

**Pro-poor development policies in rural China**

**Huang Chengwei**

**Deputy Director, International Poverty Reduction Center in China**

**Feb. 21, 2008**

**Paris, France**

## CONTENT

### *Introduction*

1. Rural land policies
2. Rural microeconomic organization policies
3. Rural economic structure adjustment policies
4. Agriculture product Market, Price and Trade policies
5. The Policies on Rural taxes & Fees, government expenses on agriculture-related sectors and rural financial market
6. Rural human resource investment policies
7. Rural social security policies
8. Villager self-governance policies
9. Rural development-oriented poverty reduction
10. Rural development strategies in new era

### **The content and characteristic of pro-poor development policies in China**

1. Rural farmland system reform characterized by separating the right to use from ownership right.
2. The setup of rural market economy led by the reform on pricing agricultural products
3. The establishment of new-type agriculture operation mode based on household contract management
4. Rural economic structure adjustment centered by improving economic benefits.
5. Rural fiscal regime reform aiming at reduce the burden of farmer
6. Improve the human capital aiming at enhancing population quality
7. Establish rural social security system on the principle of protecting vulnerable groups
8. Villager self-governance system on the basis of promoted democracy process
9. Implementation of rural development-oriented poverty reduction aiming at improving development capacity of rural poor
10. Advance the strategy of building new countryside in an aim to construct harmonious society

## 1. Rural land policies

- Land system is the base and core of agriculture operation system, playing a remarkable role on agriculture growth and rural development.
- Promoted the land reform after the foundation of new China. As a consequence, private ownership of farmland was set up and every farmer household got the land to cultivate.
- After short-term land privatization, the ownership of farmland was collectivized through building up agricultural cooperative and driving the movement of collectivization.
- Since 1978, the new land property right regime with Chinese characteristics was constituted by separating the land ownership right and the right to use.
- At the beginning of new China, land reform made every farmer household have land to cultivate, shaping up relatively fair land system under which the farmer owned the land privately. This kind of land system promoted the development of China's agriculture significantly.
- Afterward, with the farmland collectivization through agricultural cooperative and people commune movements, the land in rural areas was owned and used collectively and the operation decisions were all made by communities' authority. The arrangement caused negative impacts on improving agricultural benefits.
- At the early of 1980s, household contract management system characterized by the separation of land ownership and its right to use was launched, giving big stimulus on farmer household's operations and therefore promote growth of agriculture at much higher speed.
- Chinese rural land system centered by household contract management system has been in the course of being legalized.

## **2. Rural microeconomic organization policies**

(1) Agricultural household contract management system

(2) Agricultural industrialization

(3) Agriculture cooperative business operation organization

- Identifying household contract management as the basic form of rural microeconomic organization is an option made by Chinese government and people through long-term practice. The mode has been put into Constitution and Agriculture Law.
- Proved by the experiences at home and abroad, family-based agriculture business operation can be adopted in different social regimes and productivity levels.
- The government of China has been initiating the microeconomic organization system which based on household contract management and be enlarged by agricultural industrialization and farmers' cooperative business organizations, giving big stimulus to farmer families and enterprises, promoting commercialization, specialization, socialization and systematization of agriculture business, extending its value chain and making it more competitive.

### **3. Rural economic structures adjustment policies**

(1) Agriculture structure

(2) Development of village- and township-owned enterprises

(3) Small town construction and development

- In recent three decades, on the basis of existing nature, social and economic resources and led by the demands of domestic and international markets, the agriculture structures in China has changed dramatically from led by cereal crops to remarkable increase of cash crops, livestock products and aquatic products.
- The pursuit of just increasing the quantity of agriculture products has been replaced now by putting priority on both quality and quantity.
- The transformation of agriculture structures has met more and more demands on increasing resident's living conditions and promoting the social and economic development.
- Development of village- and township-owned enterprises and small town has rapidly altered rural economic structure dominated by agriculture in the past, continuously improving the share of secondary and tertiary industries in rural areas. It not only provided much more employment opportunities for farmers but also increased their income remarkably.

#### **4. Agriculture product market, price and trade policies**

(1) The reform on agriculture product market and price

(2) Construction and development of agriculture product market system

(3) International trade of agriculture products

- Policy reform on agriculture product market and price in China was an evolutionary process.
- The transition from planned economy to market economy laid a foundation for agriculture production to be organized as the rules of market and under the scientific macro-economic regulation and control.
- This reform not only increased the farmer's income significantly but also benefited consumer a lot because of the improvement on quantity and quality of agriculture products, bringing about the effect of PARETO improvement. Modernized market system of agriculture products represented by wholesale business, chain stores and futures market has been shaped primarily .
- The entry into WTO bring about fiercer international competition to domestic agriculture products, the ones lack of competitive advantages and related producers have been influenced largely.
- However, fiercer international competition compelled the government and farmer to pay great efforts on improving competitive power. The government introduced agriculture protection policies, the farmer innovated the production tools and modes and established modernized industrial organizations and linkages.

## **5. The Policies on Rural taxes & Fees, government expenses on agriculture-related sectors and rural financial market**

(1) Rural taxes and fees

(2) Government expenses on agriculture-related sectors

(3) Rural financial market

- Unreasonable tax and fee collection in rural areas has ever been the main resources of farmers' burdens since the reform was started. Reduction on agriculture taxes and fees not only increased farmer's income and production but also urged government to assume responsibility on rural public goods, and therefore harmonized the relationship between central and local governments and that between local officials and farmers.
- After long-term stagnation, the government expenditure on agriculture-related sectors entered into the stage of remarkable increase since 2004: a series of financial subsidies favorable to agriculture were put into practice.
- Compared with the farmer household's credit demand, existing formal credit supply in rural china is insufficient severely. Because of the pursuit of banking institution on benefit maximization, large rural funds flowed to the outside of rural areas through banking market. The government of China has tried to set up a diversified banking system in rural areas for solution of insufficiency of credit supply in rural development.

## 6. Rural human capital investment policies

(1) Rural compulsory education

(2) Rural vocational education

(3) Rural medical service system reform

(4) Birth control

(5) Rural surplus labor transfer

- The improvement of rural human capital investment policy framework has rapidly enhanced human capital in rural China.
- By 2007, rural compulsory education has not needed the input from household any more, the governments at central and local levels increased expenditure on the event largely. As a consequence, equalization of compulsory education between regions and rural and urban areas is being realized.
- Increased rural vocational education is providing more favorable conditions for transferring rural surplus labor into urban non-agriculture sectors and promoting agricultural modernization.
- Improvement of rural medical service condition not only increased the level of farmer's health but also declined the risk confronting farmer caused by the diseases.
- Birth control policies in China reduced birth rate of rural areas and increased the quality of newborns, making population growth adapt to the process of social and economic development.
- The policies promoting the shift of rural surplus labor from agriculture to urban non-agriculture sectors accelerated the process of urbanization in China and improved the skill and income of farmers who have potential to get employment in urban areas.

## 7. Rural social security policies

(1) Rural social old-age insurance

(2) Rural cooperative medical service system

(3) Rural Five Guarantees Supporting

(4) Rural Minimum living Security

- Compared with urban social security system, the system in rural areas has been unsubstantial.
- Building up old-age insurance system for rural resident which led by government and participated by most of farmers give the elderly basic social security service with a substitution for the similar functions played by household-owned land system and the family's younger members.
- Constitute rural cooperative medical service system which draw the enthusiasms of government, village administration and farmers to lift out of poverty and reentry into poverty caused by the diseases and make local residents have access to effective medical service in time.
- Setting up minimum living Security system in rural areas will give substantial relief to the vulnerable group who lose labor ability, enter into poverty because of diseases and traditionally get involved in Rural Five Guarantees Supporting scheme.

## **8. Villager's self-governance policy**

- Villager's self-governance is a key matter in China's socialist democracy regime with broadest base and most participant, and the major form in which farmer can participate in decision-making.
- Villager's self-governance system can foster self-determination consciousness and participatory capability for rural local residents, guarantee farmer's power in managing local public affairs.
- In short, villager's self-governance is an arrangement to give the villager the right to independently and directly govern rural community, and therefore shaping a social and political regime of self-management, self-education and self-service in rural China.

## **9. Rural development-oriented poverty reduction**

- Rural development-oriented poverty reduction in China was characterized by government leading, social participation, self-reliance and development-oriented implementation mode.
- China has made great achievements in rural poverty reduction in virtue of relatively effective measures such as food for work, village-based planning, agricultural industrialization, labor transfer training, migratory resettlement and technology extension service scheme, etc.
- The major experiences in China's rural poverty reduction include: adoption of market system, strong government guidance, the mode of development-oriented poverty reduction, continuously adjusted poverty-targeting mechanism, empowering the poor and participatory implementation, broad social participation and international cooperation.

## **10. Rural development strategies in China in new era**

- Building a Moderately Prosperous Society in an all-round way and constructing new socialist countryside are basic strategies defined by Chinese government since 2000.
- China's economic development has been in the middle of country's industrialization, it is the time for China to change the strategies of agriculture growth and rural development through the approaches of non-agriculture sectors contributing to agriculture and urban areas supporting rural ones.
- Constructing new socialist countryside is the objective requirement of social and economic development for addressing the prominent difficulties in the process.

### **The strategy of New Socialist Countryside Construction**

- Production development is physical condition of the strategy;
- Improving resident's living conditions is the practical requirement of the strategy;
- Civilization of villages is the base of strategy 's ideology;
- Neat visage of villages is the key requirement of the strategy in terms of environment protection;
- Democratic management system is key supportive factor to the realization of the strategy;
- Above five respects which are interdependent and interacting play roles as an organic whole.

**China rural development has a better prospect**