountain regions. Recent data has shown that while the incidence of absolute poverty has dropped as a result of past growth, the condition of those that remain absolutely poor has worsened (ILO and UNDP 2000). There are also millions who sit just above the poverty line, but are liable to fall below it at the slightest misfortune.

To escape poverty, the poor need more than rural infrastructure and access to markets. They need greater investments in social and human capital such as health and education. Access to health care is so restricted by cost and availability in China’s poor areas that the sick are often forced to stay at home and simply wait to die. Tuberculosis is rife in the mountain areas, and most of its victims still die even though treatment is available. Lack of health care is increasingly understood as a cause of poverty, as the poor are very often forced to sell off productive assets such as cattle to pay for medicines or treatment. Hospital treatment in rural China can cost up to seven times monthly income (Lucas et al 1997:16–23). The average county spends only 4 per cent of its budget on health care and there are almost no provisions for those with disabilities, a leading cause of poverty that is not addressed by the new poverty policy (Nyberg and Rezelle 1999:8).

Under-investment in education is another problem easily ignored by the ‘opening-up’ imperative for poverty funds. In 2002 the Ministry of Education announced that the mandatory nine years of education would be enforced across China, and that township officials would be held accountable for attendance levels. In many poor areas officials have responded to this by instituting fines for families that do not send their children to school. Inherent in the ‘opening-up’ discourse is the belief that parents keep their children out of school because they are backward and do not see the benefits of it. In most cases, however, it is simply that families cannot pay the various fees (in mountain areas children often have to board at school, which increases costs) or cannot afford to forgo a child’s labour contribution, to the household. Instead of fining truants, it would make sense for a part of the new poverty funds to be paid as subsidies to families who have children in school.

Conclusion

While poverty relief aimed at smaller administrative units is a step in the right direction in China’s fight against poverty, many of the same bureaucratic constraints continue to undermine the program’s effectiveness. State agencies are still ignorant of participatory methods of project design because they believe they must show the poor how to be ‘modern’. Investments in rural infrastructure have helped many remote communities, but the overemphasis on marketisation and wage employment reinforces the conviction that the poor are backward and unaware of what they need to do to rise out of poverty. There are hopes that China’s top poverty officials are beginning to take a more holistic approach to the understanding of poverty, but this will require tremendous effort on their part to change the attitude of lower-level cadres. The ‘opening-up’ policy will not substantially improve China’s chances
in the battle against remnant poverty until state agencies begin to see poverty and development from the perspective of the poor and bring those groups into the planning process.

Notes


2 in every single township in which I have conducted fieldwork on the politics of poverty, officials from township governments and PADO offices have derided poor farmers for their ignorance, timidity, superstition and laziness.

3 Officially there is also a food security poverty indicator based on a daily calorie intake, but it is not clear how this is used in policy formation and poverty targeting.


5 The administrative village is a conglomeration of natural villages that was known as a production brigade under the commune system. Administrative village leaders are no longer representatives of the state on state salaries, but are directly elected by villagers. They receive a cash subsidy for their work, paid by contributions of villagers in wealthier areas and by the Ministry of Civil Affairs in poor areas.

6 Based on several interviews with county, township and village officials conducted during fieldwork in Yunnan Province 2002–2003.

7 Wang Weimin, Director of the Leading Group for Economic Development in Poor Areas (LGEDPA) Policy Division, spoke of the need to consider 'lifestyle' and 'social' issues in addressing poverty. 'Reflecting the Voice of the Poor', forum hosted by LGEDPA/Asian Development Bank, Beijing, 17 August 2001.

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China’s mountain poor: Integrating poverty alleviation and environmental protection

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The Chinese government responded to disastrous floods in 1997 and 1998 with a new National Forest Protection Program (NFPP) that included a total logging ban. Experts at the time attributed the river control problems to the deforestation and erosion of key catchment areas in northeast and southwest China. After touring the western regions in 1999, Premier Zhu Rongji proposed a supplementary program that would close off strategic slopes to agriculture. To prevent starvation among the poor who depended on these lands for their survival, authorities guaranteed to provide grain subsidies until alternative sources of income could be secured. Known as the Sloping Land Conversion Program (SLCP, tuigenghuanlin) this program was adopted by the State Council in 2000 as a supplement to the NFPP. Pilot projects began in 114 counties in 13 provinces that same year. Recognising the environmental degradation-poverty cycle and the program’s potential impact on poor communities, in 2002 the State Council elevated the status of the SLCP to a joint Environmental Protection and Policy Alleviation program. The following paper is a critique of the poverty alleviation aspect of the policy.

The Sloping Land Conversion Program

The Sloping Land Conversion Policy is one of the most ambitious ecological programs ever undertaken in China. It is primarily a forestation, water and soil conservation project designed to convert 110 million mu (7.5 million hectares) of farmland to forest and grassland in mountainous areas in 2001-2010. Under the program, targets were set to convert wide swaths of sloping farmland (greater than 25 degrees in southwest China and 15 degrees in northeast China) back to forest or grassland. Farmers would receive one-off cash payments of 20 yuan² per mu, as well as annual grain subsidies of 150 kg per mu of converted land during the adjustment period. The subsidies are finite, initially set at two years for grassland, five years for commercial forest, and eight years for ecological forest conversions. In converting farmland to forest, the program’s stated goals were to free-up rural labour for off-farm employment, and provide for alternative sources of income in commercial forestry and non-timber forest products (NTFPs). According to policy documents, the large-scale reforestation scheme was also intended to boost investment in rural infrastructure and the scientific and technical knowledge of the rural community. While the program was mostly welcomed by participating farmers across China, serious doubt remain about long-term food security and the ability of the program to provide alternative incomes to China’s mountain poor.

The SLCP is a ten-year plan (2001–2010). A pilot phase was instituted in 1999–2001 and involved the participation of 16 million farmers, in 27 000 villages in 5700 townships in 400 counties across 20 provinces. In 2001, the China Council for International Cooperation on Environment and Development (CCICED) set up the Western China Forests and Grasslands Task Force to evaluate the program and its impact on the environment and local livelihoods. This paper is based on the findings of seven case studies commissioned by CCICED to evaluate the pilot phase, as well as the author’s own research in Yunnan Province during 2002–2003.

Program implementation

The central government decided the amount of land and areas to be converted for the pilot phase. The provinces prepared their own plans and targets and submitted them to the State Council and State Forest Authority (SFA) for approval. Program tasks were then assigned to the counties, which distributed quotas to the townships, the administrative level chiefly responsible for implementation of the projects. Very often the township and village level administrations were not consulted, placing constraints on local initiative and creativity, and leaving little room for local knowledge and expertise. Researchers in Dingxi County, Gansu Province, and in Tianquan County, Sichuan Province, found that the project was treated by local cadres as a ‘political task’ of the highest importance, resulting in the selection of prominent sites along highways for conversion where local officials could be seen to be doing their jobs (Ge et al. 2001; Du and Guo 2001). In Dingxi, stable terraces were converted so as not to disrupt the contiguity of the converted land. Farmers complained that low-productivity land on high slopes was left untouched while productive land that was not contributing to soil erosion was converted. Also in Dingxi in 2000, county authorities signed contracts with farmers for 30 000 mu of land conversion, but the Gansu Forestry Department scaled back the county’s quota to 18 000 mu (Ge et al. 2001:25). Taking advantage of good soil moisture conditions at the end of the year, poor farmers had already begun conversions for which no subsidies could be guaranteed. This was a potential disaster for local farmers, who are among the poorest in the country. The same problem was found in Tianquan County where conversions were begun on 1.97 times the allocated quota of land (Du and Guo 2001:19). In Heqing County, Yunnan Province, researchers found that local officials tended to favour richer households that they believed could be relied on to do a
areas in the remoter mountains (Zho 2001:29).

In all of the case studies, farmer involvement in project design and implementation was either extremely low or non-existent. In Zhuozi County, Inner Mongolia, 80.7 per cent of respondents indicated that they were given no choice in what to plant upon conversion (Gao 2001:28). In Haba village in northwestern Yunnan, township authorities planned to convert all lands to walnut trees because the price for walnuts in 2001–2002 was high. Some farmers complained that walnuts were being planted all over the region and that when the trees finally matured after 8–10 years, high prices would be unlikely (Hillman 2002a). Poor planning such as this is a direct result of the top-down nature of the program and a lack of technical capacity at the lower levels of government.

Compensation and food security

Grain compensation was first provided in 2000 by the State Grain Bureau. Grain was distributed to administrative village offices from which farmers could collect what was owed to them. Farmers in northwestern Yunnan complained that the first year's grain was so poor in quality as to be barely edible and noted that the amounts delivered were often several kilograms short. Farmers did not know at what level of the administrative hierarchy 'taxes' had been 'levied'. In the second year, farmers in Haba village accused the village director and local grain-store owner of substituting the new subsidised grain with older grain in his stockpile that he could not sell. Villagers said that they could not do anything about it because the director controlled the distribution of the grain.

Between regions, the grain subsidies have caused inequities because of the different value of grains. Some farmers are given wheat, others corn, but wheat is generally worth a lot more in cash terms. Some areas solved this problem in the second year by mixing the grains payable to each household. Heqing County in Yunnan went a step further by converting grain to a monetary value and giving farmers the option of a cash subsidy. This was welcomed by participants there (Zho 2001:13).

Many farmers questioned the adequacy of the subsidy, however. In Tianquan County, some farmers said they were forced to give up small sections of high yield for which subsidies of 150 kg of grain per mu were unfairly low. Fifty-three per cent of 225 households surveyed said that their participation in the program was not voluntary (Du and Guo 2001:21). While farmers at higher altitudes have generally been happy with the amount of the subsidy, they also note that trees take longer to grow there. Many respondents were afraid that the five-year duration of the subsidy for commercial forest would not cover them until trees bore fruit. The SLCP's target is for 80 per cent of conversions to be to ecological forest. Those subsidies are currently set for eight years, but it is doubtful that ecological forests will be able to offer farmers new income-generating opportunities. Respondents in Jiulong village in northwest Yunnan were hopeful that healthy ecological forests would be good for tourism and for NTFP foods and medicines such as the matsutake mushroom and caterpillar fungus (Hillman 2002b). However, matsutake prices depend entirely on export to Japan and have fallen each year since 1999. In 2002, the Japanese government banned imports due to a health scare, cutting collectors' incomes by half for that year. Some farmers had converted almost all of their arable land, leaving themselves totally dependent on the converted forest. Just one forest fire could destroy their livelihoods. The one-off cash payment of 20 yuan (US$3) per mu of converted land is also considered inadequate compensation for the forfeiture of farming rights to the land, especially when, in many areas, farmers are still forced to pay agricultural taxes on those lands. Legally, the converted lands remain farmlands and farmers do not have any firm rights over the use of the converted forests or grasslands. Farmers have no legal recourse if these resources are pillaged by other parties. Ironically, the SLCP is implemented under regulations and guidelines and not codified by legal statute.

There are glaring contradictions between the requirements of the program and China's Land Contract Law 2002 that guarantees farmers full usage rights of their lands for 30 years. It is likely that farmers will be within their rights to return to farming the converted lands when subsidies stop, defeating the ecological goals of the program and wasting billions of dollars of investment.

Impact on rural incomes

Forestry department officials widely believed that the SLCP would free-up labour for off-farm employment and therefore have a positive impact on rural incomes. However, the evidence from the case studies was not promising. In Tianquan County over 90 per cent of 225 households surveyed said that they now had too much surplus labour. In only 11 per cent of households, however, had members managed to find work outside the village. In the same county, researchers found that cash incomes decreased for many households converting cash cropland to forest. For these farmers, as for many in Heqing County, subsidies have not made up for the losses of those participating in the conversion.

In all seven administrative villages studied in Zhuozi County, Inner Mongolia, numbers below the poverty line fell because surplus labour had moved to urban areas such as the Hohot. The figures do not include an assessment of the prospects of those off-farm labourers, although the report conceded that their opportunities for work were few. In Ansan County, Shannxi Province, a number of pastoralists said that their income in the short to medium term would decline as they had lost access to converted grasslands, forcing them to sell off livestock that they could no longer sustain (Li et al. 2001). In Tianquan County, the reduction in corn, potato and wheat crops planted was shown to have a negative impact on incomes as farmers used mostly stored grain to feed pigs (Du and Guo 2001:25). The Yao in one area of northeast Yunnan similarly depend on pigs for 50–60 per cent of their cash income and need large amounts of grain to feed them (Huang 2002).

Even where grain subsidies were intended to boost household incomes, in many cases part of the subsidies had been diverted to compensate other parties for tree-planting services that farmers
were unable to provide themselves. Zhouzi and Heqing counties provided farmers with seedlings instead of the seedling subsidy in contravention of central government requirements. Villagers surveyed were not concerned about this as long as they were furnished with quality seedlings of appropriate species. In some cases, subsidies were not reaching farmers in full even though the county had received full payment from the provincial government. In Zhouzi County in 2001, of 201 households that had fulfilled their conversion duties, 43.1 per cent had received only part of their subsidies, while 18.1 per cent had received no subsidies at all (Gao 2001:23). This suggests that as monies moved between administrative levels, there was a significant ‘absorption’ of funds. For poor-area local governments, the conversion program is an investment of unprecedented size, and it is likely that the implementing levels of government have sought some compensation for manpower invested. This process has been made all the easier by the fact that most farmers surveyed are unclear about the specific objectives of the SLCP and the full entitlements owed to them for their participation.

One of the more worrisome outcomes of the program for household incomes in remote areas is the downward effect that the subsidy program is having on grain prices. While the subsidies compensate farmers for lands converted, the ‘free’ grain has been shown to have a deleterious impact on the price of grain from non-converted lands, affecting mostly those poor farmers not participating in the conversion program. This was found to be the case in most of the areas studied, with exceptions being high altitude or land-poor areas where grain production was not highly commercialised (Xu et al. 2002:58–59).

**Technical problems and commercial viability**

Not only does the 20 yuan per mu cash subsidy inadequately compensate farmers for ongoing management of converted lands, there are also concerns about the technical capacity of farmers and local governments to sustain the conversions. In Heqing County, farmers complained about the lack of technical support for maintaining saplings. In Duomei township, bananas were planted before the wet season and started well, but all died during the dry season. The species was inappropriate for a river valley with a prolonged hot and dry season (Gao 2001:18–19). In Dongba village, Xianggelila County, in 2003 the township government was planning to use a combination of SLCP and other poverty-alleviation funds to plant walnut trees. The saplings could be bought in Dali for 3.8 yuan, which was well within the 5 yuan subsidy received from the forestry bureau for each tree planted. Township officials noted the high prices that walnuts fetched on the local market in 2002 and showed me the figures that they had done to calculate how much each tree would be worth to farming families after 10 years. Their calculations were based on 2002 prices without considering that, as walnuts were being chosen as the commercial tree crop of choice across the county, prices in 2012 are likely to be significantly lower (Hillman 2002c). Farmers in Wujing township also complained that they were not given much choice of what to plant and that species chosen at the township level were inappropriate to soil and climate conditions. If they wanted the subsidies, they were told, they should plant either walnuts or chestnuts (Hillman 2003).

Across the counties, there was an under-emphasis on conversion to grassland. This was because the two-year subsidy was much less attractive to farmers than the five- and eight-year subsidies payable for trees, but also because of the ease with which potential income can be calculated from investments in commercial forest. Artificial grasses, however, offer an immediate positive impact on soil erosion and soil fertility and provide the basis for the future development of the animal husbandry industry, a key source of income for rural inhabitants of China’s mountain regions. The SLCP has driven farmers to spend more time on animal husbandry as labour is freed from agriculture, but this has put pressure on already overgrazed rangelands. The Natural Forest Protection Program (NFPP), of which the SLCP is an offshoot, has increased this pressure by preventing farmers from back-burning forest species that encroach on traditional grasslands (Hillman 2002d).

**Impact on rural infrastructure and investment**

The total budget for Zhuozi County’s SLCP in 2000 was 16.2 million yuan. Of this, 9.2 million yuan went directly into subsidies and saplings while 7 million yuan was earmarked for roads. The total budget for Heqing County’s SLCP was 16.2 million yuan from another poverty-alleviation fund to expand conversions beyond the quota. This money was to be invested in fruit trees for which no market alleviation fund to cover operating shortfalls (Shen et al. 2001). Similarly, township officials in Sanba were so convinced of the merits of the program that they appropriated 100 000 yuan from another poverty-alleviation fund to expand conversions beyond the quota. This money was to be invested in fruit trees for which no market research had been done. It was also a fund that was part of the ‘1000 Village’ program (qian cun) designed by the Poverty Alleviation and Development Office (PADO) to be paid directly to villages. The villagers had no input into this decision (Hillman 2002c).

**Summary of findings**

The ecological impact of the SLCP is still difficult to assess as conversion had only just begun in 2001–2002. On the other
hand, the impacts of the program on poverty are already becoming apparent. While farmers for the most part have embraced the program because of the grain subsidies, they recognise that those subsidies are finite and the government does not appear to offer sustainable alternatives to farming in the long term. Even for such obvious alternatives as animal husbandry, provisions have not been made for that industry to develop. Officials at the Animal Husbandry Bureau in Xianggelila County expressed their frustration at government policies that put the environment first and saw grazing animals as a threat to the environment.

The SLCP mistakenly assumes that surplus labour will be absorbed by urban areas and rural industry. This has been the experience of the wealthier rural areas of China's eastern seaboard, where rapid development has spawned urbanisation and new markets. The same economic restructuring, however, cannot be expected of remote mountain areas where population is sparsely distributed and where the rural economic production is not highly commercialised. There are few places for people to go in search of work. The SLCP has formally integrated poverty alleviation as one of its key objectives, but it is environmental protection that is its driving force, not sustainable livelihoods.

In fact, by integrating the SLCP with poverty alleviation, local governments assume that all their efforts to make the program work are efforts in the fight against poverty. By making this assumption and inadequately considering alternative livelihoods, the SLCP has the potential to harm long-term poverty-alleviation efforts. When subsidies run out in two, five or eight years, many farmers could be forced to reclaim land for cropping. Local governments have told farmers that the subsidies will continue if they cannot feed themselves. This could be an ongoing burden to the Chinese government unless the program is redesigned based on closer consultation with the communities concerned.

Notes
1 The Yellow River stopped flowing for a total of 267 days in 1997, and, in 1998, the Yangtze River caused floods that killed thousands of people and displaced millions more.
2 One yuan is equivalent to A$0.20.
3 Forest fires are a constant danger in northwest Yunnan and other mountain areas in China where forestry bureau officials often complain about their lack of staff and resources to fight fires.

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Poverty alleviation in China: Current situations and trends in agricultural and rural development

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Introduction

This paper introduces the current situations and trends in agricultural and rural development and poverty alleviation in China. Research results recently released by the Research Centre for Rural Economy (RCRE), in the Ministry of Agriculture, People's Republic of China, are reviewed. Results of research carried out by the author at grassroots level using Participatory Rural Appraisal (PRA) are presented, with analysis of the problems and constraints on agricultural and rural development and poverty alleviation in China.

The status of agricultural and rural areas

In China, more than 60 per cent of the population of 1.2 billion live in rural areas, with living standards much lower than those of urban citizens and the income gap between urban and rural citizens continues to widen. While agricultural production contributes less than 20 per cent of GDP (17.7 per cent in 1999), the sector employs 50 per cent of the nation's more than 0.7 billion labourers (50.1 per cent in 1999). This means that non- and off-farm activities have developed quite rapidly over the last two decades, most rural labourers are still mainly engaged in agriculture, with lower productivity and less income than urban residents.

Significant income disparity exists not only between urban and rural areas (about 3.11:1 in 2002) but also between the rural areas among the regions of the East (coastal area), Middle and West. According to RCRE's household survey, farmers' income ratio among the three regions was 189:110:100 in 2002. The poorest Western Region is the target area of a newly initiated national development program, and includes the 12 provinces, autonomous regions and municipalities of Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Xinjiang, Inner Mongolia and Guangxi.

Changes in agricultural and rural structures over the last five years

RCRE researched over 20,000 farm households in more than 340 villages across 31 provinces, autonomous regions and municipalities, showing the changes in agricultural and rural structures from 1998 to 2002 (Guan and Wei 2003).

(1) Significant changes in crop production

The sown area of farm crops of the investigated households decreased by only 1.1 per cent from 1998 to 2002, however, the structure changed significantly.

<table>
<thead>
<tr>
<th></th>
<th>Food crops</th>
<th>Cash crops</th>
<th>Other crops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationally</td>
<td>-7.1</td>
<td>+18.4</td>
<td>+37.7</td>
</tr>
<tr>
<td>East</td>
<td>-17.7</td>
<td>+48.4</td>
<td>+88</td>
</tr>
<tr>
<td>Middle</td>
<td>-0.7</td>
<td>+32.1</td>
<td>+3.5</td>
</tr>
<tr>
<td>West</td>
<td>-5.8</td>
<td>-15.4</td>
<td>+22</td>
</tr>
</tbody>
</table>

The sown area of food crops, including rice, wheat, maize, beans and potato/sweet potato, has decreased by 7.1 per cent, from 0.13 to 0.12 ha/ca. Cash crops (oil crops, cotton, flax, sugar plants, tobacco) and other crops (vegetables, forage, for example) have increased by 18.4 and 37.7 per cent respectively. However, the changes vary significantly between different regions. In the comparatively developed East Region, sown areas of food crops decreased by 17.7 per cent, while the production of cash crops and other crops increased by 48.4 and 88 per cent. In the nation's main area of food crop production, the Middle Region, areas sown with food crops decreased by only 0.7 per cent, while cash crop production increased by 32.1 per cent. The poor Western Region had decreases in both food crops (by 5.8 per cent) and cash crops (by 15.4 per cent), mainly due to one of the national strategies of Western Region Development, which was to convert cultivation to forestry and forage production, particularly on sloping, rain-fed mountain land where cash crops are usually grown. Market factors also contributed to the changes.

(2) Optimisation of the composition of the major crop species

The development of the market economy in China, as well as the natural advantages and disadvantages of agricultural production, led farmers to adjust the composition of their crop species.
Table 2 Percentage changes in crop species composition, by sown area, 1998–2002

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Rice</th>
<th>Cotton</th>
<th>Maize</th>
<th>Soybean</th>
<th>Oil plants</th>
<th>Sugar plants</th>
<th>Tobacco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationally</td>
<td>-21.4</td>
<td>-15.7</td>
<td>-20.1</td>
<td>+10.4</td>
<td>+3.7</td>
<td>+23.6</td>
<td>+17.4</td>
<td>+101.1</td>
</tr>
<tr>
<td>East</td>
<td>-30.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle</td>
<td>-34.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-58.6</td>
</tr>
</tbody>
</table>

Table 3 Percentage share of production/sown area of crops in the Middle Region

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Rice</th>
<th>Maize</th>
<th>Soybean</th>
<th>Oil plants</th>
<th>Sugar plants</th>
<th>Vegetables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production share change (as %)</td>
<td>-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sown area share (%)</td>
<td>45</td>
<td>51</td>
<td>79</td>
<td>41</td>
<td>57</td>
<td>40</td>
<td>76</td>
</tr>
<tr>
<td>Change (as %)</td>
<td>+4</td>
<td>+4</td>
<td>+4</td>
<td>+9</td>
<td>+7</td>
<td>+17</td>
<td>+55</td>
</tr>
</tbody>
</table>

Table 4 Changes in production/farm household person (kg, %)

<table>
<thead>
<tr>
<th></th>
<th>Fishery</th>
<th>Dairy</th>
<th>Poultry eggs</th>
<th>Beef and mutton</th>
<th>Pork</th>
<th>Forestry products</th>
<th>Poultry meat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>21.4</td>
<td>10.3</td>
<td>6.3</td>
<td>2.3</td>
<td>29.8</td>
<td>20.4</td>
<td>12.5</td>
</tr>
<tr>
<td>2002</td>
<td>29.7</td>
<td>14.6</td>
<td>15.5</td>
<td>3.3</td>
<td>30.1</td>
<td>23.4</td>
<td>11.5</td>
</tr>
<tr>
<td>+/-</td>
<td>+38.8</td>
<td>+41.4</td>
<td>+146</td>
<td>+45</td>
<td>+0.8</td>
<td>+14.8</td>
<td>-8</td>
</tr>
</tbody>
</table>

Households decreased the sown area of wheat by 21.4 per cent generally, and by 34 per cent in the Middle Region particularly. Rice decreased by 15.7 per cent as a whole, and by 30.1 per cent in the East Region. Cotton decreased by 20.1 per cent as a whole, and by 58.6 per cent in the Western Region. The sown areas of maize, soybean, oil plants (for example, groundnuts and rape seed), sugar plants (sugar beets and sugar cane) and tobacco increased by 10.4, 3.7, 23.6, 17.4 and 101.1 per cent respectively.

(3) Regionalisation of crop production

Compared to other regions, production of food and cash crops has gradually become more concentrated in the Middle Region.

As the nation's main area of food crop production, the Middle Region increased the share of rice, maize and soybean by 4 percentage points (to 45, 51 and 79 per cent respectively of the nation's sown areas); 9 percentage points for cotton (to 41 per cent); 7 percentage points for oil plants (to 57 per cent), 17 percentage points for sugar plants (to 40 per cent), and 55 points for vegetables (to 76 per cent). Market factors and a comparative lack of profitability meant the share of wheat production decreased by 5 percentage points.

(4) Optimisation of agricultural structure

Among the investigated households nationally, the production of fish, dairy, poultry eggs, beef and mutton increased greatly, pork production remained almost the same, forestry increased to some degree, and poultry meat decreased a little, as shown in Table 4.

(5) Increase in labour inputs to and income from non- and off-farm activities

Among the investigated households, on-farm labour inputs decreased from 99.6 to 93.1 days/labour per year (with an increase from 66.3 to 86 in the Middle Region, showing the importance of on-farm activities to livelihoods in this region), while off-farm and wage labour inputs increased by 26.9 per cent and 70 per cent (from 15 per cent of the total labour days in 1998, to 23.6 per cent in 2002).

Labour inputs to cultivation decreased from 54 to 45 per cent of the total labour days (by 15.7 per cent in food crops particularly),

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and in animal rearing from 18 to 12 per cent. Fishery increased from 2 to 4 per cent, home industry 4 to 6 per cent, transportation 3 to 4 per cent, and service 9 to 16 per cent.

On-farm income decreased from 71.6 to 65.7 per cent of the total. Within this figure, cultivation income decreased from 42.4 to 34.5 per cent, animal rearing from 16.2 to 15.9 per cent, while fishery and forestry income increased from 4.1 and 1.3 to 5.6 and 1.5 per cent respectively.

Remittances from wage labour accounted for 17.1 per cent of total household income in 2002, an increase of 68.4 per cent (317 yuan) from its proportion of 12 per cent in 1998.

**Comments on results of RCRE research**

While the research results show the changes in agricultural and rural structures in China over the last five years, they do not show:

- the fluctuations that occurred within the five years, for example, the production of tobacco (decreases in certain years due to the changes of profitability);
- the differences within regions, between the resource-poor and resource-rich (in natural and physical capital) areas, for example, the increase of areas sown with cotton in the Xinjiang Autonomous Region; and
- the differences among the farm households with different asset situations.

This kind of research on policy could and should be further improved (maybe in sampling) and complemented by purposefully selected case studies with PRA methodologies and tools, especially in poor and marginalised areas.

**Socioeconomic constraints analysed using participatory methodologies**

For the last ten years, the author has been heavily involved in long- and short-term missions for more than ten international government organisations and NGOs, which conduct rural development and poverty-alleviation projects in China. This has provided many opportunities to undertake research on these issues and to assess the impact of policies through field studies at the grassroots level. Some results of analyses made by farmers/holders themselves, facilitated with PRA tools, are shown in Figure 1.

Farmers themselves considered low incomes and the difficulty of increasing income to be core problems. The direct causes include no or low profitability of food crop production, less profit from fruit production and animal rearing and limited income from off-farm wage labour work. Accordingly, the range of fundamental socioeconomic constraints to agricultural and rural development and poverty alleviation in the poor areas in the Western Region are identified, as shown in Figure 1.

**Figure 1 Problem analysis by farmers in western provinces villages**

- **High inputs, prices increase (fertiliser, plastic film for maize and vegetable, 7.8-10 yuan/kg)**
- **Low price of grain crops**
- **Limited arable land (0.13 ha/ha) with larger portion of middle-to low-yielding land**
- **Wheat just enough for own food, maize income matches the costs**
- **Income low and difficult to increase**
- **High tax and levies: Levies 140 yuan/mu (including special product tax, based on arable land area, regardless of the existence of fruit trees) and increase year after year; water fee 45 yuan/mu (since 1997); agric. tax 130 yuan/6 mu paid with cash, not in kind/wheat (if the price is high, paid in kind, since 1997)**
- **Only temporary wage labour work, 1/3 HHs lack labour for such work**
- **Exaggerated reporting of income by officials**
- **Loans obtained by mortgage, 100 yuan for borrowing 800**
- **Lack of information and marketing channels, purchase expensive and sale price low**
- **Remote and isolated**
- **Lack of technology and services**
- **Fruit trees not profitable due to low fruit prices, cash crops easily over-developed, causing prices to fall**
- **Losses sustained in pig rearing: no pasture and labour to graze sheep/goats, no money to buy a flock, small number can only be pen-fed, stock losses commonplace**
- **Income low, and difficult to increase /"
Particular constraints on farmers' income-earning capacity

A number of factors are shown to restrict farmer's income-earning capacity. High taxes and levies severely constrained farmers' initiatives to develop animal production and fruit trees. Collections were usually not based on real production and income, but on the acreage of arable land contracted. In some areas visited, farmers had cut down their fruit trees and reduce livestock numbers.

There was a lack of appropriate techniques suited to the natural conditions and socioeconomic context of the farmers and herders in the poor areas/Western Region. For example, most of the 100 technical packages recommended by forestry scientists for converting cultivation to forestry in the Western Region were simply the results of on-station research by scientists, which had not yet been adapted to the conditions of small-holder farmers. On the other hand, extensionists in the poor areas were constrained from providing the necessary services because of financial shortages.

The independent approach of the different agencies does not suit the requirement for a comprehensive and holistic treatment of agricultural and rural development and poverty alleviation, nor can it bring about sufficiently effective and efficient interventions. For example, for a piece of mountain land, foresters might suggest afforestation, agriculturalists recommend planting fruit trees (the sector belongs to the agricultural department in China), while the animal husbandry people will propose the development of grassland for grazing animals.

The low-carrying capacity of the land and poor infrastructure and access to technical services, credit, markets and information, education, health care, etc., all hindered the farmers' attempts to increase income and improve living conditions. Finally, a top-down approach to planning the economy cannot guarantee rational planning and decision making and farmers' genuine participation, all of which are necessary for the sustainability of development interventions.

Problem analyses of the constraints

When the socioeconomic constraints are analysed, they can be attributed mainly to the following five institutional factors. First, the problem of limited local revenue. In the early 1990s, fiscal and taxation reform had been implemented nationally, in order to redress the balance of funds going to the upper levels and to separate taxes into national and local tax streams. This stimulated economic development in the comparatively developed areas, but was less beneficial in the less-developed or poor areas. In these areas, revenue relies too much on agriculture and the rural population — in the poor counties this can be over 80 per cent. On one hand, the growth of agriculture and the rural economy are stagnated, while, on the other hand, there are too many government staff to feed and increased salaries to fund. Some local leaders worsen the situation by fake reporting of the farmers' production and income situation.

Second, there is the heavy burden of the cost of children's education through levies and direct payment. Payment for teachers is responsible by local fiscal expenditure, even up to 50 per cent of the total in some poor counties and townships. Therefore, the burden was transferred to farmers. As a result, in poor counties, the middle school enrolment rate is even lower than in the 1980s.

Third, there is a lack of 'people-centred' institutional mechanisms for the evaluation of the performance of cadres/local leaders or for their promotion. Therefore, cadres simply cater to the upper levels, not the farmers.

Fourth, improper involvement of local government in economic activities and issues, for example, in the development of the new farm activities, land tenure, access to credit, etc., is an issue. Local leaders often use such measures to demonstrate their performance or achievements. Nationwide, there is about 200 billion yuan of debt at township level. Most of this debt has been caused by mistakes in development planning. Farmers in those areas have had to develop the assigned agricultural products, using a portion of their contracted land and borrowing money in order to do so. However, no marketing channels and technical service delivery were available for them.

Fifth, after many years operating in a centrally planned economy, officials lack awareness of the role of farmers as the main actors for agricultural and rural development and poverty alleviation.

Recommendations and their impact on policy change

Based on field studies at the grassroots level and research, in 2000 the author made recommendations to the State Commission for Development and Planning, which is one of the major policy-designing institutes in China. These proposals were published in 2002 (Li and Li 2002). As a university-based researcher, the author is not in a position to say exactly which recommendations have been accepted. However, most of the recommendations, together with those of some other scholars in China, have coincided with changes to agricultural/rural development and poverty alleviation policies in China over the last few years. Their impact can be assessed by comparing the recommendations with the government's policy changes.

Recommendation: To reduce or exempt farmers' tax and other financial burdens in poor areas/Western Region, for example, in agriculture, education, etc. To reduce government staff numbers, and restore farmers' ability to invest and increase income, and develop market demand in rural areas.

Policy changes: Extensive fees-to-tax reform has been made since 2002, after trials in Anhui Province. The tax burden on farmers has been reduced by 30 per cent on average. The Chinese premier, Wen Jiabao, recently announced that the tax of specialised agricultural and forest products, one of the two tax categories that remained after the initiation of reform, will be abolished gradually, beginning in areas with better economic conditions. Measures were taken to control tuition fees for elementary and middle schools
in poor areas in 2002. Restructuring of government at county and township levels was begun in 2002, by reducing the official number by 20 per cent. However, big efforts are still needed, considering the current high dependence ratio of 28:1, (that is, 28 taxpayers are required to support one government or semi-government staff member such as teacher for the latter case).

**Recommendation:** Transfer revenue from national and provincial levels to fill the gap in local revenue caused by the tax/levies reduction and exemption.

**Policy changes:** The central government has taken such measures within the fees-to-tax reform, and rural primary education (in the nationally designated poor counties) since 2002.

**Recommendation:** Direct election of local leaders to improve their accountability to ordinary people/voters.

**Policy change:** A few cases were permitted by upper levels at township level in some provinces.

**Recommendation:** Institutional reform to avoid leakage of development funds, for example, the subsidy for converting land from cultivation to forestry.

**Policy change:** Measures have been taken in relation to some programs, for example, an external review by academics of the program of converting land from cultivation to forestry, to see if the farmers concerned had received subsidies of grain food and money.

**Recommendation:** Cross-sector technical extension and service delivery with farmers’ participation.

**Policy change:** No policy or institutional change yet.

**Recommendation:** Subsidies for herders to reduce livestock population and restore grassland, and for farmers to convert cultivation to forestry, and for the development of alternatives for generating income.

**Policy change:** Policy of subsidy was issued in 2002.

**Recommendation:** Advocate the participatory approach, empower farmers with the rights to express, analyse, make decisions, manage/M&E (monitoring and evaluation), and develop various farmers’ community organisations.

**Policy change:** The Participatory Village Development Planning (PVDP) was officially adopted by the State Council’s Leading Group for Poverty Reduction (LGPR) in 2001 as one of the new strategies for the national PRA Program (2001–2010). This occurred after more than ten years of efforts made by us, the participation researchers and practitioners (see box for a history of CIAO) to introduce and adapt the participatory approach and methodologies to Chinese circumstances.

**Recommendation:** Adhere to the principles of pro-poor, especially in access to land tenure, service, credit, education and health care.

**Policy change:** Some new laws and regulations have been recently issued to protect farmers’ rights of land use. For example, the Law of Rural Land Contract, newly implemented in 1 March 2003 has special articles stipulating the protection of land-use rights of the newly married, divorced and widowed women. A new policy on microcredit for the poor without the need of a mortgage was issued and rural cooperative health care systems will have been established by 2010.

**Recommendation:** Promote education and vocational training for the migration of farmers and urbanisation of rural areas.

**Policy change:** Policies have not yet been officially formulated.

From this comparison, it can be concluded that the participatory research and field studies at the grassroots level can contribute much to policy formulation relating to agricultural and rural development and poverty alleviation.

**Chinese government strategies for agricultural and rural development and poverty alleviation**

In February of this year, the Chinese government’s central conference on rural workers issued new strategies for agricultural and rural development. They include:

- maintaining a stable policy toward rural development, for example, ensuring farmers’ long-term legal land-use rights, and continuing and deepening ongoing reform, for example, of taxes and administrative charges, grain purchasing and marketing systems, subsidisation, access to bank loans, etc;
- optimising agricultural and rural economic structures to foster new areas of growth, for example, safe and environmentally friendly products with high quality, yield and efficiency that bring more benefit to farmers and narrow the income gap between citizens in rural and urban areas;
- planning urban and rural development holistically, and enhancing the potential of urban areas to assist rural development; and
- further improving grassroots democracy and promoting the comprehensive development of rural societies.

**Challenges to the implementation of new strategies**

The Chinese government’s strategy focuses on increasing farmers’ income and employment. However, the farmers’ current situation is characterised by several quite severe aspects:

- The annual increase in farmers’ income has stagnated, with 9 per cent growth in 1996, 4.6 per cent in 1997, 2.1 per cent in 2000, and 4 per cent expected in 2002. This last figure is much lower than the ‘increase in urban citizens’ income.
- Increases in income occurred mainly in non-agricultural sectors, while in agricultural sectors, rates decreased between 1997 to 2001 by 8 per cent (102 yuan/ca).
• The income of households engaged only in agriculture had actually decreased and the inter-household disparity enlarged, both at community level and among the regions, for example, 6000 yuan/ha in Shanghai's outskirts, while only about 1500 yuan in Gansu and Guizhou.
• The income disparity between urban and rural population continued to expand. Statistically, the gap moved from 2.57:1 in 1978, 1.7:1 in 1984 to 2.65:1 in 1999, 2.89:1 in 2001, and 3.11:1 in 2002.
• Agricultural labour accounted for 325 million workers in 2001, an increase of 40 million since the rural reform of the late 1970s. Employment in Township and Village Enterprises (TVEs) of 130 million in the period 1997 to 2001 occurred without any net increase or absorption of surplus rural labourers.

The Chinese government formulated new poverty-alleviation strategies for 2001–2010. Besides the PVDP, targeting mechanisms are the key to solving previous problems. Instead of focusing on industry development at county and township levels in nationally designated counties, the goals are to identify the really poor villages by calculating the poverty index for each village, and then to concentrate assistance at the community level. Meanwhile, improvements in infrastructure and services are also emphasised, to provide a better environment for household and community development in poor areas.

Institutional constraints to increases in farmers' income and countermeasures

When analysing the challenges to the implementation of the new strategies, some senior Chinese researchers suggested that institutional settings, such as the following, are still the main constraints on the increase of farmers' incomes (Chen 2002).

There is the limited demand for agricultural products. More than 60 per cent of the population reside in rural areas and engage in agriculture, while only the remaining 30 per cent are consumers. One of the fundamental measures to overcoming this limitation is migration from rural to urban areas. However, discriminatory policies and measures exist to hinder such migration. It was estimated that more than 88 million farmers spent more than three months labouring in the cities in 2001. More than 80 per cent of them engaged in hard and dirty manual work. Taking their dependents intro account, the number is more than 130 million.

A significant institutional obstacle is the fiscal and taxation system, which is characterised by (1) having too little allocation to agriculture or rural areas (about 200 billion yuan annually, accounting for only to 11 per cent of fiscal expenditure, 60 per cent from farmers' tax and charges), badly hinders infrastructure improvement; and (2) placing too heavy a burden for county and township governments in providing compulsory education (70 per cent of the national 190 million students and about 70 per cent of the expenditures), and in funding staff salaries. Moreover, a lack of funds for agriculture and rural enterprises (only 5.1 per cent of loans are spent in agriculture and 5.8 per cent in TVE), hinders development and employment.

Underdeveloped marketing systems for agricultural products and improper related policies, such as that for purchasing of grain products (the subsidy does not go to the producers but to grain bureaux) cause further problems for farmers.

The systems and structures of land tenure and organisation are other problematic institutional settings. The legal status of land-use rights has not been established for very long, and this hinders the development of tenure transference, and makes it easy for local government to infringe farmers' rights.

Finally, poor development of farmers' economic organisation leads to difficulty linking small-holder producers to markets, and the roles and work approaches of the governments, especially at the local level, mean planning for the economy is top-down, managing and planning of agricultural development is through administrative measures and command, and services to farmers are not provided.

One of the most famous researchers on rural development and the Deputy Director of the State Council's Development Research Centre (DRC), Chen Xiwen, has also proposed some countermeasures to overcome the constraints. For the strategic adjustment of agricultural and rural structures, he suggests:

- optimising the species/varieties and quality of crops and their regional distribution;
- further developing animal production, fishery and processing;
- further developing Township and Village Enterprises (TVE)/industry and service sectors; and
- promoting migration for wage labour and employment in urban area and urbanisation in rural areas, by allocating more public debt to improve the infrastructures at middle and grassroots levels and for converting cultivation to forestry.

To foster integrated urban–rural development, Chen suggests the establishment of a comprehensive system to plan the concerted development of rural and urban areas as a whole, including transferring the central government's fiscal revenue to assist the development of rural areas, designing policies by sectors, and giving urban and rural areas the same priority and importance.

To fundamentally overcome the constraints of the dual-sector structure of agricultural and rural development, the relevant principles should be adhered to in order to protect farmers' physical interests economically, and democratic rights politically, including free migration.

Challenges for development researchers and practitioners in China

Since late 2002 and early 2003, the policies in China have increasingly emphasised agricultural and rural development and poverty alleviation. When answering domestic and foreign journalists on 18 March, Premier Wen Jiabao explained the nature
of rural reform, including the reform of taxes and charges, purchasing and marketing systems for grain crops, the subsidy system for farmers in production, the rural financial system, and the rural health care system. He further emphasised the re-structuring of government at the county and, especially, township levels and the abolishment of all irrational taxes and charges collected from farmers, in order to fundamentally lessen farmers' financial burden. Accordingly, the newly added fiscal expenditures for science and technology, education, health care, etc. will be mainly used in rural areas, especially the poor areas. The central and provincial/municipal governments also successively issued policies to promote migration from rural areas and to protect the legal rights of the farmer wage labourers and their dependents staying in urban areas. Although the PVDP and the targeting of poor communities using the poverty index, for example, form part of the official framework and procedures for the new PRA program, the implementation is usually another story, due to the lack of institutional arrangements.

All of this suggests that development researchers and practitioners in China face considerable challenges. How can policies be made more relevant to the actual situation and livelihood of the farmers at the rural community level? How can they be made more operational and practical? What new policies should be formulated to meet the needs of the farm households, and how can the participatory approach be brought into the mainstream? Empowerment, good governance and mainstreaming are among the means for us to adapt policies to the Chinese situation and meet more challenges in the coming years.

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Agricultural development and poverty reduction in China: Policy considerations

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Agriculture and poverty in China

In the second half of the twentieth century, China experienced rapid industrialisation and changed from an agriculture-dominated economy to an industry-dominated economy. There has been significant growth in agricultural production, yet the industrial sector grew much faster. As a result, from 1952 to 2001 the share of the agricultural sector in GDP declined from 51 per cent to 15 per cent. However, because of the extremely large size and continued growth of the rural population, and because of government policy that restricted rural–urban migration — even from before the economic reforms beginning in the late 1970s — the share of the rural population declined by only 23 percentage points (from 85 to 62 per cent during the same period).

During the last two decades of the twentieth century (but mostly in the 1980s), the rapidly growing Township and Village Enterprise (TVE) sector and increasing rural–urban migration saw the movement of close to 200 million farmers to the non-agricultural rural and urban sectors. This shift significantly reduced the share of agricultural labour in total employment. However, in 2001 agricultural labour still accounted for 50 per cent of total employment (it was 84 per cent in 1952). Even with this decline in its share, the agricultural labour force doubled — from 173 million to 365 million.1

Farming is the most important component of the Chinese agricultural sector — much more important than animal husbandry, forestry and fishery activities. It accounted for 55 per cent of the gross value of agricultural output in the year 2001. In the year 2000, 51 per cent of rural household income came from the agricultural sector as a whole, and 39 per cent from farming — which shows how important off-farm income has become for rural households and how important off-farm income is in reducing poverty in the rural sector. Grain production is still the major farming activity, especially in less developed regions, although its importance is declining.

With the agricultural sector accounting for only 15 per cent of GDP, yet for 50 per cent of total employment, it is clear that farm-labour productivity is much lower than non-farm labour productivity. This low farm-labour productivity is reflected in the fact that there are only 0.3 hectares of arable land per agricultural worker. The low labour productivity is likely to reflect in large part the previous policy constraints on rural–urban migration.

Agricultural output growth significantly accelerated in the early and mid-1980s, following the agricultural reforms that transformed the collective-based production system to a household-based system. When the growth rate of agricultural output declined after the mid-1980s, the TVE sector (with output growing at an annual rate above 20 per cent) became the main engine of rural development. Rural per capita income in real terms tripled from 1978 (the beginning of the reforms) to 1990, while urban income only doubled. In 1990, rural and urban income per capita was 686 and 1510 yuan, respectively. While still large, the rural–urban income gap was significantly smaller than in the pre-reform period.

However, growth in both the agricultural and TVE sectors slowed in the 1990s, which led to stagnation of rural incomes. Meanwhile, urban economic growth remained rapid. Over the entire decade, 1990–1999, rural real income increased by 55 per cent, whereas urban real income increased by 94 per cent.

As a result of the slower growth of the agricultural and TVE sectors, rural–urban income disparity widened significantly. In 1990, rural income per capita was 45.4 per cent of urban income on average; by 2000 this ratio had declined to 35.9 per cent. The rural–urban income gap widened even more seriously in the least-developed western areas of China. In the year 2000, the average annual rural income per capita in China as a whole was 2301 yuan, whereas in the west region it was 1713 yuan (or US$207). Although absolute poverty has been reduced significantly over the past two decades, there remain large numbers of rural people living in poverty, mostly farmers.

The impacts of grain policies

The government pricing of grain and the policies affecting the domestic grain trade — which support the prices of grain paid to farmers and monopolise the domestic grain trade — are at least partially responsible for the slow growth of rural income.

Agricultural production and domestic trade of agricultural products were partially liberalised in the late 1970s and early 1980s. These reforms led to the total output of grain increasing from 283 million tonnes to 407 million tonnes in 1978–1984. At that time, grain production was subject to three prices: the government quota and above-quota prices, and the market price.

Because of the rigidity of the government quota price in nominal terms, the real government price of grain fell by 22 per
cent from 1985 to 1990 — a period of high inflation. Market prices played a role only at the margin, whereas government prices played a dominant role in grain production because the volume of state purchases was so large. As a result of low government prices, grain output stagnated at around 400 million tonnes in the late 1980s, while demand for grain increased significantly. The above-quota price was also set by the government in the early stages, at which time it was higher than the quota price but lower than market prices.

The setting of the above-quota price became more flexible in the 1990s when decision making on price levels was decentralised to local level. The above-quota price moved close to the market price and fluctuated in line with market prices. This change in the setting of the above-quota price seems to be the main reason for the increase in grain output to above 440 million tonnes in the early 1990s.

The government attempted to liberalise the quota system in 1993. However, this reform was soon abandoned because of grain hoarding that resulted due to expectations of sharp price increases. Market prices increased significantly and shortages of grain supplies appeared. In 1994, the government decided to increase the quota price instead of liberalising it. Quota prices were further increased in 1995–1997 to encourage grain production. Between 1995 and 1997, the quota price of grain in real terms was increased by 51 per cent.\(^2\) During the same period, the central government introduced a 'provincial governor responsibility system' to ensure local self-sufficiency of grain supplies.

However, the price adjustment was overdone. Responding to the quota price increases, grain output increased from 445 million tonnes to 512 million tonnes during 1994–1998, resulting in large surpluses and a large decline in market prices. However, from 1996 to 2000, market prices of rice, wheat, corn and soybean fell in real terms by 39 per cent, 35 per cent, 44 per cent and 44 per cent, respectively. The compound market price of the major grains (rice, wheat, corn and soybean) in 2000 was only 57 per cent of the 1995 level and 78 per cent of the 1997 level in real terms.\(^3\)

Facing supply surpluses and low market prices, the government announced a new policy in 1998 to offer unlimited purchases at fixed prices. This was to avoid financial losses of the government and prohibit private businesses from directly purchasing grain from farmers in order to ensure the state monopoly on prices.

These policies did not achieve the goal of protecting farmers for the following reasons. First, after two decades of market-oriented reform, it is extremely difficult to entirely monopolise grain purchases. Second, the policy role that was given to state grain companies conflicted with their role as profit makers. To make profits or to avoid losses, they tended to under-grade the quality of grain they were purchasing from farmers. Further, despite the government banning such activity, they made profits by trading between the quota and market prices. Third, even if consumer prices could be fixed, demand for grain is not under state control. As a result, the over-supplied grain could not be sold off and the losses had to be borne by either the state or the farmers. In practice, the state budget bore huge losses, and farmers also suffered from difficulties in sales.

As a result of these outcomes there have been some policy changes: some low quality grains were excluded from the support list in 2001; in 2002, grain markets were liberalised in eight coastal provinces that are relatively large consumers of grain; and, finally, decision making about support prices has been transferred from the central to the provincial governments, resulting in more flexibility of support prices and bringing them closer to market prices.

In spite of these changes, the support price system still conflicts with the market mechanism. Further policy change towards market determination of grain prices and trade would be beneficial, as production would be in line with China's comparative advantage.

### The impact of WTO accession

In 2001, China joined the World Trade Organization (WTO) and in the process committed to open its food markets to imports in various ways. The most important of these commitments is that China will apply a Tariff Rate Quota (TRQ) to major grains (rice, wheat and corn) imports with a tariff rate of only 1 per cent. The TRQ applied was to be 18.31 million tonnes in 2002, rising to 22.16 million tonnes in 2004. Importantly, the quota will not be a monopoly of state-owned companies. There is to be no import quota for soybeans. The tariff rate for soybeans is to be only 3 per cent. Non-tariff barriers on imports of agricultural products and export subsidies are to be eliminated (WTO 2001).

The 22 million tonne TRQ to be applied in 2004 is large compared with historical levels of imports. During the 1990s, average annual imports of grain were 9 million tonnes. There was only one year, 1995, when grain imports exceeded 20 million tonnes, and this resulted in a serious surplus on the domestic market. The 2004 import quota is equal to 5.5 per cent of the total output in 2000, however, its share in the traded domestic grain market is much larger because half of the grain output is consumed by farmers. If, indeed, the TRQ were to be fully utilised in the near term, it is estimated that it could mean the loss of 9 million farming jobs (Wang 2002).

It appears that China does not have a comparative advantage in the production of wheat, corn and soybeans. The average prices of these three products in China's rural markets over the period between 1995 and 2000 were 7 per cent, 30 per cent and 31 per cent higher than their 2000 import (CIF) prices, respectively. The wholesale prices would be even higher than these rural market prices if there were no subsidies. Not surprisingly, there were dramatic increases in imports of soybeans and soybean oil in 2000 and 2001. Soybean imports reached 14 million tonnes in 2001. Thus, there are likely increases in grain imports and domestic production will decline significantly.

Due to the excess supplies and the large decline in domestic prices in recent years, grain imports (mainly wheat, rice and corn) have been at moderate levels and the TRQs is currently not fully used. However, the TRQ is playing a role in preventing domestic grain prices from increasing. Clearly, without major adjustments in domestic grain policy and the production structure, increases in grain imports will significantly affect farmers' incomes and further widen the urban–rural income gap.

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\(^1\) Data from the National Bureau of Statistics of China.

\(^2\) Data from China Statistical Yearbook 2001.

\(^3\) Data from China Statistical Yearbook 2002.
However, the WTO accession also provides great scope for reforming China’s agricultural sector, leading to positive long-term effects on farmers’ incomes as it pushes agriculture towards its comparative advantages and higher efficiencies. In 2002, the area sown to grain in China fell by 2 per cent, whereas total grain output increased by 1 per cent from the previous year. New breeds of soybean with higher quality and higher oil content were introduced to northeast China, the main region for soybean production (CCTV 08/01/2003). These changes indicate the potential for further increases in efficiency in agricultural production in response to the WTO commitments. However, to increase agricultural efficiency significantly and substantially reduce rural–urban income disparities, structural adjustments in agricultural production and broad changes in China’s domestic grain trade policy are needed.

Reducing rural poverty: Policy considerations

Past experiences show that government control of grain prices has resulted in increased instability of grain supplies and increased fluctuations in prices, and that this has had a negative impact on farmers’ incomes (Wang 2001). Allowing the grain market to determine prices will have at least the following benefits. First, the grain surplus would soon be absorbed, which would remove the huge burden of uncertainty overhanging the market. Second, market prices formed on the basis of demand and supply will give farmers the best available information on which to base their production decisions. Other agricultural products in which China has comparative advantage, for example, some vegetables, fruits, animal products, and herbal medicines, will be produced instead of grains, and this will help to increase farmers’ incomes. Third, the government will be rid of the heavy contingent liability that it has assumed by taking responsibility for setting grain prices.

Further, other related policy changes might be considered, for example, enacting anti-monopoly regulations on grain trade; providing government services to farmers in the form of information about prices and forecasts of domestic and international food production and demand, especially to those who live in remote areas and have little access to market information; and expanding the agricultural technology support and training systems to help farmers, especially with technologies for production of non-polluted food.

Perhaps a more important measure to reduce rural poverty would be a significant reduction of labour redundancy in the rural sector via acceleration of urbanisation. This would mean the removal of institutional barriers on rural–urban migration, providing job training to farmers, improving rural education, and improving urban infrastructure and urban planning.

Conclusion

Much has been achieved in China through the economic reforms in the agricultural sector over the past 25 years. However, government interventions in recent years to improve farmer incomes — particularly attempts to set the prices of important agricultural products — have had the opposite effect. Prices have been destabilised and farm incomes have fallen further behind those in the urban sectors. China’s accession to the WTO and the commitments it has made to freeing-up imports will increase the downward pressure on rural incomes.

The agricultural sector should be allowed to respond to WTO commitments. This will involve reductions in the production of some commodities. However, production of other agricultural commodities in which China has a comparative advantage will be increased. The WTO commitments should, however, be accompanied by government commitments to stop intervening in setting the prices of agricultural commodities.

Clearly, there are too many people trying to make a living in agriculture, largely because of various institutional barriers on rural–urban migration. Because of these barriers, agricultural productivity and agricultural incomes are much lower than urban productivity and incomes. Perhaps the most important policy change toward improvement of rural incomes and reduction of the rural–urban income gap would be the removal of the barriers on rural–urban migration.

Notes

1 Data are from the Chinese National Bureau of Statistics, various years; for other data the same source is used, unless otherwise indicated.
2 Calculated by the authors as a weighted average of rice, wheat and corn prices; data are from the Ministry of Agriculture, various years.
3 Calculated by the authors. Data are from the Ministry of Agriculture (various years), NBS (various years), Information Center of the Ministry of Agriculture, and Wu (2001).

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The Economics and Foreign Trade Training project and economic growth and poverty alleviation in China

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In the late 1970s, the Chinese government embarked on a program of economic reform that included greater interaction with the market economies of the Western world and with the international organisations supported by those economies. The latter led to an application by China in 1986 for membership of the General Agreement on Tariffs and Trade (GATT), the precursor to the World Trade Organization (WTO). Progress towards membership in the WTO was slow, due in part to inadequate knowledge and understanding among key Chinese officials of the benefits of liberal trading and investment regimes, the nature of the WTO, and the steps involved in implementing WTO agreements. In 1994, Vice Minister Long Yongtu of China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC), proposed that Australia facilitate China's accession to the WTO by providing training in these areas.

In 1995, AusAID, the Australian Agency for International Development (formerly AIDAB), commissioned a team to hold discussions on the vice minister's request with a range of policy-oriented and training institutions in Australia and China. The team carried out its mission against the background of AusAID's twin goals of economic development and poverty alleviation. It concluded that the requested training would facilitate China's accession to the WTO, that membership of the WTO would promote a more liberal trading and investment regime in China and that this would foster economic development in China. The team also recognised that poverty in China was concentrated among farmers. It considered that the scope for increasing farm incomes by raising farm productivity was limited and that a freer trade and investment regime would facilitate the creation of higher productivity jobs in the industrial and services sectors. The team also recognised that the movement of workers from farms to these other sectors would contribute to poverty alleviation by reducing the size of the population that shared in farm income and by increasing remittances to those who remained on the farms.

In December 1997, the governments of Australia and China signed a Memorandum of Understanding to support an Economics and Foreign Trade Training (EFTT) project. In early 1998, a consortium of Hassall & Associates and IDP Education Australia was selected as the Australian Managing Contractor (AMC). Implementation of the project commenced in June 1998, with funding of A$5.082 million provided by the Australian government. The project is expected to be completed in May 2003.

The EFTT project

The overall goal of the project was 'an increased appreciation by Chinese officials, across the range of trade and economic agencies involved, of the rights and obligations which membership of the World Trade Organization (WTO) provides, with an increased awareness of the benefits of open trading systems'. To facilitate implementation, the project was disaggregated into five operational components, each with its own objective, namely:

- greater understanding among key officials of the multilateral trading and investment system and the GATT/WTO;
- increased capacity of key ministries, especially MOFTEC, to adopt liberal foreign trade and investment policies;
- greater capacity of line ministries and agencies to implement specific WTO agreements;
- generation of collaborative research and policy studies; and
- enhanced capacity to provide further training on WTO issues.

The objectives were pursued through three major strategies. First, the project supported the generation of materials on the WTO and its agreements. Eleven modules were prepared by academics from the University of International Business and Economics (UIBE) and the Shanghai Institute of Foreign Trade (SIFT); these were subsequently published by a commercial firm in a book entitled The WTO: Rules and Mechanisms. Materials used in 12 'Component B' workshops and 18 'Component C' workshops were placed on the project's website and in-depth collaborative research and policy studies were produced on WTO-related topics in the areas of agriculture, competition, foreign investment, insurance, procurement, regional trade arrangements, securities, telecommunications, and trade and environment.

Second, training programs were provided for officials involved in the formulation and implementation of foreign trade and investment policies. The target officials came mainly from MOFTEC, the ministry responsible for the negotiations on WTO accession, but also included staff from other agencies concerned with implementation of WTO agreements. The programs included a ten-month Graduate Diploma in Economics (GDIE) at the University of Adelaide for 48 officials and a Master of Commerce, Economics and Finance delivered in Beijing by Curtin University of Technology for 34 GDIE graduates. Both courses placed
emphasis on the nature and mechanisms of market-oriented economies, especially in the areas of international trade and investment. The programs also included 16 study visits to Australia for 64 officials that focused on policy aspects of WTO membership, and 35 in-country workshops for 1562 participants that concentrated on the major technical issues related to China's accession to and membership of the WTO.

Third, the project sought to build a capacity to continue the training programs when the project was completed. This strategy focused on UIBE and included the provision of four study visits to Australia for 15 UIBE staff; five workshops focusing on the generation and delivery of online material for 83 UIBE staff; visits of about ten weeks' duration by 12 UIBE staff to Australian universities; and computer hardware and software, including design and installation of the project website.

The project was highly successful. All activities and outputs were achieved and comments by monitoring and evaluation teams indicate that the standards were generally very high. The most successful outcomes were produced by the academic programs (the Graduate Diploma and Masters degree), the 'Component B' workshops and the policy studies. The major reason for the project's success was MOFTEC's strong support of the overall goal, which led to close cooperation between MOFTEC's Department of the WTO and the AMC in implementing the project's activities.

The WTO and foreign trade and investment regimes

In December 2001, China joined the WTO. Since becoming a member it has adopted a positive approach toward both implementing the WTO agreements and contributing to the WTO's further policy and operational development.

The policies of the WTO encourage members to refrain from discriminating among other members (Article 1, General Most-Favoured-Nation Treatment, states that a concession granted to one member should be accorded to all other members) and against foreign suppliers (Article 3, National Treatment on Internal Taxation and Regulation, states that internal taxes and regulations should not be used to afford protection to domestic over imported products). The policies and practices of the WTO also foster reduction in the use of external taxes (tariffs) and regulations (quantitative controls) to protect domestic products and in barriers to foreign investment. They therefore contribute to a system that minimises any distorting effects that national boundaries might have on the global patterns of trade in goods and services and investment. They contribute to the globalisation of trade and investment.

Globalisation and economic development

Globalisation fosters a higher level of global income by encouraging international specialisation along lines of comparative advantage. Removal of impediments to trade thus generate a higher rate of economic growth as the world economy adjusts to the new, freer pattern of policies. Globalisation also fosters growth by facilitating the movement of productive resources among countries. The most obvious example is capital, which tends to flow from the more capital-intensive, high-income members of the Organization for Economic Cooperation and Development (OECD) to capital-scarce developing countries with sound governance and generally welcoming policies such as China.

Globalisation is perhaps the strongest force promoting economic catch-up in the world's poorer economies. The economic development path taken by countries in North America and western Europe can be likened to a rough and winding dirt road that has many forks, most leading to dead ends and a few to commercially viable developments. The travel of these countries along that road has produced numerous failures, but also an abundance of incremental improvements that have generated a more than forty-fold increase in their labour productivity and per capita incomes since the start of the industrial era in about 1780.

Developing countries that have good governance and embrace globalisation do not have to travel along such a difficult road. They can move onto the signposted bitumen highway that has since been built by the high-income countries, and they can then achieve a modern economy much more quickly and easily than did the industrial-era innovators.

Suppose, for example, that a developing country wants modern computers. Trade enables it to avoid the product-development path completely; it can produce simple products in which it has a comparative advantage, such as textiles in China or coconuts in Sri Lanka; export these and use the proceeds to buy the latest computers from the leading computer-manufacturing countries. If the country wants to make rather than buy computers, it does not have to travel the same path that was followed by the innovating countries. It does not have to develop Babbage's analytical engine, put together Hollerith's statistical piano, build computers that calculate with vacuum tubes, replace these tubes with discrete transistors, move on to integrated circuits and then invent microprocessors. If its governance is sound, it may only need to be supportive of inward foreign investment. By letting Compaq or IBM set up a plant, the developing country can leapfrog over the early stages of computer development, start by making modern computer components and perhaps soon begin assembling whole computers.

Further, when IBM, for example, builds computers in a developing country, it employs local staff for a wide range of activities. Most multinationals have excellent domestic and overseas training programs for their locally employed staff and some have their own training institutions in the lower-income countries. The local staff quickly acquire the requisite knowledge and skills to take on greater responsibilities and most multinationals take advantage of the opportunities this presents by moving them into more senior positions. Later, some take their newly acquired knowledge and skills to other companies, or use them to set up their own businesses, further spreading knowledge of the new technologies throughout the economy.

McDonald's provides a good example of the speed with which foreign investment transfers technological and managerial knowledge, skills and values in the services sector. McDonald's has
high standards of product quality and service, and when it sets up a facility in a developing country the local staff soon absorb those standards and learn how to meet them. Within a short time, the overwhelming majority of the staff, including the managers, are locally employed. And when those who work in McDonald's move to other companies or set up their own businesses they take the McDonald's standards and practices with them. From the viewpoint of development, McDonald's, Pizza Hut and Kentucky Fried Chicken are as much training schools that provide local staff with paid instruction as they are suppliers of fast foods.

Evidence abounds on the favourable impact of globalisation on the pace of economic development. For example, data produced by the World Bank indicate that it took the United Kingdom, starting in the late eighteenth century, about 60 years to achieve its first doubling of per capita income. The United States, beginning some 50 years later but benefiting from progress already made in the United Kingdom and other countries, took approximately 40 years. Japan, commencing later still and having even more successful models to follow, took 33 years. Since then Brazil, Korea and Indonesia have made even Japan's performance look quite ordinary. China, the latest starter in the list, took only eight years.

There are no direct measures of the impact of globalisation on economic growth in China. However, historical evidence indicates that countries that close their borders to trade and factor flows with the leading economies (China during the 1950s through to the late 1970s, Cuba and North Korea) have very low growth rates of real per capita income. However, a more useful guide to what can be achieved in the absence of globalisation might be the average growth of per capita incomes in the high-income, market-oriented economies, which have largely had to generate their own technologies, organisational structures and managerial practices. Measured on a Purchasing Power Parity (PPP) basis, the average annual growth of per capita income in these countries during the slightly more than two centuries of the industrial era was about 1.6 per cent. In the last two decades of the twentieth century (the first two decades of China's embrace of globalisation), the rate was 1.7 per cent. We adopt the latter figure as the growth rate that China, a country that has exhibited increasingly sound governance, might have achieved in those decades had it adopted sound domestic economic policies but not embraced globalisation.

In the 1980s and 1990s, China's per capita income growth averaged 9 per cent per year. The difference between the two rates, 7.3 percentage points or about 80 per cent of the growth achieved, can be attributed to globalisation.

In 1980, per capita income in China (again, measured in PPP) was only a third of the average in the developing world and was just under 5 per cent of that in the high-income countries. By 2000, it was 15 per cent higher than in the developing world and had reached 20 per cent of the level in the high-income countries. China's share in gross world product had risen from 3.2 per cent in 1980 and ninth largest in the world, to 12.5 per cent in 2000 and second largest in the world (to the United States, whose share was 21.7 per cent). The Chinese economy as a whole had clearly benefited from the decision to globalise.

The concentration of poverty among farmers

In 2000, gross domestic product in mainland China (PPP basis) was almost US$4960 billion and population 1.26 billion. Per capita income was therefore US$3930. Farmers comprised approximately 65 per cent of the workforce but their output of farm products accounted for only about 20 per cent of gross domestic product. Labour productivity was therefore more than seven times lower in the farm than in the non-farm sector. If relative labour productivities translated exactly into relative per capita incomes (such factors as differences in family size and remittances between the sectors prevent an exact fit), per capita income would have been about US$1200 for farmers and US$9000 for those in the industrial and services sectors.

Scope for increasing farm income

The farm-gate value of the global consumption of farm products in 2000 was about US$6600 billion. Per capita consumption was therefore approximately US$600. It was about US$700 in high-income countries, where little future growth can be expected. More importantly, in the lower-income countries it was US$580, or more than 80 per cent of the level in the higher-income countries. This reflects the negative relationships between the level of income on the one hand and the proportion that is spent on food and clothing, and the part of this spending that goes to farmers (for example, in Ethiopia, an average of 57 cents in every dollar spent feeds back to farmers compared with only two cents in the dollar in Australia, Japan and the United States). With world population growth also declining, there appears to be little scope for reducing rural poverty by increasing income from farming.

There is a second difficulty in attempting to solve the problem of rural poverty only by increasing farm production. Evidence from the late twentieth century suggests that the global price elasticity in demand for farm products might now be less than unity. If that is the case, then increases in farm production require a more than proportionate decrease in the farm-gate price of that production in order to clear the market. Such increases, while beneficial for some farmers, might reduce income for farmers as a whole.

China has a comparative advantage in the production of many labour-intensive farm products such as fruits and vegetables and a comparative disadvantage in the production of land-intensive products such as most grains and range-fed cattle. Overall, there appear to be few opportunities for increases in farm production to make a major contribution to raising the incomes of farmers.

If the per capita income of farmers is to be increased and total farm income can be raised only marginally, poverty-reduction policies must place emphasis on reducing farm populations. According to estimates made by the author and provided at a workshop on poverty alleviation in Beijing, the share of China's workforce engaged in farming might have to fall from 65 per cent in 2000 to 5 per cent in 2025 if the relative incomes of farmers is simply to be maintained. This implies a net movement of about...
20 million workers per year out of farming. Since approximately 14 million per year can be expected to leave through age-related factors, this implies that six million farmers per year would need to find employment in other sectors.

The job-creating effects of globalisation

Globalisation also destroys jobs. In response to a reduction in tariffs, for example, some import-competing firms have to reduce production and employment as consumers switch demand to imported products that are either cheaper or better quality and often are both. Those who lose their jobs are easy to identify and their plight is therefore generally well-publicised.

However, globalisation also creates jobs. The current account balance is not only equal to exports minus imports, it is also equal to national saving minus national investment and, as a general guideline, the latter does not change as a result of adjustments in trade policies. Rather, increases in imports as a result of, say, tariff reductions, produce a more competitive exchange rate and a corresponding rise in exports. Liberalisation of trade policies moves labour and other resources from inefficient, low-productivity import-competing industries to more efficient, higher productivity export industries. Further, the potential market for exports is normally much greater than that for import-competing products and it provides considerable scope for growth. When combined with inward investment, which, especially for developing countries, normally carries with it technical know-how, as well as managerial and marketing knowledge and skills, trade liberalisation measures can generate a strong expansion of the demand for labour in the export sector.

Globalisation appears to have created jobs for about 130 million farmers in China in the last two decades of the twentieth century. In 1980, the workforce was 585 million and about 80 per cent, or 470 million, were engaged in farming. Had the proportion in farming remain unchanged, there would have been 670 million farmers in 2000, rather than the actual number of 540 million. The more liberal policies of the Chinese government may have allowed an average of 6.5 million workers a year to move from low-value farm jobs to higher-value jobs in the industrial and services sectors.

The mobility of farm workers

According to Professor Clem Tisdell of the University of Queensland, the incidence of rural poverty in China declined from about 30 per cent in the late 1970s to less than 5 per cent by the end of the 1990s. In the late 1970s, insufficient food, clothing and housing as well as inadequate health and education facilities were all major problems. By 2000, considerable success had been achieved in tackling the first three problems, and poor health and education services were emerging as the major policy concerns. The decline in rural poverty was due mainly to greater government support of farmers made possible from public sector revenues generated by an economy whose growth rate had jumped from close to zero to about 10 per cent a year.

Conclusion

Overall poverty in China has also declined as a result of the movement of workers from the farm sector to the industrial and services sectors. Young males who leave the farms tend to work first in the construction industry or to become security guards before moving into other industries while young females often start in the textile industry, a major gainer from China’s accession to the WTO.

This process occurs more smoothly in China than in many other countries that try to resist the tendency toward urbanisation. For example, in Jilin Province in northeast China, the Ministry of Labour provides strong support for young workers who wish to move out of farming. Among many such arrangements in 2002, the ministry arranged for a team of about 1200 young males from rural villages in Da’an and other parts of the province to move to Shenzhen, a booming city near Hong Kong. Employment was arranged with a Shenzhen construction company, which provided the new workers with accommodation, food and other benefits and a cash income of about 5000 yuan per year.

The movement has benefited not only those who move into the industrial and service sectors, but also those who remain on the farms. In farm villages in Da’an, average cash income is 1000 yuan per year, out of which taxes of about 400 yuan must be paid. The families did not have to share this limited income with the workers who moved to Shenzhen, and they also received remittances from these workers averaging about 1800 yuan per year, effectively quadrupling their family cash income.

* This paper reflects the views of the author and not necessarily those of the Australian government. The EFIT project is managed by Hassall & Associates International.
HIV/AIDS in China

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The extent of the problem

In June 2002, the United Nations published a critical report entitled HIV/AIDS: China's Titanic Peril (UN 2002), which outlined the threat China faces from the rapid spread of HIV/AIDS. Due to anomalies in data collection and reporting, it is difficult to accurately gauge the extent of the epidemic, however, estimates from various sources indicate China has between 600 000 to more than 1 million HIV-positive individuals. On 1 December 1999, China News Services reported that 'some government leaders in China are delaying or concealing from higher authorities information reports on the AIDS epidemic'. The Ministry of Health reported that HIV infections were up by 67.4 per cent in the first half of 2002 (Murphy 2002) and the United Nations estimates that at least 10 million people will become infected with HIV across China by 2010 (UNAIDS 2002).

In December 2000 the US Embassy in Beijing provided a useful outline of some of the key challenges of HIV/AIDS in China:

Chinese experts emphasize that there is no reliable information on how far HIV has actually spread in China. The government estimates that 75% of HIV-infected people in China are intravenous drug users, but many epidemiologists, both foreign and Chinese, do not consider this data to be reliable. Surveillance in China focuses on publicly acknowledged high-risk populations such as drug users. But some Chinese officials believe that the numbers of people infected through selling or receiving blood transfusions is much higher than is commonly stated publicly. In addition, China's sex trade, which flourishes even in rural areas, greatly boosts the risk of the rapid spread of HIV beyond current acknowledged high-risk groups such as intravenous drug users.

Further complicating the question of how many people in China carry HIV, many of China's HIV-infected are among the nation's 100 million migrant workers, a group that is relatively difficult to study. The Shanxi Province Epidemiological Station reported in an October 2000 article that of the 176 HIV cases reported (very likely only a very small fraction of the actual number), two-thirds were migrant workers. Nearly one-half of the migrant workers from outside Shanxi, and five percent of the HIV-infected persons were paid blood donors.

As a result, some Chinese experts now estimate the number of Chinese infected with HIV to be as high as one million, with the total figure increasing by about 30% annually. Aside from Yunnan Province, the 'birthplace' of AIDS in China, the regions of Henan, Sichuan, Xinjiang, and Guangxi have been especially hard hit with HIV/AIDS. The sexual transmission of HIV seems already well established in Yunnan, and perhaps soon will become prominent in some of the southeast coastal provinces that suffer high STD rates. (Yunnan province is reported to be home to approximately half of China's HIV-infected population, and 44% of its AIDS cases. But Yunnan has the most monitoring stations, so it is possible that its high HIV ranking is also related to its relatively effective monitoring, in addition to the relative seriousness of the HIV problem.) (US Embassy 2000).

According to central government figures, the ten provinces with the most serious HIV epidemics are Yunnan (10 525 in 2001), Xinjiang (6036 in 2001), Guangxi (3740 in 2001, Guangdong (2704 in 2001), Henan (1677 in 2001), Sichuan (1139 in 2001), Beijing (91 in 2001), Anhui (538 in 2001), Shanghai (529 in 2001) (Zhang 2003). These figures represent underreporting and the numbers have markedly increased in the intervening period.

Effective national action needs to be implemented now to prevent transmission of the epidemic within high-risk populations and crossover from high-risk groups to the broader community.

Surveillance

The central government coordinates a national HIV surveillance system for assessing HIV trends in China, however, there is only a total of 150 sentinel sites and several of these are not functional. A further deficit in the surveillance system is that the current sentinel sites concentrate on monitoring high-risk groups and thus fail to collect adequate information on the spread of HIV infection in the general population. Currently, there are six indicators collected through the sentinel systems. These indicators are of HIV prevalence amongst:

- intravenous drug users in selected drug rehabilitation centres (mostly males);
- female sex workers in selected re-education centres;
- STD patients in selected sentinel clinics ( stratified by sex);
- pregnant women in rural areas;
- long-distance truck drivers; and
- male homosexuals.

There is no national public system of voluntary HIV testing in China. However, training in voluntary counselling and testing (VCT) has been provided to public health officials as part of several aid programs including the World Bank-funded Health Nine program and the AusAID-funded HIV/AIDS Care and Prevention program in Xinjiang. This flawed surveillance system fails to deliver the hard data that is necessary to support appeals to senior political leadership that a national mobilisation against HIV/AIDS is an urgent priority.
Public policy on HIV/AIDS

In recent times China has demonstrated a greater willingness to embrace a proactive approach to HIV/AIDS prevention, based in part on the realisation that a harm-minimisation model has worked effectively in countries such as Australia. However, socially conservative values are obstacles in implementing certain effective preventive measures, such as education for commercial sex workers, long-distance truck drivers, men who have sex with men and intravenous drug users. The illegitimacy (and associated stigma) of commercial sex work and intravenous drug use, with its corresponding risk of legal and social retribution, isolate these groups. The difficulties of accessing high-risk communities can be compounded when the judiciary and law enforcement agencies (Public Security Bureau) counter the efforts of health officials to adopt proactive means of prevention such as needle exchange programs. Likewise, there has been resistance to the social marketing of condoms. In 1999 China's first televised condom commercial was withdrawn from the China Central Television Channel 1 network — a broadcast that potentially reaches hundreds of millions of people.

The Ministry of Health has resolved to implement a number of strategic interventions to address the rising rates of HIV infection and AIDS cases, and has ratified China's medium- and long-term strategy, HIV/AIDS Prevention and Control (1998–2010), and the Action Plan for Reducing and Preventing the Spread of HIV/AIDS (2001–2005). The core approach of these two documents can be summarised as support for the following interventions:

- methadone treatment;
- needle and syringe exchanges;
- condom promotion;
- voluntary counselling and testing;
- care and support of people living with HIV/AIDS;
- engagement with people living with HIV/AIDS;
- anti-stigmatisation and anti-discrimination action; and
- support for NGOs involved in HIV/AIDS care and prevention.

The nature of the epidemic is different from that in Australia, with the main route of HIV transmission in China being injecting drug use. The introduction of methadone maintenance (as opposed to detoxification) is a recent controversial intervention. The Chinese State Drug Administration Authority in February 2003 signed off the National Protocol on Methadone Maintenance and passed legislation that will enable the country's first methadone maintenance program to begin later this year. There are plans for the central government to conduct methadone maintenance trials in six provinces in China — most likely to be Xinjiang, Henan, Guangxi, Sichuan, Yunnan, and Guangdong — in preparation for the national roll-out of the program (Wu 2003). It took over three years of negotiation to achieve this recent approval of the National Protocol on Methadone Maintenance.

The People's Daily East China, 8 December 2000, noted that of the 86 countries that had first discovered HIV within their borders in 1985, about one-third had established HIV/AIDS prevention organisations within 18 months of the discovery. China, however, waited 13 years, and its first AIDS Prevention and Control Center opened in 1998. On a positive note, there is recent evidence of more open dialogue between the central and provincial bureaucracies with formal discussions in progress on the means to engage provincial leaders in policy and budget decisions on HIV/AIDS in 2003. This step is aimed at overcoming bureaucratic resistance to implementation of HIV policy at the provincial level.

HIV/AIDS and minorities

China has 55 officially acknowledged ethnic groups, who together represent approximately 8 per cent of the 1.3 billion population. The Zhuang, Hui, Uygur, and Yi nationalities are the largest minority groups. Certain provinces with high rates of HIV/AIDS, such as Yunnan and Xinjiang, also have relatively high numbers of people from an ethnic-minority background. Yunnan, with 19 minority groups, has the highest reported HIV-positive rate in China. The Dai and Jingpo, the two nationalities with the highest HIV-infection rates, occupy the border areas of Yunnan. Although minorities represent only 8 per cent of the total population, they suffer disproportionately high rates of HIV infection in some areas. Spencer Seidman (2001) has pointed out that should the rate of HIV continue to grow at 30 per cent per year, a significant decrease in minority populations may occur.

HIV/AIDS studies and media reportage have generally taken a global perspective, while few studies on individual minority groups in China exist and the prevalence rates amongst the various ethnic groups are unknown. In the poorer provinces, where significant numbers of Tibetans reside (for example, the Tibet Autonomous Region, Gansu and Qinghai), there are either no or few HIV-testing sites, and it is only via extrapolation from data in other regions that trends can be determined. According to UN figures (based on testing-site information estimates by the Chinese Academy of Preventive Medicine), Yunnan province had a 3.5 per cent HIV-infection rate among sex workers who were tested. In Xinjiang, 5 out of 13 sex workers tested positive in 1998. According to UNAIDS/WHO (2000), 'Xinjiang has a 44% to 85% HIV prevalence rate among Intravenous Drug Users'.

Illegal blood collection

In China, the problem of HIV infection extends beyond the trade in blood products to the illegal unsafe collection of blood. From the 1980s to the mid-1990s, many farmers sold blood, particularly in Henan Province, and this is the second most common means of HIV transmission after injecting drug use. A xietou (literally 'bloodhead') would take a group of up to 25 donors to a blood collection centre, where a blood collection truck would call. Needles were not normally sterilised and syringes were shared amongst donors — with one needle being inserted into the veins of a number of donors — thus providing a perfect environment for infection transmission. In some blood collection centres, blood
from various donors was mixed, centrifuged to separate the plasma and the donors were reinjected with the pooled remaining red blood cells.

Collection and selling of blood is illegal and has been largely eradicated, however donors keen to escape poverty and xietou with a profit motive continue the practice in certain areas. The economic drivers for blood selling combined with lack of education can be placed in context when one considers that in Henan the poorest villagers earn as little as 200 yuan per annum and they were paid approximately 27 yuan per blood donation. Many villagers were donating blood on a regular basis and as a consequence in some Henan villages over half the community is HIV positive (Kaufman and Jing 2002).

**IV drug use**

In China, the possession of a needle can lead to arrest for drug abuse. This conflict between legislation, Public Security Bureau action and the harm-minimisation approach of HIV/AIDS projects can discourage intravenous drug users from participating in needle-exchange programs or from carrying clean needles. Under these circumstances, many use unclean needles, which are provided by drug sellers, thereby incurring a greater risk of HIV transmission.

**Commercial sex work**

Prostitution is widespread in China, and on the increase amongst rural women. Many rural women migrate to urban centres, where they frequently find themselves with no resources and under the control of the pimps who recruited or abducted them. In certain remote areas there are unconfirmed reports of the trafficking of women as wives, especially in areas that have higher proportions of men to women. These women are marginalised, do not receive proper health care or information, and, frequently, they and their clients unwittingly spread sexually transmitted diseases.

Chinese men are unwilling to use condoms and the women lack the power or communication skills to insist upon safe sex practices. Wang Yanguang, a Chinese scholar, comments on the complexities of commercial sex work in China:

> The rapid growth of China's sex industry is not simply a matter of the moral fall of those women who sell themselves. The context of this problem includes rapid economic development, a growing gap between rich and poor both in cities and in the countryside, unemployment, poverty and relative poverty, and a big buyer's market. Under these conditions, there are no simple solutions that could make the sex trade disappear in a short time. The only solution is for the health authorities and public security to work together to see that prostitutes use condoms... and get regular medical care. Only in this way can we ensure that the chances of HIV being transmitted by prostitutes can be reduced (Wang 2000).

**Conclusion**

Historically, Beijing was reluctant to acknowledge the scale of the HIV/AIDS problem, and failed to provide leadership at the highest levels in the campaign against HIV/AIDS. However, there are encouraging signs of change. In 1996–1997, China spent just US$2.75 million on AIDS prevention, compared with US$4.5 million in Vietnam, and US$74 million in Thailand. By way of contrast, under a five-year plan announced last year, the central government allocated 100 million yuan (US$12 million) per annum to fund prevention and treatment of HIV/AIDS and STDs.
An additional 950 million yuan was allocated to the construction of a blood-collection and supply network to ensure blood safety. In addition, many government officials are working collaboratively with NGOs. There are needle-exchange programs and local and international NGOs are working unhindered in a number of outreach and education programs. In some provinces, sex workers are being educated about HIV/AIDS and a methadone-substitution program for intravenous drug users is scheduled to start later this year or in 2004. Beijing schools plan to launch a sex-education class with an HIV/AIDS component and there are a number of successful youth peer-education programs operating throughout the country.

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Insider/outsider perspectives on local-level aid to Bougainville and Papua New Guinea: Dilemmas for communities, NGOs and donors

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Introduction

In the introduction to papers presented at the conference Development that Works! Walsh (1993:1) cautioned that:

development is different things to different people; it is people, society and time specific; it is something which requires vision, deferred gratification, and hard work; it cannot be achieved without cooperation; it is dependent on the favourable interaction of political, social and economic forces at local, national and global levels, it is not inevitable, and it can so easily come unstuck.

If for ‘development’ the words ‘effective aid’ are substituted, this statement is equally cogent when examining the future path for foreign aid in 2003. Questions arise: Whose vision of development or effective aid? Who is being developed — those who provide donor aid or those who receive it? What do we mean by ‘cooperation’? Does it imply acceptance of the donor agency’s development ideas and strategies, or shared vision and planning for mutually agreed upon outcomes?

These are questions to be considered by all donor agencies, but the focus of this paper is on the impact of Australian aid on local level communities in Papua New Guinea, particularly in Bougainville.

In his lecture on ‘The South Pacific: Policy taboos, popular amnesia and political failures’, Dobell (2003:2) argued that Australia must ‘accept its unique role in the Pacific as a great gift, not a burden’. The implications of 90 years in a colonial role in Papua New Guinea and Australia’s geographical location cannot be ignored. Economic, political and social issues are closely interrelated so: ‘Australia needs to start talking in terms of community and people rather than aid and exits’ (ibid:15).

While it is an understandable temptation to exit when aid projects are deemed failures, for Australia this is not a desirable or achievable response. There are lessons to be learned from failures as well as successes. The ‘Review of Australia’s electoral assistance program to PNG’ (AusAID 2003) points out that an analysis of what went wrong with the 2002 elections can help in planning for more effective outcomes in the future. The complex nature of Australia’s relations with Pacific Island nations also means that there are no simple solutions or generalised prescriptions for success.

Insider/outsider perspectives

The aim of this paper is to present the collective and reflective results of a series of conversations between two authors from different cultural and academic backgrounds.

Ruth is a Bougainvillean who has worked within her own community and collaborated with Australian, New Zealand and other aid agency personnel in the development and implementation of local and regional projects and programs. Often this has involved helping rural women tell their stories to ensure that aid programs and projects are appropriate.
and meet their needs (Saovana-Spriggs 1999). The Bougainville case studies in this paper present an insider’s perspective on Australian aid. At the same time, Ruth’s educational and work experiences in Hawaii and Australia mean that she understands, and sometimes even shares, outsider perspectives.

Maev was clearly an ‘outsider’, when she began teaching at the University of Papua New Guinea in 1972. Over the past 30 years, she has learned by experience, visiting and staying in rural communities, and working and sharing with Papua New Guinean and other Pacific Island colleagues their hopes and frustrations in the search for sustainable development. There have been times when she seemed too much of an ‘insider’, especially when providing a critique of Australian aid (O’Collins 2002). At other times, when writing a consultant’s report or discussing follow-up activities, Maev was very much the expatriate ‘outsider’.

With these caveats in mind, this paper outlines some of the problems and pitfalls in the journey along the road towards ‘development that works’.

Reviewing Australian aid

In his preface to papers from a seminar on Australian aid, Kilby (1996) noted the need for a systematic comprehensive review as to whether the aid program was meeting ‘its own overriding humanitarian objective’. Authors called for an emphasis on poverty alleviation, gender awareness, greater support for NGOs, and the strengthening of civil society.

In June 1996, the Minister for Foreign Affairs commissioned an independent committee to review the official Australian overseas aid program. Reflecting earlier comments that Australian aid was bedevilled by mixed messages and conflicting agendas, submissions called for a more coherent approach. Commercial and diplomatic imperatives and interests might sometimes take precedence over humanitarian objectives, but the committee’s report (AusAID 1997) emphasised the importance of poverty reduction through sustainable development.

Australian aid agencies moved towards closer cooperation with NGOs, while a shift towards privatisation meant that more aid projects were outsourced to commercial organisations. At the same time, the political sensitivity of the Bougainville crisis made it difficult to ensure that political imperatives did not take precedence over humanitarian objectives. But, did the stakeholders on the ground understand these different aid priorities? Were they expecting rather different outcomes, and, if so, were these expectations realistic?

NGOs and project aid: Insider perspectives

The nature and processes involved in aid delivery by the Australian government to Papua New Guinea and other Pacific Island countries have changed in the recent past from direct budget aid to tied-aid grants. This shift to tied aid involves increased direct dealings with people in rural communities, often through local NGOs in association with international counterparts.

One observer reported that the problem with the new arrangement (direct aid to local NGOs in mainland PNG) was that once the people heard about the change, numerous small local NGOs sprouted overnight. This meant that everyone received a small amount, but in the end no substantial community projects were implemented, as there was not enough money to cover the required costs (personal communication 2002).

Similarly on Bougainville, people have had their share of aid, as well as the accompanying difficulties. Aid money has come through connections with local NGOs and through AusAID outsourcing aid work to Australian companies. In the mid-1990s, AusAID set up its office in Buka. After the peace process gained momentum, community groups and local NGOs could apply for funding for projects, although it was not AusAID’s policy to fund families or churches.

It was a relief to receive financial assistance towards rebuilding and resettling people back into their villages. However, the people found the application forms too complex, the English too difficult, and the requirements too stringent. The level of detail was more intimidating than inviting and this made people feel powerless. Another complaint was that communities who completed applications experienced long delays waiting for the outcome. This led to general dissatisfaction, frustration, and suspicion as to how the aid money was being distributed.

A further problem was that the local officer employed at AusAID’s Buka office was from mainland PNG and most people wanted a Bougainvillian to be appointed. This was a highly politically charged time in the region, and Bougainvillians had very negative attitudes towards both Australia and Papua New Guinea’s involvement.

In 1997, Ruth attended a community-AusAID meeting with the northeast coastal communities. The local mainland PNG officer was present and two AusAID consultants, one a local person and the other an expatriate. The discussion centred on AusAID’s apparent slowness in processing project applications. Community representatives pointed out that people had been waiting for long periods of time. The discussion became so heated that the mainland AusAID officer was obliged to return to Buka. However, as the consultants were known to the community and had previously worked for the North Solomons Provincial government, they were able to remain and continue the discussion.

Inevitably, there are different views on the benefits of an outsider who might be more objective in assessing applications, as compared with an insider whose appreciation of local knowledge might involve closer links to groups in the area. Yet, a more open and understandable application process would have gone a long way towards minimising tension and increasing a sense of ownership and local involvement.

After the Australian Parliament’s Joint Standing Committee visited Bougainville in March 1999, they commented on ‘the political sensitivities and complexities inherent in providing aid to Bougainville’ but also concluded that given the expectations of different groups and opposing factions, ‘criticisms were in a sense inevitable’ (Australia, Parliament 1999:121).
Outsourcing and local involvement

As part of reconstruction aid to Bougainville, AusAID contracted Australian based companies to undertake major construction, particularly on roads, wharves, schools, and the installation of water tanks in village communities.

In 1998, when Ruth was on the west coast, she saw many water tanks lying about in a village. She asked some of the men why they could not put up the water tanks. "AusAID has its own company that brought them over here and it is the company's responsibility to put them up," they replied.

It was clear that an effective feasibility study to select appropriate sites had not been undertaken. Apart from some houses at the local administrative centre, there were few iron-roof houses with gutters. If tanks were installed to collect water from these selected water tanks lying about in a village.

Many Bougainvillean men are former Bougainville Copper and other private company employees or government employees, but are now living in their villages. The project could have assisted unemployed youth to learn new skills and training in maintenance from these local technical teachers. This would help increase self-confidence, and a sense of ownership of the economic recovery program. Prior consultation with community leaders, particularly with women, could have ensured that water tanks were located in accessible positions, and that all members of the community were involved.

On the other hand, this was a time-consuming and labour-intensive process and AusAID management had to take these factors into consideration. A large-scale project, involving an Australian company, meant that more tanks could be distributed in several locations. At a later stage, outside technicians would carry out the installation. Inevitably, there was little sense of local ownership and community leaders became observers of the process rather than initiators or implementers.

The Joint Standing Committee received a number of submissions regarding similar problems and stressed the importance of encouraging greater local involvement in development projects (Australia, Parliament 1999:136). It reported that there was a widespread view that: "The prospects for increased long-term gains by using local resources would outweigh any extra time which might be taken to complete particular projects."

Politics on the ground

Australia, New Zealand and other donor agencies have initiated projects to promote economic growth in village communities.

On one occasion Ruth visited a village where a solar cocoa drier had been installed. It was designed for a community of about six villages, with a population of between 300 and 500 people. Inquiring about ownership, she was told that the solar cocoa drier did not belong to the community but to a particular family. A member of this family said that they had obtained a K2000 loan towards the cost of materials. But, in neighbouring villages, people had a different story. The solar cocoa drier was given in the name of and for the community and as a trial project, which did not involve a family or individual obtaining bank loans. The AusAID office in Buka assisted the people in this project and the structure came with a sign saying that the drier was a community project. However, unlike other communities, the sign was not put up on the side of the north-east coast road.

How could such a useful community project have become a family project? The main complaint was that the successful applicants were more educated, understood the process and were able to captivate the AusAID officials. The non-English speaking members of the community were isolated and felt that they had been ignored and marginalised.

NGOs, women, and the politics of image building

A number of underlying motives and intentions run deep in the networks between local women's groups and international NGOs. Some of these involve the politics of image building: cultural clashes in ideals and values; and the lack of tolerance or, perhaps a better word, 'patience' in developing effective partnerships.

The politics of image building is quite a tricky one because it does not involve all members of local NGOs, but a minority, especially at the leadership level. There is incredible pressure among international NGOs to maintain a high standard of work performance. This includes a need to uphold organisational, national and personal reputations, meet the requirements of United Nations conventions, and maintain levels of performance and financial viability.

Local NGOs in contact with international NGOs get drawn into this image building process. Gender empowerment, women's rights, children's rights, human rights, poverty alleviation in Third World countries, crime prevention, conflict resolution, peacemaking, peace-building, peace-monitoring, peacekeeping and so forth become popular buzz words. This shows that local partners understand international goals, and assures financial support from overseas aid donors.

There is a delicate process of building confidence in the local leader's personal worth, and the reputation of her NGO. This involves building personal and organisational reputations, and rapport with aid agencies in donor countries. Local leaders are sponsored to travel to conferences overseas to present their work, achievements, and future development projects. Often this is good and essential networking. Yet, global jetting has the potential to remove the leader from dealing with realities on the ground and may cause conflicts with other women leaders.

Throughout the conflict in Bougainville, women leaders of non-government organisations have worked for their communities in difficult and life-threatening situations. There have been many wonderful achievements. But, an underlying and powerful thread runs through local and international non-government networks — the politics of image building.
The bakery project: An aunt's story

During 2001, I often visited an aunt who had a little bakery project. I would buy whatever she baked that day, and chat with her before returning to my village. During those visits customers were few and far between. Why, I wondered?

There was a potential market in the village community. But, not many people had cash in their possession in the aftermath of the conflict. My aunt was also not getting assistance from her family as she would with other daily activities, but had to chop firewood, fetch water, knead the flour, and bake and sell the bread herself.

The Bougainville Women's Council had been given a substantial amount of financial assistance by the European Union and a microcredit scheme was initiated. Individuals or groups of women were encouraged to apply for a loan in the scheme. My aunt's early missionary education was pretty minimal, but one of her sons helped her with a loan application form and continued to assist in managing her finances.

The objective of the scheme is to assist rural women with loans — to help them become financially independent and politically empowered. Yet, this type of individualism is not part of the Bougainvillean social-cultural make-up as the culture is clan-group-community oriented. That is why my aunt’s family distanced themselves from her project, although they were benefiting from her meagre earnings. In the final analysis, the project disengaged my aunt from her family and community, showing that individual monetary gain does not always equal greater empowerment.

The lesson from this example is that small-scale projects to assist women at village level must not begin with the idea that they are independent of other people in the community. Everyone is integrated into different social groupings and networks — family, lineage, clan, or even women's fellowship groups. This means that individualism is not culturally applicable as in the Western world. In general, aid should target groups rather than individuals.

Aid and peace monitoring in Bougainville

In November 1997, as part of the Bougainville peace process, a Truce Monitoring Group (TMG) under New Zealand command, consisting of 250 unarmed peace monitors, including 19 civilians, from Australia, Fiji, and New Zealand arrived on the island (see Adams 2001).

At the end of April 1998, a Peace Monitoring Group (PMG) under Australian command took over, with the same mandate, but additional personnel from Vanuatu and Fiji. Australia's historical colonial involvement and its ongoing assistance to the Papua New Guinea Defence Force and the Papua New Guinea police made it essential that the peace-monitoring role was not compromised. The Joint Standing Committee's Report (Australia, Parliament 1999:136–138) noted that the neutral role of the PMG required that it was not directly involved in the delivery of aid.

Inevitably, this policy of separation of aid delivery and peace monitoring roles was difficult to maintain on the ground. Reflecting on the problems which arose, one PMG member (Foster 2001:121) observed:

An issue that caused us angst was the provision of aid. Unfortunately the issue is not cut and dried. While the PMG is not in the business of aid it was a continual thorn in our side. Many hours were spent discussing with Bougainvillean why we were unable to respond to seemingly reasonable and minor requests.

Problems were inherent in developing a team approach, which included civilian and service personnel, and male and female members from different cultural backgrounds. Initially, some officers were not used to working collegially with personnel from Fiji and Vanuatu, and did not recognise their cultural knowledge and professional expertise. One civilian PMG member (Bray 2001:133) also reported that information obtained from rural women was often not taken into account. Another civilian monitor (Green 2001:143–148), reported on her very positive experience, but considered that the PMG uniform, meant to reassure villagers that this was a neutral and trustworthy group of outsiders, was sometimes a barrier to acceptance and understanding.

These were some of the concerns of PMG members — outsiders trying to carry out a difficult task in a strange and unfamiliar environment. Significantly, their concerns about a lack of communication and possible misunderstandings of their role were mirrored in accounts of PMG-sponsored activities, which Ruth gathered during visits to different villages.

PMG teams often employed local women to do laundry for them and this injected much needed cash into the local economy. However, fruit and vegetables were imported directly from Australia and New Zealand. In the meantime, local markets began flourishing with fresh fruit and vegetables in abundance. Individual members may have bought some things in the markets, but there were no bulk purchases.

Why, even if official aid had to be kept separate, was it not a priority to encourage local economic recovery and development? An almost insurmountable problem is how to convey these concerns to policy-makers and implementing agencies without appearing unappreciative of the good work being done. Perhaps one answer is to look back on what worked in the past, when AusAID was not present on Bougainville.

Overseas volunteers in Bougainville: An insider looks back

This leads me to share my work experience with volunteers — mainly from Canada, and England with a few Germans and Japanese — prior to the outbreak of the conflict in Bougainville.

This group of professional workers did not come in consultancy suits with briefcases or live in hotels — understandably, since they were on volunteer salaries. Their most impressive and memorable
characteristics were that they lived a very down-to-earth kind of lifestyle, and projected this when working with local counterparts, the provincial government and village communities.

Communication is as crucial as professional skills. These overseas volunteers learnt Tok Pisin and used it effectively, both at village and official government levels. What was also important was the time spent with people, with a great deal of cooperative listening and learning on both sides. A sense of certainty and trust was built over time, rather than by quick successions of visits by consultants and external commercial companies. This minimised any feeling of being patronised or exploited, in contrast to current suspicions that projects are just bankrolling institutions for aid workers.

In summary, overseas volunteers reflected the following qualities:

- They were well-qualified experts in their fields. The Canadians often had work experience with their own indigenous people, and many had experience with other third world countries.
- They had no hidden agenda nor were they burdened with a shared colonial history.
- They did not dictate activities, as the communities defined and organised their own individual projects.
- Volunteers' participation in community projects started from the beginning, until people felt comfortable working on their own.
- Volunteers continued regular visits to communities running their own projects, and provided assistance when required.
- Above all, they were relaxed with community people and promoted self-confidence in the people with whom they worked.

The nature of community projects

Successful local projects initiated during this period were on a community, rather than individual or family basis, and established within the provincial government's structural framework. They included:

- Small-scale community farming projects. These supplied urban townships with fresh vegetables while maintaining an adequate supply for village communities.
- Community fishery projects were established in coastal areas.
- Training institutions, were set up at urban and district levels. The Village Industry Research Unit provided an avenue for collaborative new initiatives with local communities and the provincial government.
- The provincial government offered financial assistance through a 'kina for kina' scheme, where people contributed the same amount of money they obtained from the scheme.

- Monitoring and reporting on the progress of projects were shared activities with volunteers, provincial government officers and community members.
- Community boards were elected to take charge of projects. This freed villages from individual financial responsibility for loan repayments.

Community projects did not operate in a vacuum as the North Solomons Provincial Government provided support for community-based projects as part of overall development planning. These were examples of 'development that works', and of positive partnerships between overseas volunteers, local communities and provincial government.

Current planning for the autonomous Bougainville government suggests that lessons from the past can provide a framework for future successful partnerships between communities, local and provincial government and outside donor agencies.

Conclusion: The importance of sound local knowledge

A major barrier to developing effective and flexible aid delivery systems is the fragmented and uncoordinated nature of many aid donor responses. Over time, the outsourcing of Australian government aid to Papua New Guinea and other south-west Pacific countries has eroded corporate cultural knowledge and contextual understanding of the region.

The lack of up-to-date information on social, political and economic circumstances is increased when communities are themselves marginalised from mainstream society. In 1996, Penelope Schoffel warned that: 'Understanding the situation and realities of Pacific islands is essential to the achievement of more effective programs of assistance.' (1996:147). This understanding is equally important today. Yet, as we argue, and many concerned observers have noted, local knowledge is in short supply, often amongst those whose mandates are to design and implement aid projects.

Aid is only a part of the wider reciprocal gift relationship process. There are political, economic, and social benefits for different stakeholders, so the notion of 'donor' and 'recipient' has limited meaning. This was evident in the personal accounts of TMG and PMG members, who noted that they had gained so much from their time in Bougainville. Like others before them, they had been able to learn as well as contribute. However, this only happens if those involved in the process share a respect for and understanding of each other's cultural world view, both in general terms and in the particular local context.

As Ruth concludes: What is the matter? Why is it so difficult to follow this path? We are supposed to be friends, we are supposed to know each other better as we share a history of the past and will share a history of today and of the future.

Communities, NGOs and donor agencies will have different answers to these questions. There is no final or easy path to effective foreign aid for 'development that works', so the conversation continues.

October 2002
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New Books

Dilemmas of China's Growth in the Twenty-First Century
Ligang Song (ed.), 2002. ISBN: 0731536665. $36.00, Asia Pacific Press, National Centre for Development Studies, Australian National University, Canberra ACT 0200, Australia. Email: books@asiapacificpress.com; Website: http://www.asiapacificpress.com.

Since economic reforms began in 1978, China has been a focal point for observing the effects of market liberalisation. China has not only truly become one of the 'emerging giants' in the world economy but also provided a successful example for transition from a centrally planned to a market economy. Thus, there is keen interest about what lies ahead for such a significant economic player. This book is a comprehensive treatment of China's economic achievements to date and prospects for the twenty-first century. Covering topics as diverse as economic stability and growth sustainability, WTO membership and its implications, income disparity, agricultural policy, trade and investment prospects, Dilemmas of China's Growth in the Twenty-First Century is a powerful work and essential guide to the latest trends and prospects for the Chinese economy.

HIV Crisis in China

Although China enjoys growing wealth, increasing per capita incomes, and rising living standards, it also suffers from environmental degradation and a host of social ills including political unrest, increased crime, and a fraying social safety net. Unfortunately for China, however, the very nature of its particular political, social, and economic systems exacerbates the dangers of opening up. The growing problem of HIV/AIDS in China is a glaring example of this phenomenon, and one with enormous implications. Once dismissed by Chinese officialdom as a Western problem, the spread of HIV/AIDS has only recently gained serious attention from Beijing. But it may be too late: China now faces a major epidemic, one that the government will find extremely difficult to combat.

The Transformation of Rural China

During the past quarter century, Jonathan Unger has interviewed farmers and rural officials from various parts of China in order to track the extraordinary changes that have swept the countryside from the Maoist era through the Deng era to the present day. A leading specialist on rural China, Professor Unger presents a vivid picture of life in rural areas during the Maoist revolution, and then after the post-Mao disbandment of the collectives. This is a story of unexpected continuities amidst enormous change. Unger describes how rural administrations retain Mao-era characteristics — despite the major shifts that have occurred in the economic and social hierarchies of villages as collectivisation and class struggle gave way to the slogan to get rich is glorious. A chapter explores the private entrepreneurship that has blossomed in the prosperous parts of the countryside. Another focuses on the tensions and exploitation that have arisen as vast numbers of migrant labourers from poor districts have poured into richer ones. Another, based on five months of travel by jeep into impoverished villages in the interior, describes the dilemmas of underdevelopment still faced by many tens of millions of farmers, and the ways in which government policies have inadvertently hurt their livelihoods.
Poverty Reduction in Mongolia
Keith Griffin (ed.) 2003. 180pp, ISBN 0 7315 3695 9, pb, A$36. Asia Pacific Press, Asia Pacific School of Economics and Management, The Australian National University, Canberra ACT 0200. Tel: (61 2) 6125 0178; Fax: (61 2) 6257 2886; Email: books@asiapacificpress.com; Website: http://www.asiapacificpress.com/public/home.ehtml

Poverty is possibly the most pressing problem in Mongolia today. Strong, rapid growth has been elusive in the tumultuous years following the collapse of communist rule, average incomes have fallen and inequality has grown. Economic collapse has been exacerbated by an unprecedented series of natural disasters in the rural livestock sector—the mainstay of the Mongolian economy and society. Mongolia desperately needs a strategy that addresses the macroeconomic problems it faces while also helping lift its citizens out of poverty. What is needed now is growth that favours the poor.

Poverty Reduction in Mongolia considers the many aspects of poverty in Mongolia—population movements and capabilities, environmental constraints, macroeconomic policy, and governance. It forms the basis of a strategy to counter the economic decline, the growth of poverty and the increasing reliance on foreign aid. At the heart of this strategy is the notion that there need be no conflict between growth and equity. It argues that Mongolia now needs a strong state that is able to guide the transition process, to create new institutions, to introduce economic reforms, to finance public investment and to help those who, despite their best efforts, are unable to help themselves.

China in the Global Economy: Agricultural Policies in China after WTO Accession
OECD, 2002. ISBN 9264198865, pb, 324 pp, US$60.00; Email: sales@oecd.org. Distributor: OECD / Turpin Distribution Services Ltd, PO, Box 22, Letchworth SG6 1YT, UK. Tel: +44 1462 672555; Fax: +44 1462 480947; Email: books@turpin ltd.com

Two decades of agricultural reform have reduced poverty in rural China and incomes are still rising—last year, with an estimated upswing of 4.2 per cent, but city dwellers are moving ahead much faster than their country cousins. In 1985, rural incomes were 54 per cent of the level of their urban counterparts: today, they are less than one-third. The accession of China to the WTO and its integration into the global trading system will introduce further pressures on the farm market. The question is, how can China make the additional agricultural reforms needed to open its markets while protecting the livelihoods of its farmers? This report, a compilation of presentations from an OECD meeting in May 2002, provides at least some answers.

One of China's major messages to OECD countries is that China has made considerable concessions in joining the WTO, and it now expects OECD members to provide access to their markets. China's agro-food trade performance has deteriorated recently, and one of the reasons cited has been the technical barriers to trade and high levels of protection by OECD member countries.

China in the Global Economy: Agricultural Policies in China after WTO Accession provides an array of possible measures to help rural populations adapt to new conditions. These include fiscal reform to alleviate disproportionately high taxes and fees imposed on farmers by local authorities; a relaxation of labour migration restrictions; better access to education to provide the rural population with the skills needed to compete on urban labour markets; and greater access to social benefits.

Other suggestions include investment in rural infrastructure, such as roads and water, as well as giving land to more efficient farmers. Credit for rural enterprises and better poverty alleviation measures are also urged.

The Other War: Global Poverty and the Millennium Challenge Account

The proposed Millennium Challenge Account (MCA) would amount to a doubling of US bilateral development aid—the largest increase in decades. It presents a rare opportunity to create a new blueprint for distributing and delivering aid effectively. For these reasons the MCA offers a critical chance to deliberately shape the face that the US presents to people in poor nations around the world.

The President's decision to establish an independent agency to administer the MCA was a clear vote of no confidence in the 10,000-strong US Agency for International Development (USAID), which will retain responsibility for providing foreign assistance to the vast majority of the world's poorest. And finally the MCA will fall short if it is interpreted as one more instance of the US going it alone instead of buttressing international cooperation in the fight against global poverty.

Critical design and implementation decisions require urgent attention for the new fund to succeed on its own terms, as well as to strengthen international cooperation and broader US foreign assistance policy. The Other War: Global Poverty and the Millennium Challenge Account identifies ten key drivers of success and provides recommendations for each. They cover the spectrum from policy to operations, including strategies to improve international coordination, the pros and cons of establishing a new agency, the budget outlook, the debate over country coverage, what a new agency would mean for USAID, and forging a new partnership with Congress. The authors bring to bear a range of experience and expertise—from government, academia, the international financial institutions, and the on-the-ground experience in Sub-Saharan Africa, Latin America, and Asia.

Gender, Development, and Poverty
Caroline Sweetman (ed.), 2002. 102pp, pb, £7.95, Oxfam Focus on Gender Series, Oxfam Publications, 274 Banbury Road, Oxford, OX2 7DZ, UK. Tel: +44
The articles in this volume examine the complex links between poverty and inequality between women and men. They show how gender inequalities impact on men, women, and children's experiences of poverty, and demonstrate the importance of integrating gender analysis into every aspect of development initiatives. The articles cover a range of issues including macro-level neo-liberal restructuring, poverty reduction strategies, gender budgets, education, HIV/AIDS, and globalisation and poverty in the North. Together, they give new insights into the impact of gender-blind development policies from the macro- to the micro-levels. Gender equality forms an integral part of development, and must be mainstreamed into all poverty alleviation programmes and development initiatives.

**Gender Mainstreaming in Poverty Eradication and the Millennium Development Goals: A Handbook for Policy-makers and Other Stakeholders**

Naila Kabeer, 2003, ISBN 0 85092 752 8, 272 pp, £12.9, Institute of Development Studies (IDS) UK. Email: ids@ids.ac.uk; Website: www.ids.ac.uk/ids/bookshop

In this book, Naila Kabeer brings together a set of arguments, findings and lessons from the development literature which help to explain why gender equality merits specific attention from policy-makers, practitioners, researchers and other stakeholders committed to the pursuit of pro-poor and human-centred development. Neglect of gender inequalities in the distribution of resources, responsibilities and power in the processes of economic accumulation and social reproduction has a high cost, not only for women themselves but also their children and other dependants and for the development society as a whole. This book highlights the interconnections between production and reproduction within different societies, and women’s critical role in straddling both, and points to the various synergies, trade-offs and externalities which these generate.

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Reports and Conference Papers

UNDP China's National Human Development Report 2002: Making Green Development a Choice

Commercially published in two language versions: English: ISBN: 0 19 5936 035, pb US$22.50, Academic & Trade Unit, Oxford University Press (China) Ltd; Fax: (+44 (852) 2565 1836; Chinese: China Financial and Economic Publishing House, Xinzhi Massion, Jia 28, Fucheng Road, Haidian District, Beijing, China 100038. Tel: 0086 10 88190407; Fax: 0086 10 88190916; Email: shijingbook@yahoo.com.au. PDF format (download the whole Report or by chapter), take link from http://www.unchina.org/undp/

This report looks at the environmental challenges facing China today, especially in the context of its WTO entry and efforts towards a green and clean 2008 Olympics. The report argues that it is now time for the government and people to respond to these challenges to make the right choices to achieve green development and a sustainable future.

What impacts do environmental changes have on people's health and livelihoods? How do environmental issues affect overall governance structure? The report's first chapter begins with a review of China's people and their history and culture as the resource and foundation to build and modernize this vast land. Chapter two assesses the current status of the environment and chapter three examines the forces and trends that determine environmental changes including the linkages between society and environment. Chapter four analyses the ongoing efforts to put China on the right path and discusses how the responses can be optimised. Chapter five concludes that today's decisions will have significant influence on the degree of sustainability in China's future development. A scenario approach is provided describing two alternatives: today's perilous path and tomorrow's green reform path.


This report analyses the result of a 17-province, 1700-household sample survey, carried out in cooperation with Renmin University in 1999, which examines the current status of implementation of farmers' 30-year land use rights, as provided in the 1998 Land Management Law. The report also contains recommendations for further strengthening farmers' tenure security, and extending implementation of the 1998 law.

Growth, Inequality, and Poverty in Rural China: The Role of Public Investments

Shenggen Fan, Linxiu Zhang, Xiaobo Zhang 2002. ISBN 0 89629 128 6, Research Report 125, International Food Policy Research Institute, 2033 K Street, NW, Washington, D.C. Email: ifpri@cgiar.org; Website: http://www.ifpri.org

This report compares the impact specific rural public investments can have on promoting growth and reducing poverty and inequality in China. Government expenditures that have the highest impact on poverty and growth include education, agricultural research and development, and rural infrastructure (roads, electricity, and telecommunications). Notably, spending on irrigation and anti-poverty loans had minimal impact. The report discusses the implications of these findings for setting future priorities for government investment. It also suggests avenues for future research and calls for a better understanding of how to improve the effectiveness of public resources. This report will be of interest to professionals involved in rural poverty reduction, rural development, agricultural growth, food security, and public investment policy. See http://www.ifpri.org/pubs/abstract/125/rr125.pdf to download the report.

Urban Poverty in China: Measurement, Patterns and Policies

Athar Hussain, January 2003. InFocus Programme on Socio-Economic Security, International Labour Office, Geneva. Tel: +1 22 7998893; Fax: +1 22 799 7123; Email: ses@ilo.org; Website: http://www.ilo.org/public/english/protect/esa/ses/download/docs/china.pdf

The paper aims to analyse the magnitude and the incidence by regions and population groups of the newly emergent problem of urban poverty in China. Besides the introduction (Section 1), the paper is divided into six sections. Section 2 deals with issues in compiling a poverty profile for urban China. Section 3 outlines the method and data used to calculate the poverty lines, which are used in Section 4 to estimate urban poverty. Section 5 analyses changes in the urban labour market and their implications for poverty and Section 6 assesses the income maintenance schemes. The paper ends with concluding remarks (Section 7).

Measuring Pro-Poor Growth: Testing Measurements of Poverty and Growth in China


Can growth be said to be 'pro-poor'? It is important to know how aggregate economic growth or contraction was distributed
Is Health Legislation in China Being Implemented Effectively and Is It Benefiting the Rural Poor? A Collaborative Policy Evaluation Project
Rachel Tolhurst, Zhang Tiqihong, Yang Hui, Gao Jun and Tang Shenglan, July 2002, Liverpool School of Tropical Medicine, Pembroke Place, Liverpool L3 5QA UK. Tel: 44(0) 151 705 3251, Fax: +44 (0)151 705 3364, Email: rj.tolhurst@liv.ac.uk
A report from the Liverpool School of Tropical Medicine, Peking University's School of Public Health and the Chinese Ministry of Health Centre for Health Information and Statistics looks at the impact of China's 1995 Maternal Infant Health Care Law. Focusing on the factors influencing the effective implementation of the health legislation and access to healthcare services at country and township levels, it suggests how policy-makers can strengthen supervision and enforcement, and improve equitable access to basic healthcare services.

Reforming China's Economy: A Rough Guide
This report provides a background guide to China's economy and an up-to-date assessment of reforms so far. It is designed as an introduction to reforms and is based largely on secondary sources — many of which are listed at the end — and is divided into seven parts: an overview, macroeconomics, the agricultural sector, industrial reform, the social impact of reform, foreign investment and trade, and the financial sector. Each part is comprised of questions and answers which focus on the major issues faced by China's economy.

Section 3 'The agricultural economy' and Section 5 the 'Social side of reform' are particularly relevant to theme of this issue of Development Bulletin.

Low Income Communities and Urban Poverty in China
This paper is concerned with the characteristics and underlying causes of urban poverty in China. It examines household characteristics, employment patterns and income levels found in major poor residential areas in two large inland cities — Shenyang and Chongqing. Analysis, based on a survey conducted in Autumn 2000, explores the relationship between work, income and household poverty during the economic transitional period and aims to identify types of households, which may experience difficulties as a result of transition. The paper concludes that low level of household income in poor areas was caused by the employment structure inherited from the old system and intensified restructuring in the state and collective sectors that provide jobs for most residents. There is a big social and economic gap between the planned economic system and the new market economic system for the low status workers in Chinese cities. A simple poverty line based approach adopted by municipal governments may help some of the very poor urban families, but is not enough to address the underlying causes of poverty. For a successful transition, further social and economic support should be provided to the low income groups.

The Information Office of the State Council issued Monday, October 15, 2001, a white paper on poverty reduction in rural China. The following is the full text of the white paper (October 2001) entitled 'The Development-oriented Poverty Reduction Program for Rural China'. China is the largest developing country in the world, its population making up about 22 per cent of the earth's total. For quite a long time, China was bedevilled by poverty, for various reasons. Since the founding of the People's Republic of China in 1949, and especially since the end of the 1970s, when China introduced the policy of reform and opening to the outside world, the Chinese Government, while devoting considerable efforts to all-round economic and social development, has implemented nationwide a large-scale program for development-
oriented poverty relief in a planned and organized way. With the main objective of helping poverty-stricken people to solve the problem of food and clothing, this program has gone a long way toward alleviating poverty. Between 1978 and 2000, the number of poverty-stricken people without enough to eat and wear in the rural areas decreased from 250 million to 30 million, and the proportion of poverty-stricken people in the total rural population dropped from 30.7 per cent to about three per cent.

The strategic objective set by the Chinese Government for enabling all poverty-stricken people in rural areas to have enough to eat and wear by the end of the 20th century has basically been realised. The website provides links to the sections of the White Paper:

- The Course and Achievements of the Aid-the-Poor Program
- Policy Guarantee for the Aid-the-Poor Program
- Major Contents and Channels of the Aid-the-Poor Program
- The Aid-the-Poor Program for the Special Groups Among the Impoverished
- The Aid-the-Rural-Poor Program in the Early Period of the 21st Century

Rural Poverty Report 2001: The Challenge of Ending Rural Poverty

In this report, IFAD argues that, to be successful, poverty-reduction policies must focus on rural areas. To overcome disadvantages stemming from remoteness, lack of education and health care, insecure and unproductive jobs, high fertility and (often) discrimination as women or ethnic minorities, the rural poor need: legally secure entitlements to assets (especially land and water); technology (above all for increasing the output and yield of food staples); access to markets; opportunities to participate in decentralised resource management; and access to microfinance. Such policies not only promote economic growth but also help alleviate urban poverty. A sustainable reduction in poverty calls for the creation of a pro-poor policy environment, and allocation of a greater volume of resources targeted to the poor with greater effectiveness. This needs to be complemented by better partnership among government, civil society and the private sector so that the poor are empowered to take responsibility for their own development.
Regional Development Dialogue 21(2) 2000

Public–Private Partnership for Poverty Eradication and Local Development: Highlighting the Chinese Experience


Twelve of the articles focus on China's 'Guangcai Programme'. They include 'Poverty Alleviation and the Role of China's Private Enterprises' and 'Poverty Eradication: The Role of the China Society for Promoting the Guangcai Programme'. Regional Development Dialogue is a semi-annual publication of UNCRD.


Poverty, Risk and Rights: New Directions in Social Protection

Tim Conway and Andy Norton (eds), ISSN: 0950 6764, published for the Overseas Development Institute by Blackwell Publishing. Blackwell Publishing Asia, 550 Swanston Street, Carlton, Vic 3053, Australia, Tel: +613 8359 1011; Fax: +613 8359 1120; Email: info@blackwellpublishingasia.com; Website: www.blackwellpublishing.com

Development policy-makers have paid increasing attention to social protection issues in recent years. Despite growing consensus around key points, however, there remains considerable diversity on several crucial issues. What is the relative importance of managing vulnerability as opposed to assisting the chronically poor? Should social protection be based in rights? Can actions to protect basic welfare also aim to promote economic opportunities? And how can the new concepts and approaches be brought into policy debates at the country level? This theme issue of Development Policy Review provides a critical review of the new conceptual work on social protection, and tests it against a number of country cases and issues.

The articles in this issue are written by experts in both the conceptual debates and the particular social protection issue of their chosen country or region. They include articles on South Asia, China and Bolivia and ones looking at social protection in the context of poverty reduction and informal safety-nets. Together they provide an invaluable resource for policy-makers, field workers and donors working on social protection.

The China Journal

Editors: Anita Chan and Jonathan Unger, ISSN: 1324 9347; Contemporary China Centre, Research School of Pacific and Asian Studies, Australian National University, Canberra 0200, Australia. Tel: (61-2) 6125 4156; Fax: (61-2) 6257 3642; Email: ccc@coombs.anu.edu.au; Website: http://rspas.anu.edu.au/ccc/journal.htm

The China Journal is a refereed, scholarly publication that focuses on topics relating to China, Hong Kong and Taiwan since 1949, plus studies of the major issues that contribute to understanding of Communist Party history and contemporary events. For more than two decades, the journal has provided informed and insightful commentary from China scholars worldwide. It enjoys a substantial international readership and is regarded by many academics as well as persons involved in business and government as the most interesting journal in the field. In addition to a wide range of articles, the Journal also carries book reviews of all the important books published on modern China. The China Journal is published twice yearly in January and July.

Provincial China

Editors: Hans Hendrichske, University of New South Wales, Australia. Kate Hannan, University of the South Pacific, Fiji. Centre for Research on Provincial China, University of New South Wales–University of Technology Sydney. Department of Chinese and Indonesian Studies, University of New South Wales, Sydney. ISSN: 1476 7104. Routledge, Taylor & Francis Ltd. Customer Services Department, Rankine Road, Basingstoke, Hants RG24 8PR, UK. Tel: +44 (0) 1256 813002, Fax: +44 (0) 1256 330245; Email: journals.orders@tandf.co.uk; Website: www.tandf.co.uk/journals.

Research on the contemporary People's Republic of China needs to address the consequences of the inherent variation in social and economic development across the whole country. During the reform era, in particular, as the provincial-level political and administrative hierarchy has increased importance, and with new emphases on provincial and local identities, research needs to focus less on the centre and more regional and local developments and diversification. This is the particular perspective of Provincial China. The journal contains sections on statistics, theoretical perspectives and discussion, news of projects in progress and professional activities, conferences, workshops, information about sources, documents and materials, and ideas and information about provinces in general. In addition, it accepts research articles and notes about any aspect of China's provinces. On-line access is provided with all institutional subscriptions.

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Escaping Poverty: Can Policy Reach the Chronically Poor?

March 2003, Institute of Development Studies, University of Sussex, Brighton BN1, 9RE, UK. Tel: +44 (0) 1273 678787; Fax:+44(0) 1273 877335; Website: www.id21.org; Email: id21@ds.ac.uk

This issue includes summaries on locating the poor, escaping poverty cycles, politics of poverty, disability and inclusion. The 'Sites for Sure Eyes' column lists excellent websites providing information on the theme of the issue.
Organisations

The Australia–China Council

Australia–China Council Secretariat, PO Box E73, KINGSTON ACT 2604. Tel: (+61) 2 6261 3818; Fax: (+61) 2 6261 2919; Email: auschina.council@dfat.gov.au; Website: http://www.dfat.gov.au/acdindex.html

The Australia–China Council (ACC) was established by the Federal Government in 1978 to promote understanding and foster people-to-people relations between Australia and China. The Council was established by an Order of the Executive Council in 1978 for the purpose of promoting understanding and fostering people-to-people relations between Australia and China. Members of the ACC are appointed by the Governor-General-in-Council on the recommendation of the Minister for Foreign Affairs. Council funding is in the form of an annual grant-in-trust administered by the Department of Foreign Affairs and Trade. The ACC's annual allocation is currently $720,000. The Council funds projects in mainland China, Hong Kong and Taiwan.

The ACC's funding priorities have changed over the past two decades as the Australia-China relationship has matured. Currently funding of scholarships and youth exchange programs constitutes the biggest single category of spending. Other major programs include funding for Australian Studies in China, cultural exchanges and residency programs.

China Council for International Cooperation on Environment and Development (CCICED)

CCICED Secretariat Head Office, State Environmental Protection Administration, 115 Xizimennei Nanxiaojie, Beijing 100035 China. Tel: 8610-6612-6793, 6615-3366 (Operator); Fax: 8610-6615-1762; Email: secretariat@cciced.org; Website: http://www.cciced.org

The China Council for International Cooperation on Environment and Development was established in 1992 by the Chinese Government following an international environment conference held in Beijing in October 1990. It is a high level non-governmental advisory body with the purpose "to further strengthen cooperation and exchange between China and the international community in the field of environment and development".

The China Council, inaugurated in 1992, has now entered its third phase (2002–2007). For the past ten years, the Council has been successful in articulating high-level advice and assisting Chinese decision-makers to better understand the links between environmental protection and economic development. In part due to the Council's influence, the Chinese Government is increasingly effective in defining and implementing long-term integrated environmental strategies and policies. The Council's recommendations are part of the input used by relevant ministries to develop policies and incorporate environmental considerations in their five-year planning process and the Council has contributed to a better public understanding and awareness of environmental issues in China.

China Microfinance Training Center

Contact person: Minmin Hou, No.5 Jiangoumennei Dajie 100732, China Microfinance Training Center, Rural Development Institute, CASS, Beijing 100732, CHINA. Tel: 86 10 65137744-5657; Fax/Tel 86 (10) 65137559; Email: cmfc@cscrdi.cass.net.cn; Website: http://www.microfinance-center.org

The mission of China Microfinance Training Center (CMTC) is to support Chinese microfinance programs in their efforts to enhance sustainability and increase outreach to the poor. CMTC will pursue this mission primarily by providing high-quality courses in the areas of financial and portfolio management to local practitioners of international and government microfinance programs. CMTC also aims to support the broader, ongoing dialogue on policy reforms that would support the development of
sustainable microfinance in China and to enhance the communication among the MFIs in China through a membership based microfinance network. CMTC is a non-profit self-sufficient entity. The CMTC board comprises members from the Chinese Academy of Social Sciences, the People's Bank of China, the China International Center for Economic and Technical Exchanges (CICETE), UNICEF, and other institutions, several program officers and secretaries.

Training offered by CMTC will introduce the advanced technical management and international 'best practices' to Chinese microfinance practitioners. It will provide CGAP technical assistance trainings tailored to local conditions.

As a resource center, CMTC will also provide various kinds of technical assistance and follow-up actions. Many experts and practitioners from China and outside China are invited to be consultants at CMTC. The center will provide the services for program design, technical assistance, capacity building, monitoring, and evaluation, etc. CMTC is a forum for people who aim to contribute the microfinance movement of China.

The CMTC website carries a wide range of reports and documents on microfinance.

**Ford Foundation (China)**

*Ford Foundation, International Club Office, Building Room 501, Jianguomenwai Dajie No. 21, Beijing, China 100020. Tel. 86-10-6532-6668; Fax 86-10-6532-5495; Email: ford-beijing@fordfound.org; Website: http://www.fordfound.org/global/office/index.cfm?office=Beijing*

The Foundation's China grant-making is directed by its field office located in Beijing. An international staff consisting of a Representative and five Program Officers are responsible for programming. The staff seek out promising opportunities in the offices program areas, carefully evaluate grant applications and, with prospective grantees, develop projects and recommend grants to New York for funding. From opening the office in January 1988 until September 2001, the Foundation made grants totaling about $128 million dollars.

Consistent with Chinese preferences, when the Foundation office was opened in 1988 activities were concentrated in three fields: economics, law, and international relations. Subsequently, new lines of work were developed in response to China's evolving needs and changing priorities. Programs in environment and development and in reproductive health were added in 1989-90 because of the need to address the chronic poverty affecting remote, under-developed areas, and to promote an integrated approach to persistent problems of reproductive health. The latest development in 2001 was the introduction of a program on education and culture.

After more than twenty years of economic reform, the complexities and the long-term nature of the reform process are more readily apparent. Chinese researchers and government officials have increasingly appreciated that economic reform brings with it social transformations, not all of which are beneficial and few of which are easy to understand or adjust to. At the same time, there is increasing recognition of the need to mobilize the creative potential of all of China's citizens, including those engaged in emerging non-government organizations, in meeting the challenges facing the country. Currently, the Foundation's efforts in China address seven main areas: economics and development finance; educational reform and cultural diversity; environment and development; governance and public policy; international cooperation; law and rights; civil society; and sexuality and reproductive health.

**The Asia–Australia Institute**

*The Asia–Australia Institute, The University of New South Wales, Sydney NSW 2052 Australia. Tel: +61 2 9385 9111; Fax: +61 2 9385 9220; Email: aai@unsw.edu.au; Website: http://www.aai.unsw.edu.au/visitor/about.htm*

The Asia–Australia Institute is an independent international relations and foreign policy think-tank based at the University of New South Wales. Since its establishment in 1990, the Institute has become distinguished by its vision for a future political association in East Asia and its programs by their intellectual quality, focus on influential elites, and role in developing an idea for an East Asian or Eastern Hemisphere regional polity. Its programs are developed and delivered in cooperation with a network of institutional partners from the countries of East Asia.

The Asia–Australia Institute is a forcing house for ideas on the long-term future of East Asia. It is a leading Australian player in this region in second track diplomacy — creative thinking, extra-governmental dialogue, informal and non-binding brokering and public advocacy — complementing what governments do to advance regional relations. It works with regional partners on the challenge of how to give central importance to the place of human beings in the planning of the region's future.

The Asia–Australia Institute's vision is for an East Asian community, comprising the countries of Northeast Asia, Southeast Asia and Australasia, with the human security of the individual as its guiding philosophy. The Institute's mission is to contribute, in partnership with other institutions, to the realisation of such a community; to assist Australia to find acceptance in it as an equal, contributing and culturally aware partner; and also, through its work, to advance the mission of the University of New South Wales in the Asian region.

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**Association for Rural Development of Yilong (ARDY)**

*Lugongjing Alley, Zhuxiqiao Street, Jincheng Town, Yilong County, Sichuan Province, P.R. of China. Tel: 86 0817 72 22488; Fax: 86 0817 72 26092; Email: rday@nc-public.sc.cninfo.net; Website: http://www.ardy.org.cnle-b.htm*

With support from UNDP in 1995, ARDY began to practice helping people (especially women) in rural communities to participate independently in communities socio-economic development by building the farmers interdependent and autonomous organization, to realize truly self-development and poverty elimination. Upon these activities, as a membership NGO, ARDY had been registered in the Civil Administration Department of Yilong County in 1996. The ARDY website provides an excellent insight into the operation of a Chinese microfinance project.

May 2003
United Nations Development Programme: UNDP in China

UNDP, 2 Liangmahe Nanlu, Beijing 100600, China; Tel: +8610 6532-3731, ext 296; Fax: +8610 6532-2567; Email: jessica.guo@undp.org; Website: http://www.unchina.org/undp/

UNDP China's mission is to make a critical contribution to reducing poverty in China by supporting initiatives to achieve growth with equity, gender equality and environmental sustainability. UNDP China aims at being a trusted development partner of the Chinese Government and people. Following China's national priorities, we focus on high impact interventions in support of our mission and act as a catalyst for institutional and policy change. Our focus is helping countries build and share solutions to the challenges of: Democratic Governance, Poverty Reduction, ICT for Development, Energy and Environment, HIV/AIDS and Development, Crisis Prevention and Recovery.

The website provides links to each of the projects.

In the early 1990s WFP began shifting its support from an Integrated Agricultural Development (IADA) approach, focusing mainly on measures to increase food availability and income to the poor, to an Integrated Rural Development (IRD) approach. The IRD model, in addition to meeting the food needs of the poor, also addresses human capital formation. The increasing recognition by the Government that achieving a more effective and sustainable poverty reduction requires integrated intervention led to the decision in 1996 by the Ministry of Agriculture, WFP and IFAD (International Fund for Agricultural Development) to establish a joint programme partnership.

International Fund for Agricultural Development (IFAD)

Via del Serafico, 107, 00142 Rome, Italy; Tel: 39-0654591; Fax +39-06504346; Email ifad@ifad.org Website: http://www.ifad.org/rural/index.htm

The IFAD mission is 'Enabling the Rural Poor to Overcome their Poverty'. The website has a Rural Poverty Knowledgebase which includes links to the Rural Poverty Report (see Publications this issue) and to Household Food Security and Gender projects. IFAD is a specialized agency of the United Nations, and was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference organised in response to the food crises of the early 1970s that primarily affected the Sahelian countries of Africa. The Conference resolved that an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries. One of the most important insights emerging from the Conference was that the causes of food insecurity and famine were not so much failures in food production, but structural problems relating to poverty and to the fact that the majority of the developing world's poor populations were concentrated in rural areas.

In this context, IFAD was created to mobilize resources on concessional terms for programmes that alleviate rural poverty and improve nutrition. Unlike other international financial institutions which have a broad range of objectives, the Fund has a very specific mandate: to combat hunger and rural poverty in developing countries. The Fund's target are the poorest of the world's people: small farmers, the rural landless, nomadic pastoralists, artisanal fisherfolk, indigenous people and across all groups, rural poor women.

Centre for Asia-Pacific Initiatives

Centre for Asia-Pacific Initiatives, Room 131, Murray and Anne Fraser Building, University of Victoria, PO Box 1700, STN CSC, Victoria, BC V8W 2Y2 Canada. Email: capi@uvic.ca; Website: http://www.capi.uvic.ca/mandate.htm

CAPI was established in 1987 as an important element of the University's plan to expand and strengthen its links with universities and other institutions in the Asia-Pacific region, especially with China, Japan, Southeast Asia, Korea, and the developing island states of the Southwest Pacific. The Centre's primary mandate is to conduct and facilitate research on policy issues related to the Asia-Pacific region. In addition, the Centre serves as a regional research facility to the University and to the larger community.

Contemporary China Centre

Research School of Asian and Pacific Studies, Australian National University, Canberra ACT 0200, Australia. Tel: (61-2) 6125 4150; Fax: (61-2) 6257 3642; Email: ccap@coombs.anu.edu.au (Heli Breche); Website: http://sapas.anu.edu.au/ccp/

The Contemporary China Centre was set up in 1979 at the Australian National University (ANU) as a research facility concerned with scholarly social science analysis of post-1949 China.

Its main emphases have expanded to include economic issues, the modern political and legal arenas and the social/anthropological ramifications of political and economic change in the People's Republic of China, Taiwan, and Hong Kong.

World Food Programme (WFP): China Country Programme 2001–2005

United Nations World Food Programme, 2 Liang Mahe, Nanlu, Beijing, 100600, Peoples Republic of China. Tel: 86 10 6532-3731; Fax: 86 10 6532-4; Email: wfp.Beijing@wfp.org Website: http://www.unchina.org/wfp/

WFP started assistance to China in 1979. By the end of 2000, WFP's Executive Board had approved 67 projects for China, among these three emergency operations, WFP's assistance has helped some 30 million rural poor out of poverty. The overall value of WFP's assistance to China since 1979 amount to US$900m. Seven development projects are currently active and four more are under preparation, as affirmed in the newly approved Country Programme 2001–2005. The website provides links to each of the projects.
The Centre provides a focus for modern China studies both within the ANU and more broadly within Australia. To this end, it organises regular seminars and discussion programs with participants from other sections of the university, with scholars from other Australian universities, and with specialists from the Australian government. The Centre has a thriving publication series. It is home to one of the leading international journals on contemporary China studies, The China Journal. (See Journals section in this issue).

The Amity Foundation
Website: www.amityfoundation.org

The Amity Foundation, an independent Chinese voluntary organisation, was created in 1985 on the initiative of Chinese Christians to promote education, social services, health, and rural development from China’s coastal provinces in the east to the minority areas of the west.

Abiding by the principle of mutual respect in faith, Amity builds friendship with people at home and abroad. Through the promotion of holistic development and public welfare, Amity serves society, benefits people, and strives to promote world peace.

In this way, Amity contributes to China’s social development and openness to the outside world, makes Christian involvement and participation in meeting the needs of society more widely known to the Chinese people, and serves as a channel for people-to-people contact and the ecumenical sharing of resources.

Christian Aid in China

Christian Aid, 35 Lower Marsh, Waterloo, London SE1 7RL, UK. Tel: (+44) 020 7620 4444; Fax: (+44) 020 7620 0719; Email: info@christian-aid.org; Website: www.christian-aid.org.uk/world/where/asia/china.

Christian Aid is a UK and Ireland based charity that funds projects in some of the world’s poorest countries. It helps people to improve their own lives and to tackle the causes of poverty and injustice. It was set up in 1945 by churches in the United Kingdom and Ireland. Christian Aid supports two organisations in China, both working on health issues. Through the Amity Foundation, Christian Aid funds rural development and health programmes. Health Unlimited carries out community-based health training in 12 provinces in mid-western China and works with ethnic minority communities on the Burma/China border.

China’s development has been uneven, and as there are now fewer mechanisms for redistributing wealth from affluent provinces to poorer ones, poverty and unemployment have increased dramatically in some areas. Large numbers of people are now migrating across China in search of work. Poverty is concentrated among indigenous ethnic minorities and in remote rural areas, some of which lack essential services, such as health care and education.

Some rural communities are also suffering the environmental impacts of decades of rapid industrialisation. Problems are particularly acute in the northern provinces where desertification threatens the livelihoods of millions of people.

Overseas Development Institute (ODI)

111 Westminster Bridge Road, London SE1 7DJ, UK. Tel:+44 (0)20 7922 0300; Fax:+44 (0)20 7922 0399; publications@odi.org.uk; Website: www.odi.org.uk

ODI is Britain’s leading independent think-tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods in developing countries. We do this by locking together high-quality applied research, practical policy advice, and policy-focused dissemination and debate. We work with partners in the public and private sectors, in both developing and developed countries.

ODI’s work centres on a number of research and policy programmes and includes the Poverty and Public Policy Group (PPPG). The PPPG has three broad areas of mission: poverty concepts and policy analysis, managing poverty reduction at country level, new approaches to poverty-focused aid. Access the publications list from the ODI website, where a number of working papers and short papers are available to download. The ODI, journal Development Policy Review is published by Blackwell (www.blackwellpublishing.com).

Chronic Poverty Research Centre

Institute for Development and Poverty Management, University of Manchester, Crawford Precinct Centre, Oxford Road, Manchester M13 9GH; UK; Email: cprc@man.ac.uk; Website: www.chronicpoverty.org

CFRC is an international partnership of universities, research institutes and NGOs established in 2000 with initial funding from the UK’s Department for International Development.

CFRC expects its research and analysis to result in policy relevant findings which will be useful to all those working to combat poverty. This will include people in community level organisations, government and official agencies, NGOs, political parties, other researchers, the media, trade unions and the private sector.

The people who should ultimately benefit from CFRC’s research, are those whose deprivation is sustained over many years and who are least likely to benefit from current national and international development efforts.

Partnership for Statistics in Development in the 21st Century (PARIS21)

PARIS21, OECD/DCD, Office no. 1642, 2 rue André Pascal, 75775 Paris Cedex 16. Tel: +33 1 45 24 90 51; Fax:+33 1 45 24 94 06; Email: contact@paris21.org; Website: www.paris21.org

Established in November 1999 in response to the UN Economic and Social Council
resolution on the goals of the UN Conference on Development, the PARIS21 Consortium was launched to act as a catalyst for promoting a culture of evidence-based policymaking and monitoring in all countries, and especially in developing countries. The Consortium is a partnership of policymakers, analysts, and statisticians from all countries of the world. We focus on promoting high-quality statistics, making these data meaningful, and designing sound policies. Our role in PARIS21 is to foster more effective dialogue among those who produce development statistics and those who use them, through facilitating international events, supporting country-based activities, regional workshops, and subject matter task teams.

Consortium membership is worldwide. Members are from governments, international organisations, professional bodies, and academic institutions. They have practical experience and a desire to collaborate to improve policymaking through reliable, pertinent statistics. PARIS21 is serviced by a small secretariat based in Paris, as part of the Development Co-operation Directorate of the Organisation for Economic Co-operation and Development. The work of the Consortium is guided by a steering committee with representatives of developing and transition countries from each region of the world, bilateral donors, and the UN, OECD, World Bank, IMF, and EC. The PARIS21 Secretariat is hosted by the Organisation for Economic Cooperation and Development in Paris, France.

THE CHINA JOURNAL

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**Profile: The Australia–China Capacity Building Program**

*Scott Roan*, ACIL Australia Pty Ltd*

The Australia–China Capacity Building Program (ACCBP), overseen and funded by the Australian Governments overseas aid agency, AusAID, is an A$20 million, five-year program with the goal of supporting Chinese policy making and implementation in key areas relating to China’s transition to a market economy. Since mid-1998, the ACCBP has been responding to Chinese institutions requests for assistance by providing Australian expertise in six key sectors:

- competition policy and practice;
- transparency and standard application of rules;
- safety nets to soften transition;
- sustainable public sector financial management;
- information management for servicing a market economy; and,
- client focus in public administration.

Assistance under the program has mostly been provided in the form of working visits to and short-term training in Australia, with a comprehensive package of practical training and technical assistance delivered in China by Australian experts. A particular strength of this form of assistance has been its responsive, flexible and issues-oriented approach.

By assisting the transition to a market economy, and supporting sustained economic growth, the program is expected to contribute to continuing poverty reduction in China. The program’s focus is most commonly identified with projects in areas such as anti-corruption in the construction industry; funding of pension and unemployment benefit schemes; labour market policy development; public expenditure and budget management; national auditing systems and procedures; taxation reform; legislative review functions; and national leadership assessment methods.

The contribution to poverty alleviation by such projects is effected largely through enhancing the ability of institutions to develop and implement policies and the capacity to deliver public sector services.

The ACCBP, however, is less known for other more direct contributions to poverty alleviation, such as the building of capacity in agencies directly dealing with poverty in China. A good example of recent and ongoing projects include the Capacity Building for Participatory Poverty Alleviation in China Project, whereby the capacity of China’s key poverty reduction institutions to support participatory approaches to poverty are targeted for strengthening. Another such project is the Capacity Building in the Coordination of Bilateral and Selected Multilateral Foreign Grant Aid Program. It looks to improve China’s foreign aid coordination agency’s capacity in coordinating donor funding, and thereby to strengthen the capacity to improve the relevance of aid to China’s priorities in poverty alleviation. A project with a slightly different focus is the Support for Small-Scale Business in the Service Sector and Community Services in Cities in China Project, which aims to generate faster growth in employment opportunities through the fostering of small-scale private entrepreneurship, and an emphasis on boosting opportunities for laid-off workers.

The ACCBP is now in its final year, with over 60 sub-projects either completed, or due for completion by December 2003. The program might be remembered primarily for the contribution to China’s prosperity in its transition to a market economy, but it has also been quietly contributing to improvements in the way in which resources are used in the alleviation of poverty in China.

*The AusAID-funded ACCBP is managed by ACIL Australia, in Melbourne.*
Web Resources

Id21
www.id21.org

Id21 is a fast-track reporting service funded by the UK Department for International Development (DFID) and hosted by the Institute of Development Studies (www.ids.ac.uk/ids), at the University of Sussex, UK. Charitable Company No. 877338. Id21 is a oneworld.net (www.oneworld.net) partner and a mediacompany affiliate (www.mediacompany.org).

Id21 aims to bring UK-based development research findings and policy recommendations to policymakers and development practitioners worldwide. Id21 aims to be part of the process of putting policy into practice. Online, in print and through the southern media, id21 showcases recent research findings and policy lessons on major development issues.

Id21 provides free access to an online searchable database of recent research on international development issues; the combined knowledge of over 40 university research departments, institutes, private consultants and voluntary sector researchers; non-partisan, one-page research ‘highlights’, free of jargon, written in plain English, quick to read and easy to understand; email addresses, telephone and fax numbers, hyperlinks to and information about source materials to ease the flow of knowledge and advice between researcher and research user.

Id21's selection process is guided by academic advisors and all entries are seen and approved by research originators. Source materials include conference papers, research newsletters, and other 'grey' or pre-publication materials. Work that is over two years old, literature reviews, highly theoretical studies or institutional policy or position statements are normally excluded.

Urban China Research Network
http://www.albany.edu/chinanet/

Established in 1999, the Urban China Research Network is a multi-disciplinary, multi-institutional network of scholars conducting and supporting research on urbanisation in contemporary China. A joint venture between the Lewis Mumford Center and the Center for Social and Demographic Analysis (CSDA), this Network is a virtual research center that is based in Albany and extends internationally. Its purpose is to strengthen contacts and collaboration among scholars throughout the world with interests in urban China. In July 1999, the Network sponsored an international conference in Shanghai on the ‘Future of Chinese Cities’, bringing together over 130 scholars from 20 countries. Selected papers have been published as The New Chinese City: Globalization and Market Reform (Blackwell 2001), edited by John R. Logan.

China Development Brief
http://www.chinadevelopmentbrief.com

Available on-line and in hard copy, the mission of the China Development Brief is to: improve information flows to and between international agencies funding or implementing development projects in China, with particular emphasis on the work of non government organisations; to share this with Chinese government agencies and non profit organisations, promote the development of a more independent communications culture in China; and to advance analysis and discussion of key development issues in China. Membership has several levels. All web visitors can access back issues and the Directory of International NGOs operating in China ('DINGO' http://www.chinadevelopmentbrief.com/dingo/index.asp). Paid subscribers can access members-only pages, all articles from the latest print edition of China Development Brief, and receive hard-copy print editions of China Development Brief.

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People's Daily Online English Edition
http://english.peopledaily.com.cn/other/feature.html

The site provides links to major news releases, new policies, resolutions and statements of the Chinese Government. There are also extensive links to information about the country generally.

The China Project
http://www.riia.org/riia/asia

The China Project is a research-based project run jointly by the Royal Institute of International Affairs, Chatham House, London and the Centre of International Studies at Cambridge University. The China Project aims to promote understanding of China's current economic, political and social development, and its impact upon the rest of the world. China Project research will focus upon China's economic reform and its integration with the global economy.

This is a library of links for all the best academic research on China’s economic reforms available on the web. The comprehensive topic list includes Regional Development, The Rural Sector, and Social Consequences of Reform.
Author Guidelines

Manuscripts and Copyright

Manuscripts are normally accepted on the understanding that they are unpublished and not on offer to another publication. Once published by the Development Studies Network (the Network), however, manuscripts, articles and reports may subsequently be published elsewhere. Acknowledgement of the Network as the source would be appreciated. No acknowledgement is needed for conference reports, other notices or lists of publications.

The Network cannot assume responsibility for any loss of or damage to manuscripts. Contributors are therefore encouraged to retain a complete copy of their work.

Word length

Submitted papers are to be short and concise, with a minimum of 1000–1500 words and a maximum of 2,500–3,000 words. The word limit includes subheadings and footnotes and excludes references. Conference reports: 800–1000 words.

Presentation and Style

Manuscripts should be double spaced with at least 2.5cm (1") margins. Subheadings, footnotes and references need to be clearly indicated in the text. Quotation marks should be single, double within single. Spelling is English (OED with '-ise' endings).

Documents can be sent as email attachments, on disk or in hard copy. Documents sent electronically should be saved as Microsoft Word files, or in .rtf format. Email attachments are preferred in Word or .rtf format. A virus check is requested prior to any material being electronically sent. No .pdf files please as these cannot be edited or corrected prior to printing.

Referencing

A minimum of references and/or footnotes is requested due to space constraints. All references referred to or cited in the text are to be included in the reference list. Book titles and journal names should be italicised or underlined; titles of journal articles and book chapters are in single inverted commas.

The Harvard style of referencing is preferred: author’s surname, forename and/or initials, date of publication, title of publication, publisher and place of publication. Journal references should include volume and issue number, date and page numbers.

Detailed guidelines on the Harvard style of referencing are available online at:
http://www.uwe.ac.uk/library/resources/general/info_study_skills/harvard2.htm#book

Examples:

Palmer, D. 1995, "'Getting shown a thing or two': The adoption of Nyungar cultural forms by youth workers', Youth Studies Australia, 14(4), 22-28.
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