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# Investing in rural people in **China**

## **Rural poverty in China**

China is the fourth largest country in the world and home to more than 1.3 billion people. It is an immense expanse that includes vast seacoasts, fertile plains and valleys, rugged mountains and windswept deserts.

Since the start of far-reaching economic reforms in the late 1970s, China has witnessed unparalleled economic growth that has fuelled a remarkable increase in per capita income and a decline in poverty. The economy, which has since become the second largest in the world, has performed well in recent years, even against the backdrop of the worldwide financial crisis and soaring food prices.

China was the first developing country to achieve the United Nations Millennium Development Goal of reducing by half the number of its people living in extreme poverty and hunger. Its reform-driven economic growth, together with a well-funded national poverty reduction programme, has brought about a major reduction in rural poverty.

But despite its remarkable progress in economic and social development and poverty reduction, China still faces many challenges to reduce residual poverty. Disparities in income among provinces and between urban and rural areas have been widening.



## 50 per cent of employment in China is in rural areas

Urban incomes are now more than three times higher than rural incomes, and poverty remains primarily a rural phenomenon.

About 50 per cent of the population resides in rural areas, where about two thirds of the population is engaged in farming, forestry, animal husbandry and fishing. As of 2013, 50 per cent of total employment in China is in rural areas. The poorest rural households tend to derive a large share of their income from agricultural activities, which often show low levels of productivity and net profits.

The most vulnerable groups in rural parts of China are women, children and older people, as well as ethnic minorities who live in remote mountainous areas. The increasing migration of rural male labourers to urban and eastern coastal areas has sharply extended the feminization of rural labour and agriculture.

Economic growth has been more rapid in the eastern provinces than in the west. About 51 per cent of China's poor people live in the 12 provinces and autonomous regions in the west. These areas are mostly situated in the central and western parts of the country, where the poverty incidence in 2013 was 11 per cent, compared with the national average of 6 per cent.

The main causes and characteristics of rural poverty vary in the different provinces and autonomous regions. In general, they include:

- increasingly frequent natural calamities, especially floods and droughts, caused by extreme weather conditions that are associated with climate change
- remote locations with poor infrastructure and services, such as paved roads, markets and safe drinking water
- depleted natural resources and decreasing farm sizes
- lack of skills and capacity, and a disproportionate incidence of illiteracy and poor skills among women
- limited access to inputs, financial services, markets and value chains
- reliance on traditional farming techniques.



# Eradicating rural poverty in China

China's government is increasing its investment in rural areas, especially in infrastructure, irrigation, education and health. It is also introducing supportive policies including agricultural tax exemptions; subsidies for agricultural production and increased agricultural procurement prices; and expansion of social protection and social security coverage. Such investments aim to create a balanced, prosperous society through economic and social development.

The government's thirteenth Five-Year Plan covers the period 2016-2020. It calls for harmonized growth to allow poor communities to benefit substantially from the country's impressive economic and social development. The government has pledged to increase investment to support economic development in poor rural areas.

However, China still faces an uphill task in reducing poverty. The government's current ten-year (2011-2020) rural poverty reduction and development programme recognizes rural poverty as a long-term challenge – especially in border regions, areas inhabited by ethnic minority groups, and former revolutionary bases that were settled from the 1920s through the 1940s in remote, mountainous locations. The government is committed to formulating and implementing strategic policies and efficient mechanisms that will help achieve its objectives of eliminating absolute poverty and substantially reducing relative poverty by 2020.

Government policy in China stresses the principle of development-driven poverty reduction. This approach combines social assistance with sectoral development, optimizing the roles and functions of central and local governments, extending support to vulnerable groups previously designated as "low-income" rather than "poor", and continuing to fund poverty-reduction initiatives.



Focus areas for rural development include:

- strengthening the capacity of poor people and improving their asset base
- improving community-level infrastructure, facilities and services
- ensuring that rural per capita net incomes grow faster than the national average
- further extending and improving the social safety net for poor rural people
- gradually improving the health and living standards of the poor in general.

## IFAD's strategy in China

Projects: 33

Total cost: US\$3 billion

Total approved IFAD financing:  
US\$1.1 billion

Directly benefiting:  
4,589,181 households

In 1981, IFAD became one of the first international donors to finance operations in China. IFAD is the only one of China's development partners dedicated exclusively to reducing poverty and increasing food and nutrition security in rural areas.

IFAD's early support was geared toward increasing food security, with interventions that increased production, built assets and improved infrastructure. Over time, IFAD's support has progressively shifted towards enhancing income opportunities and increasing resilience, with an emphasis on improving rural people's access to markets, strengthening value chains and promoting more inclusive financial services.

The new China country strategic opportunities programme (COSOP) covers the period 2016-2020. It redefines IFAD's engagement in China in light of the changing context and evolving nature of the cooperation between IFAD and China.

Its two main objectives are to:

- increase smallholders' capacity and opportunities to access markets by supporting inclusive value chains, cooperatives and financial services
- strengthen environmental sustainability and climate resilience activities.

The new strategy emphasizes innovation, scaling up successful projects and knowledge management to inform policy and support South-South and Triangular Cooperation (SSTC). IFAD's country programme in China will be implemented through loans, as well as through non-lending activities such as providing technical assistance and fostering a wide range of partnerships.



# Ongoing operations



## Qinghai Liupan Mountain Area Poverty Reduction Project

The overall goal of the Qinghai Liupan Mountain Area Poverty Reduction Project is to contribute to achieving sustainable and equitable poverty reduction while improving the livelihoods of rural households in Qinghai Province. The project's development objective is to sustainably increase the income of poor and vulnerable rural households residing in the following seven counties in the Liupan mountain area situated in the eastern part of Qinghai Province: Huangzhong, Huangyuan, Minhe, Ledu, Huzhu, Hualong and Xunhua.

The project will achieve its development objectives by:

- enhancing agriculture and livestock productivity, focusing on high-value and locally-featured products
- increasing opportunities for farmers to access markets by linking them to improved cooperatives and enterprises
- strengthening vulnerable groups' capacity to engage in off-farm income-generating activities
- providing better ecosystem services through sustainable land resources management.

The IFAD-supported project will benefit approximately 128,000 poor and vulnerable rural households living in 683 villages, including ethnic minorities that account for about 31 per cent of the total population in the province and 47 per cent of the total population in the project area.

## Innovative Poverty Reduction Programme: Specialized Agribusiness Development in Sichuan and Ningxia

This new programme will support poor smallholder farmers to increase incomes by: accessing finance and new markets, developing agribusinesses and participating in value chains. The programme will also invest in climate-resistant public infrastructure. The overarching aim of the programme is to reduce rural poverty by strengthening local economies, and providing incentives to cooperatives and agro-enterprises to integrate poor smallholders in their supply chain.



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The programme will directly benefit 198,847 people in Cangxi, Xuanhan, Guang'an, Xuzhou and Yilong counties in the Qinba Mountains in Sichuan Province and Pengyang, Yuanzhou, Sunjiatan, Hongsipu and Xingqing counties in the Liupanshui Mountains in Ningxia Province.

Innovative elements include linking smallholder farmers to e-commerce and supermarkets and promoting innovative benefit-sharing mechanisms between agro-enterprises and poor farmers. The programme is expected to cost US\$183.5 million of which IFAD is providing a US\$79.5 million loan and a US\$500,000 grant.

### Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project

Though China has drastically reduced poverty over the last 40 years, according to China's National Bureau of Statistics, some 30 million people in rural areas are still living below the poverty line. They often live in remote areas with few options to improve their incomes and living conditions including limited access to finance or markets.

The new IFAD-supported Sustaining Poverty Reduction through Agribusiness Development in South Shaanxi Project aims to reduce poverty and increase smallholder farmers' incomes by improving access to finance and new markets – including helping farmers to benefit from the growing urban demand for safe, high-quality food. The project will provide incentives for agribusiness enterprises to engage with smallholder farmers by laying the groundwork for fair and mutually beneficial contractual arrangements.



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The project aims to reduce poverty and improve incomes for 339,561 smallholder farmers in the Qinba Mountains in south Shaanxi by increasing their access to finance and market opportunities. It aims to contribute to China's goal of eradicating rural poverty by 2020.

### Yunnan Rural Revitalization Demonstration Project

The goal of the project is to sustainably keep poor and vulnerable households in the project area out of poverty. The development objective is to increase the opportunities for income generation among poor and vulnerable households in the project area and heighten the inclusiveness of the benefit-sharing mechanisms of agro-industries.

The project will be implemented in seven counties in the municipalities/prefectures of Zhaotong, Dali, Lijiang and Nujiang in the north-eastern and western part of Yunnan province, selected according to poverty incidence, presence of industries with market potential, and local government commitment to the objectives and proposed approach of the project.

The programme is expected to cost US\$234.51 million, of which IFAD is providing a US\$74.78 million loan. It will run from 2020 to 2025.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$21.5 billion in grants and low-interest loans to projects that have reached about 491 million people. IFAD is an international financial institution and a United Nations specialized agency based in Rome – the United Nations’ food and agriculture hub.

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