

Summary of a Joint IPRCC-Wolfensohn Center for Development Workshop

On June 20, 2007 the International Poverty Reduction Center in China (IPRCC) together with the Wolfensohn Center for Development at the Brookings Institution, held a workshop entitled “Scaling Up Poverty Reduction in China: Progress, Impact, and Lessons for Developing Countries.” The purpose of the workshop was to provide an informal forum for Chinese policymakers, researchers, and representatives of international organizations to exchange views, experiences, and the results of their work.

In addition to IPRCC officials, the workshop was attended by high-level officials from the Chinese State Council Leading Group on Poverty Alleviation and Development (LGOPAD) and the Ministry of Commerce, researchers from several major Beijing-based universities and research institutes, as well as program managers and analysts from the World Bank, ADB, UNDP, DFID, and AusAid, as well as a representative of the National Council for Applied Economic Research (NCAER) in New Delhi. Some of the conclusions from the workshop are summarized below.

1. *Definitions of “poor” and “non-poor” are in flux.*

There are several unresolved questions regarding the appropriate definition of the poverty line, including what line is actually in current use, whether to use absolute or relative poverty lines, and whether the lines should move with changing overall affluence. It may be useful to distinguish different kinds of poor persons (e.g., unemployed poor, working poor, transient poor, disabled poor, chronic poor, etc.), rather than using a single, static poverty line. The Chinese practice of having a very low threshold for extreme poverty and a higher one for “low income” may be a pragmatic way to differentiate different degrees of poverty/welfare deprivation.

2. *Growth, not specific anti-poverty programs, was the major force behind the successful poverty reduction in China.*

Participants attributed China’s successful poverty reduction in past decades mainly to the country’s rapid growth and structural transformation. Discussants raised questions about the impact of past programs that were specifically designed to reduce poverty and saw a lack of rigorous evaluation of long-term impacts.

3. *Growth alone will not suffice to reduce remaining pockets of poverty in the future.*

Rapid growth (along with land reforms) enabled a dramatic reduction in poverty in the 1980s (during which the official share of the rural population living below the national poverty line fell from over 30% to 10%). But today China faces a number of important new challenges in dealing with poverty, as recognized by the government in its focus on the goal of creating the “harmonious society”—a goal that will require new approaches to dealing with poverty. Poverty increasingly doesn’t just have a rural, but also an urban face. Moreover, the poor are

more widely dispersed geographically, making area-based anti-poverty programs less effective. Finally, poverty is increasingly a matter of human insecurity, resulting from shocks (such as natural disasters, bad health, etc.). For these reasons, antipoverty efforts will have to focus more on protecting and supporting the vulnerable, rather than relying on a rising tide. Participants also noted the urgent need for better monitoring and evaluation of anti-poverty programs.

4. *The challenges of healthcare for the vulnerable will be especially severe.*

Health issues were repeatedly addressed as both a major symptom and cause of poverty. Major pressing systemic reforms needs were discussed and scaling-up challenges were flagged, including: How to address the health issues of migrants? How to ensure that health programs actually reach the poor?

5. *Local accountability may play an increasingly important role in the design of antipoverty programs.*

Traditionally incentives were well aligned in China from the top to the bottom of the implementation pyramid by a simple focus on growth outcomes as the measurement of results and as a basis for rewards for lower-level government officials. Today, with a more complex set of challenges (including poverty reduction, health conditions, environmental quality, etc.) and interventions (a plethora of policies, programs, etc. by many different ministries and agencies), the metrics of success and hence of officials' performance and rewards is much more difficult. Local, village council elections (underway on a limited basis since 1987), for example, appear to have improved the quality of public services. Less income inequality as well as better recovery from health shocks, too, has been observed in villages allowed to hold elections. Thus it is possible that bottom-up accountability over time will have to replace to traditional top-down incentives if an effective social protection system is to be fashioned. In addition, fiscal problems at the local government level can interfere with the goal of poverty reduction, while political innovations, such as local elections may help create better incentives at the local level for more effective poverty reduction interventions, reducing "leakages" in the chain of benefit distribution from the national to the local level may significantly reduce the benefits for the poor.

6. *China will have to focus on reform of its overall social protection system.*

One widely-discussed antipoverty program was the rural *Di Bao* or "minimum protection" program—a scheme of cash payments to the very poor to ensure a minimum living standard. This had been "scaled up" in urban areas and is now being introduced in rural areas. But the program faces severe challenges in terms of coverage, administration, local capacity, etc. Moreover, it is embedded in an increasingly fragmented social protection system, which may get in the way of effective impact and scaling up of the *Di Bao* and similar programs. Additionally, the fragmented nature of the social security system as a whole may lead to unintended inefficiencies as a result of how different programs and policies interact and result in distortionary incentives. (This is a problem the Wolfensohn Center is currently studying in detail for Mexico). For China it will be important to understand the overall social protection system and how individual programs and policies fit within it.

7. *Civil society may have a greater role to play in antipoverty efforts.*

Several participants noted that the Chinese state cannot be expected to address all aspects of urban and rural poverty in all its forms, and that there is a greater need to examine the potential role that civil society and local NGOs can play in grassroots-driven development and poverty alleviation.