

## **Will China Eliminate Poverty in 2020?**

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In 2015 China announced the ambitious target of eliminating poverty by 2020. Since then China has launched an all-out, campaign-style push to meet this goal, using a “Precision Poverty Alleviation” strategy that targets individual households and monitors their progress using a nationwide poverty database. Investments of financial and human resources in this program have been considerable. Although the poverty reduction target is ambitious, it is also pragmatic. It applies only to the rural population and it is based on a low poverty line. Funding for the program, while large in absolute terms, is a small percentage of government revenue. Thus, the target is achievable. Reaching the target, however, will not mean that China has won the war on poverty. Many households will remain vulnerable to poverty, and the government’s current definition of poverty does not adequately reflect what it means to be poor in China going forward.

In 2015 China announced an ambitious and admirable policy target: to eliminate poverty by the end of 2020. Five years later, after the investment of substantial financial, human, and political resources in the fight against poverty, the deadline looms. Will China meet its target?

Official statements suggest that the answer is “yes.” Documents from the recent October, 2020, meeting of the Central Committee of the Communist Party of China (CPC) state that China expects to meet its poverty target by the end of 2020.<sup>1</sup> China’s official poverty statistics show that in 2019 the poverty rate had fallen to only 0.6 percent, which suggests that the 2020 target is within reach.<sup>2</sup> Despite the additional challenges posed by the COVID-19 pandemic, all official indications point to success.

But, let’s be honest. Official statements and statistics are not entirely convincing, especially considering the immense political pressure up and down the political system that has accompanied the poverty reduction campaign. More importantly, though, even if the statistics are accurate and China indeed succeeds in meeting its target at the end of 2020, poverty will not truly be eliminated.

The elimination of poverty at a point in time does not eliminate poverty. The reasons are twofold. First, some portion of the population will remain vulnerable to poverty. Individual setbacks, such as illness and unemployment, and collective shocks, such as economic recessions and health pandemics, can and will cause households to fall back into, or newly fall into, poverty.

Second, even if households can be fully protected against such setbacks and shocks, the definition of “poverty” embedded in China’s target is debatable. Over time, with economic

growth and evolving social norms, living standards that were once viewed as non-poor have come to be considered as poor. Such is the case worldwide as well as in China, where the official poverty line has been increased several times in the past, and where discussion about further raising the poverty line and redefining poverty are ongoing.<sup>3</sup> Consequently, the “elimination” of poverty is at best ephemeral.

China’s leaders are undoubtedly aware of these considerations. Why, then, would they have adopted this sort of target? One reason is political legitimacy. A commitment to social justice provides an important moral underpinning to the legitimacy of the CPC and its leaders.<sup>4</sup> The CPC’s high-profile promise to eliminate poverty demonstrates this commitment. The promise is personally linked to China’s top leadership, as evidenced by the recent publication of the book *Xi Jinping’s Poverty Alleviation Stories*.<sup>5</sup> Delivering on the promise within a five-year timespan would be a visible achievement and would reflect positively on China’s top leadership and party-led system of governance.

Another reason for adopting the target is practical. China’s policy institutions are structured around plans. This was the case historically during the Maoist period when China had a planned economy, and it remains the case to this day. China follows a five-year planning cycle. The five-year plans provide well-defined policy goals that are communicated from the center down to the local levels. Fulfillment of the plan targets are tied to rewards and penalties. In this way, the plans create a clear policy roadmap with incentives for implementation.

New to the 13<sup>th</sup> Five-Year Plan (2016–2020) was the introduction of a poverty reduction target.<sup>6</sup> Furthermore, the plan classified this target as “binding.” The goal of eliminating poverty was thus inserted directly, and with the highest priority, into China’s institutional system of policy implementation. This, combined with the adoption of a “campaign”-style all-out push, ensured maximal efforts at all levels of government, with the promise of substantial results.

While it might be impossible to eliminate poverty in the broader sense of the word, the target will be achievable if set pragmatically based on a relatively narrow and specific set of criteria. A close reading of Chinese documents reveals that this is indeed the case. China’s 2020 poverty target calls for the elimination of “extreme” poverty based on a low, absolute poverty line. Furthermore, the target only applies to poverty in rural areas. As will be explained more fully below, as so defined, the target is ambitious but potentially achievable.

### **Some Background: Past Poverty Policies and Trends**

Since the early 1980s China has experienced an unprecedented decline in poverty. Figure 1 shows China’s official poverty statistics. At the start of the reform era, the bulk of China’s rural population of 800 million was poor.<sup>7</sup> By the time Xi Jinping assumed leadership in 2012, the number of rural poor had fallen to roughly 100 million, and the rural poverty rate had declined to about 10 percent.<sup>8</sup> In other words, during the 30-year timespan from the early 1980s to 2012 the number of rural poor in China declined by about 600 million.<sup>9</sup>

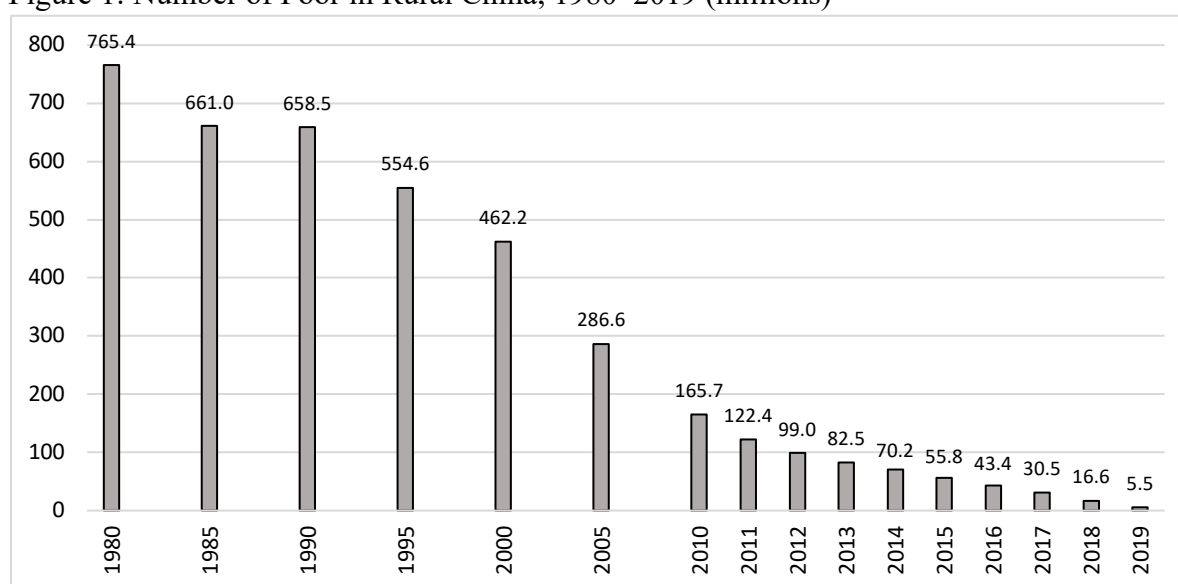
During these thirty years, China has pursued a series of focused policies to address poverty. In the 1980s poverty reduction largely followed from policies that promoted farm productivity and

farm incomes, such as agricultural planning and market reforms, de-collectivization, technical changes, price increases, and the expansion of rural township and village enterprises, which generated new avenues for off-farm employment and thus contributed to rising household incomes.

Rural poverty declined, but unevenly. Poverty became more concentrated in certain regions and counties where development lagged. China's poverty reduction strategy evolved accordingly. In the 1990s the government identified a set of designated poor rural counties, and poverty reduction efforts focused on supporting local development in those counties. The emphasis was on economic development to generate employment and incomes, achieved through targeted investments in industrial and agricultural projects in the designated counties.

As poverty rates continued to decline, the remaining poor became more dispersed geographically. Poverty policy evolved further. In the early 2000s poverty targeting was refined from the county to the village. In addition, the government adopted a social safety net policy—the minimum livelihood guarantee or *dibao* program—that provided unconditional cash transfers to poor households. The *dibao* program was extended into the rural areas first on an experimental basis and then, after 2005, nationwide.

Figure 1: Number of Poor in Rural China, 1980–2019 (millions)



Note: Official estimates for rural poverty based on the 2010 national poverty line of 2300 yuan (in 2010 prices) per capita. Official estimates of poverty for urban areas are not published.

Source: National Bureau of Statistics, *2019 Poverty Monitoring Report of Rural China* (Beijing: China Statistical Press, 2020), p. 296.

Other programs adopted in the early 2000s included labor mobility programs for the poor, rural pension and health insurance programs, agricultural production subsidies, and increased public investments in rural education. Many of the programs adopted in the early 2000s continue to the present, with some improvements and, in some but not all cases, expansion. Since 2010 China

has again adapted its poverty alleviation strategy and adopted “precision poverty targeting” (PPA), to be discussed more fully below.

Although past policy efforts are generally thought to have been beneficial, studies suggest that much of the poverty reduction in past decades was driven by macroeconomic growth. Luo, Li, and Sicular, and Zhang and Wan, for example, report estimates of the extent to which poverty reduction in China was due to growth versus redistribution.<sup>10</sup> Poverty reduction due to growth is estimated as the decline in poverty that would have occurred if all households, rich and poor, had income growth equal to the average. Poverty reduction due to redistribution is the decline that can be explained by changes in relative incomes between poorer and richer groups. Such studies find that from the 1980s through the early 2000s the major share of China’s poverty reduction was due to growth, not redistribution.

These studies highlight the importance for the poor of ongoing macroeconomic growth. Macroeconomic growth has been “a rising tide that lifts all boats.” In recent years China’s growth has slowed, creating new challenges for poverty reduction. Slower macroeconomic growth is considered the “new normal” and is expected to continue for the foreseeable future. Therefore, poverty reduction must increasingly rely on redistribution.

### **What Was the Target?**

The target to eliminate poverty by the end of 2020 was initially proposed in 2014. In 2015 it was incorporated into the 13<sup>th</sup> Five-Year Plan (2016–2020), which states that by the end of the plan period, “All rural residents falling below China’s current poverty line will be able to lift themselves out of poverty, all poor counties will be able to rid themselves of poverty, and poverty alleviation will be achieved in all regions.”<sup>11</sup>

More specifically, the 13<sup>th</sup> Five-Year Plan sets the target of lifting 55.75 million people out of poverty by the end of 2020. This target is exactly equal to the official poverty headcount in 2015 of 55.75 million. Starting with China’s 11<sup>th</sup> Five-Year Plan, the government has categorized plan targets as either binding or anticipated. Binding targets are the highest priority targets, and the CPC includes them in its evaluation criteria for local officials. Thus, meeting these targets can affect one’s career. Anticipated targets are also important, but they are not incorporated into the evaluation criteria for local officials.<sup>12</sup> The poverty reduction target is classified as “binding.”

This target was in many respects ambitious. The absolute number of people to be lifted out of poverty was huge. Moreover, given that substantial poverty reduction had been ongoing since the 1980s, by 2015 the remaining poor included the most challenging cases, many of whom were geographically dispersed or located in remote regions.

In other respects, the target was circumscribed and pragmatic. First, it only applied to rural poverty. Urban poverty was excluded from the target. Second, poverty was defined in terms of a low poverty line of 2300 yuan per person per year (expressed in 2010 prices). Converted into purchasing power parity dollars, the official poverty line was equivalent to about \$2.30 dollars per person per day. This threshold is not much higher than the World Bank’s \$1.90 dollar per

day international poverty line, which is set in line with the poverty thresholds used in some of the poorest countries in the world.<sup>13</sup>

The low level of the official poverty line can also be seen by comparing it to the average household income in China. In 2015 it was equivalent to only 12 percent of the national average household income.<sup>14</sup> Not surprisingly, then, although the poor population in 2015 based on this poverty line appeared large in absolute terms, its share of the total population was fairly small, at 4 percent.

Another way to evaluate the target is relative to the government's fiscal capacity. What share of fiscal revenue would be required to meet this target? A back-of-the-envelope way of answering this question is to calculate the cost of giving each poor person a cash transfer equal to the official poverty line. Such a transfer, added to any income a poor household might have already, would bring every poor person above the poverty line. Although simplistic, this calculation gives a crude estimate of the cost of eliminating poverty.

Multiplying the number of poor in 2015 by 2300 yuan (adjusted for inflation between 2010 and 2015) gives a total cost of 147 billion yuan. This is equivalent to 1 percent of total government budgetary revenue in 2015.<sup>15</sup> While 1 percent of total government revenue is not a trivial amount, it is relatively small. For purposes of comparison, in 2015 the fiscal expenditure categories of culture, sports, and the media (308 billion yuan, or 2.0 percent of budgetary revenue) and management of grain and oil reserves (261 billion yuan, or 1.7 percent of fiscal budgetary revenue) were both substantially larger.<sup>16</sup>

Of course, poverty reduction is more complicated than simply giving a cash transfer to each poor person. China's poverty reduction policies have emphasized supporting the poor to become economically independent, which requires larger investments of funds and personnel than a one-time cash transfer. Nevertheless, this back-of-the-envelope estimate shows that from a fiscal perspective China's poverty target was doable.

### **What Is China Doing to Meet the Target?**

China's current poverty policy strategy is referred to as "Precision Poverty Alleviation" (精准扶贫, hereafter PPA).<sup>17</sup> The idea of PPA was first proposed in 2013. In 2015 it was embedded into the 13<sup>th</sup> Five-Year Plan, and since then it has been further fleshed out in official documents and decisions, e.g., the November 2015 State Council "Decision on Winning the Fight Against Poverty" (坚决打赢脱贫攻坚战). In contrast to China's earlier poverty reduction strategies that targeted counties and villages, PPA targets households and individuals, and poverty interventions are meant to be tailored to fit the different situations of individual households.

A central cog in PPA is a national registry of poor households (建档立卡). This registry, established in 2014, contains information on individuals, households, and villages stored in an electronic database that is updated annually. Everyone in the registry receives an ID card, and each household in the system is assigned a liaison cadre. By the end of 2014, the poverty registry covered 90 million individuals in 290,000 households and 128,000 villages nationwide.<sup>18</sup> Interestingly, the number of registered poor individuals at the end of 2014 exceeded the official

statistic for the number of poor in that year—70 million. I will come back to this discrepancy later.

A distinctive feature of PPA is that it has been implemented using a “campaign” approach. Historically, during the Maoist era and with modifications during the post-Mao era, the CPC has used campaigns to carry out its highest-priority programs.<sup>19</sup> Campaigns involve a systemwide mobilization of personnel at all levels of government working outside of standard governmental structures. Zeng writes that such has been the case for PPA: “At every level of government, ad hoc ‘anti-poverty headquarters’ (脱贫攻坚指挥部) were established and staffed by personnel temporarily transferred from other bureaus.”<sup>20</sup> As in earlier rural campaigns, the PPA program uses village-based “work teams” (工作队). Members of the work teams leave their usual posts in the cities and are sent to live and work in the villages.

The PPA campaign has involved large numbers of people. One source reports the mobilization of 128,000 work teams and 540,000 officials.<sup>21</sup> Another source states that in 2016 775,000 officials were posted in rural villages for one to three years to engage in poverty work.<sup>22</sup> According to these numbers, each village in the poverty registry was apparently assigned a work team, and the number of sent-down officials was larger than the number of registered poor households. In addition to the mobilization of government and party officials, the PPA campaign calls for active “social participation” by businesses and the broader public.<sup>23</sup>

Overlaying the campaign-style mobilization of resources for PPA were explicit performance targets for local officials accompanied by extensive record-keeping and monitoring to identify deviations or corruption.<sup>24</sup> Members of the work teams were given responsibility for specific households. Some reports indicate that the work teams cannot leave their villages until the entire village has been lifted out of poverty.<sup>25</sup> These features of the PPA create strong pressure for success that can propel work forward, but also can potentially lead to quick fixes and falsification of reported outcomes.

PPA follows a “five batch” approach to poverty interventions. The term “five batch” refers to five different types of interventions that should be used for different types of households: (i) for poor households that have work capabilities, to provide employment opportunities through economic and industrial development; (ii) for poor households in mountainous regions with limited resources, to relocate them to more developed areas; (iii) for poor households in ecologically sensitive areas, to provide ecological compensation policies; (iv) for poor households with children and young people, to invest in education to prevent intergenerational poverty transmission; and (v) for those poor who do not have the capacity to work or earn income, to provide social security support.<sup>26</sup>

The party and government have allocated much funding to support the PPA program. Funds for poverty alleviation come from four sources: fiscal funds earmarked for poverty alleviation; other fiscal funds for poverty alleviation, e.g., from functional ministries and departments of the government; loans from official financial institutions such as the Agricultural Development Bank, the Agricultural Bank, and rural credit cooperatives; and social funds from non-governmental sources such as enterprises, social organizations, and individuals.<sup>27</sup>

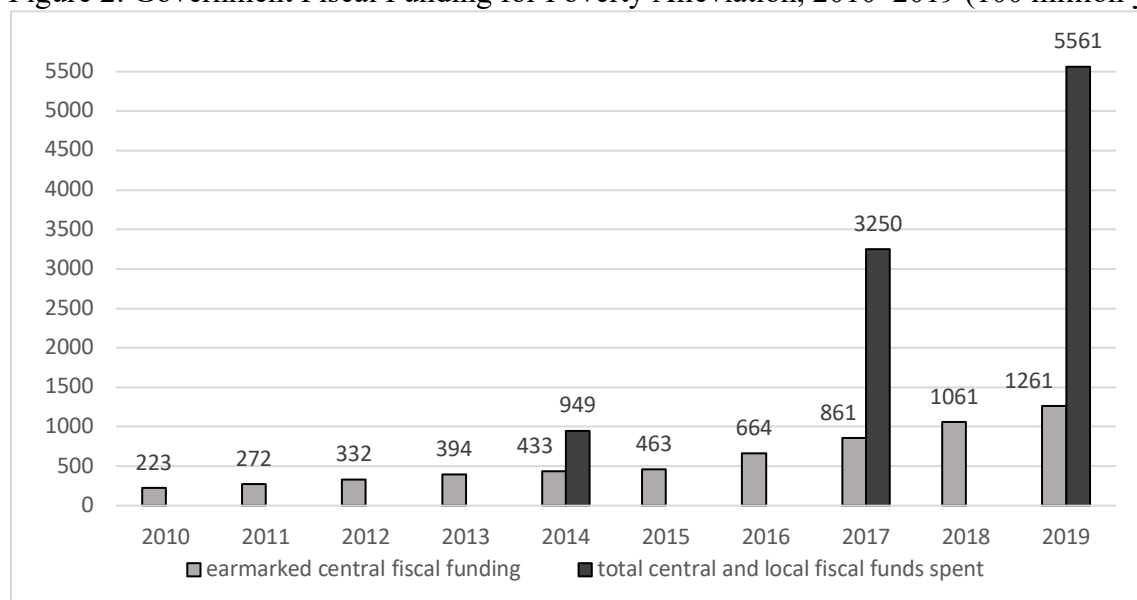
Here the discussion will focus on fiscal funds. Fiscal funds include expenditures by both the central and local governments. Earmarked central funds are mostly transferred to local governments, which are responsible for implementing poverty policy interventions.<sup>28</sup>

Figure 2 shows available data on fiscal funding for poverty alleviation. Earmarked central fiscal funds have increased markedly, doubling from 2010 through 2015, and then nearly tripling from 2015 through 2019.<sup>29</sup> As a percentage of central government revenue, however, the amount of central earmarked funds have remained modest. In 2010 earmarked fiscal funds for poverty alleviation were 0.5 percent of central government revenue, rising to 0.7 percent in 2015 and further to 1.4 percent in 2019.<sup>30</sup>

Data for total fiscal expenditures on poverty alleviation, including both central earmarked funding and other expenditures by central and local levels of government, are available only for a few years (Figure 2). Total expenditures exceeded earmarked central funding, and by a large margin. In 2014 total expenditures were more than double the earmarked central funding; in 2019 total expenditures were more than four times the earmarked central funding.

As a share of total central and local revenue, total fiscal expenditures for poverty alleviation were 0.7 percent in 2014, 1.7 percent in 2017, and 2.9 percent in 2019. These numbers show that governments at all levels were devoting an increasing share of their revenue to poverty alleviation work, although the aggregate percentages remained fairly low.

Figure 2: Government Fiscal Funding for Poverty Alleviation, 2010–2019 (100 million yuan)



Notes: In current prices. “Earmarked central fiscal funding” refers to planned expenditures. “Total central and local fiscal funds spent” refers to actual expenditures as reported in the Ministry of Finance’s fiscal budget final accounts (财政决算).

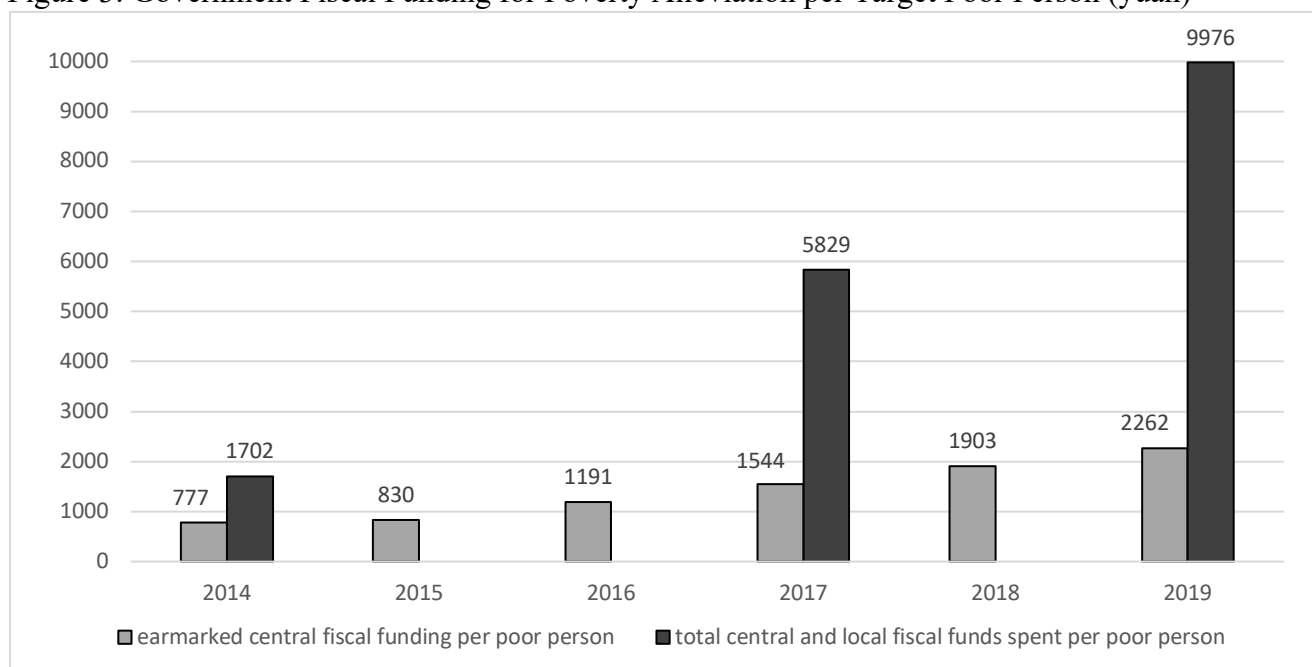
Sources for central government earmarked fiscal funds: Chinese Academy of Fiscal Sciences of the Ministry of Finance and UNDP China, “Sustainable Financing for Poverty Alleviation in China” (2016). <https://www.cn.undp.org/content/china/en/home/library/poverty/sustainable-financing-for-poverty-alleviation-in-china.html>, accessed November 20, 2020; Wang Sitie blog,

“1980—2018年中央财政专项扶贫资金年度投入表” (Table of Central Government Annual Fiscal Earmarked Poverty Investments 1980—2018), March 12, 2018, [http://blog.sina.com.cn/s/blog\\_599a3d490102y62t.html](http://blog.sina.com.cn/s/blog_599a3d490102y62t.html), accessed November 20, 2020; and [http://www.gov.cn/xinwen/2019-06/03/content\\_5396971.htm](http://www.gov.cn/xinwen/2019-06/03/content_5396971.htm), accessed October 22, 2020. Sources for total central and local fiscal funds spent: Ministry of Finance website, see <http://yss.mof.gov.cn/2019qgczjs/>, [http://yss.mof.gov.cn/2016czys/201603/t20160325\\_1924491.htm](http://yss.mof.gov.cn/2016czys/201603/t20160325_1924491.htm), [http://yss.mof.gov.cn/qgczjs/201807/t20180712\\_2959592.htm](http://yss.mof.gov.cn/qgczjs/201807/t20180712_2959592.htm), and [http://yss.mof.gov.cn/2014czys/201507/t20150709\\_1269839.htm](http://yss.mof.gov.cn/2014czys/201507/t20150709_1269839.htm), accessed October 22, 2020.

Dividing by 55.75 million, the target number of poor to be lifted out of poverty by 2020, gives the amount of government funds being spent per target poor person (Figure 3). Between 2015 and 2019 government poverty alleviation funding per poor person increased markedly. Earmarked central funding per target poor person rose steadily from about 800 yuan at the start of the 13<sup>th</sup> Five-Year Plan to 2262 yuan in 2019, although in all years it remained lower than the official poverty line. Total central and local funds spent per target poor person were substantially larger and rose more rapidly, reaching nearly 10,000 yuan in 2019. If we divide by the actual yearly numbers of poor people, which declined over time, then the increase in spending per poor person would be even more rapid.

Clearly, then, overall government spending per target poor person has ramped up substantially as the target deadline has approached. It is worth noting that much of the increase in spending appears to be coming from local-level governments. As poverty declines to low levels, the challenge—and costs—of bringing the remaining poor out of poverty increase. This phenomenon, which is referred to as the diminishing marginal effectiveness of expenditures on poverty, has been noted in studies on China.<sup>31</sup>

Figure 3: Government Fiscal Funding for Poverty Alleviation per Target Poor Person (yuan)





Notes: In current prices. Calculated by dividing the funding levels in Figure 2 by 55.75 million, the target number of poor people to be lifted from poverty between 2016 and 2020.

### **Recent Trends in Poverty: Will China Meet the Target?**

China's official poverty statistics published by the National Bureau of Statistics (NBS) show a substantial decline in both the number of poor and the rate of poverty (Table 1, also Figure 1). These statistics indicate that China is on track, or close to being on track, to eliminating "extreme" poverty in the rural areas.

How reliable are China's poverty statistics? A quick Internet search for the term "fake poor" (虚假贫困) yields tens of thousands of results, including reports from official news agencies, the government, and the party. For example, a 2020 Xinhua report mentions problems of "statistical" or "fake" poverty reduction, as do statements issued by the Central Discipline Inspection Commission of the CPC. In a March 2020 speech Xi Jinping explicitly stressed the need to put an end to "statistical" or "fake" poverty reduction (习近平强调...坚决杜绝数字脱贫、虚假脱贫).<sup>32</sup> Such exhortations demonstrate ongoing concerns about the falsification of poverty numbers and point to the possibility that, to some unknown extent, the statistics on poverty reduction are overstated.

Several sources point to irregularities in the selection of poor households at the local level, with implications for the accuracy of the poverty registry. The websites of the Chinese Central Discipline Inspection Commission and Chinese local commissions for discipline inspection list cases of corruption. An analysis of these cases finds that from 2016 to 2018 about 200,000 cases involved corruption in poverty work. Most were related to the misuse of poverty alleviation funds, including cases of data falsification, e.g., where local officials classified friends and family as poor so that they would receive poverty funding.<sup>33</sup>

Irregularities reportedly arose when the poverty registry was initially set up in 2014. At the time not all local officials took the registry work seriously, taking shortcuts or simply registering households without investigating whether they were in fact poor. Also, local officials in designated poor areas were concerned that the poverty counts in their localities be sufficient to ensure that they retained their designated status and thus continued to receive poverty funding. In some such areas the number of households in the registry was padded.<sup>34</sup> To the extent that these reports reflect widespread behavior, the original poverty registry numbers would be overstated, as would the ensuing reduction in the number of poor.

These sorts of reports raise legitimate questions about China's poverty statistics. That said, it is important to distinguish between the poverty registry numbers and the poverty statistics published by the NBS. As noted earlier, the number of poor during the first year of the poverty registry was 90 million, a number that was nearly 30 percent larger than the number of poor reported in the official poverty statistics published by the NBS. Many of the reports about "fake" poverty numbers appear to refer to the poverty registry, in which local officials play a role.

The NBS poverty statistics are more reliable. They are estimated based on large, annual sample surveys of household income and expenditures rather than based on direct reporting by local

levels. The survey samples are selected by the national, not the local, office of the NBS using random sampling methods based on the population census. More generally, during the past decades China's statistical system has undergone substantial reforms to minimize local interference, e.g., statistical workers no longer report to local governments and they transmit data electronically directly to higher levels, thus bypassing the local levels.<sup>35</sup>

This is not to say that the NBS poverty statistics are problem-free. Despite the reforms in statistical work, China's official statistics are thought to remain susceptible to political bias. Even allowing for some understatement, however, it is difficult to conclude that China has not made substantial progress in poverty reduction. If, for example, the actual level of poverty in China were twice the level reported in the official statistics, China's poverty rate would still be only 1 percent.

Regardless of the accuracy of the statistics, achieving the target by the end of 2020 does not mean the end of poverty in China. If significant numbers of people remain at risk of falling into poverty, the accomplishment will be short-lived. According to China's own estimates, in 2019 nearly 2 million people who been lifted out of poverty were at risk of returning to poverty, and another 3 million non-poor but marginalized people remained at risk of poverty. Furthermore, challenges in ensuring the economic livelihoods of the nearly 10 million poor who had been relocated under the PPA program were ongoing.<sup>36</sup> Thus, as of 2019 the number of people at risk of falling into poverty was far from trivial.

Furthermore, the poverty target as well as the official statistics are based on a unidimensional poverty threshold based on a low level of income. This threshold may not adequately reflect what it means to be poor in China today, let alone in the future. In this regard, it is useful to look at estimates of poverty in China based on alternative definitions, such as relative poverty or multidimensional poverty. Both approaches have been under study in China.

The relative poverty approach, for example, is used in many middle- and high-income countries. It is not unusual for countries to switch from an absolute to a relative poverty line as they grow and graduate from low-income to middle-income status.<sup>37</sup> Relative poverty lines are typically set somewhere between 40 percent and 60 percent of the national median household income per capita. In this way, the poverty threshold changes over time with rising incomes and better reflects the accompanying societal changes.

Table 1 shows estimates of relative poverty in rural China. Although available for only one or two years, these estimates provide some insights. First, relative poverty in the rural areas is considerably higher than poverty reported by the NBS. This reflects the low level of the official poverty line relative to the rural median income. Second, from 2013 to 2018 the rate of relative rural poverty remained unchanged at 17 percent, while the NBS poverty rate declined. This difference indicates that median incomes, and thus the relative poverty line, increased. The incomes of the poorest also increased, but not enough to narrow the income gap between the poor and the median.

Table 1: Poverty in China, 2013–2019

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Estimates of Relative Poverty

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year	Official Poverty Statistics (2300 yuan poverty line)		Poverty line = 50% of rural median income		Poverty line = 50% of national median income	
	Rural poor (millions)	Rural poverty rate	Rural poor (millions)	Rural poverty rate	Nationwide poor (millions)	Nationwide poverty rate
2013	82.49	8.5%	107	17%		
2014	70.17	7.2%				
2015	55.75	5.7%				
2016	43.35	4.5%				
2017	30.46	3.1%				
2018	16.60	1.7%	100	17%	280	20%
2019	5.51	0.6%				

Notes: Official statistics on rural poverty are published by the National Bureau of Statistics based on the 2300 yuan official poverty line (2010 prices). Alternative and relative poverty estimates are calculated using the CHIP household survey data for 2013 and 2018 by Zhan et al. and Li and Shen. The relative rural poverty line was 3838 yuan in 2013 and 6071 yuan in 2018. The relative national poverty line was 9890 yuan in 2018. Estimates of relative national poverty are not available for 2013.

Sources: See Figure 1 for sources for the official poverty statistics. Relative poverty statistics are estimated using data from the CHIP 2013 and 2018 surveys, which are subsamples of the NBS household surveys. The estimates for 2013 are from Shi Li, Peng Zhan, and Yangyang Shen, “New Patterns in China’s Rural Poverty,” in T. Sicular, S. Li, H. Sato, and X. Yue, eds., *Changing Trends in China’s Inequality: Evidence, Analysis and Prospects* (New York: Oxford University Press, 2020). Relative poverty statistics for 2018 are from Yangyang Shen and Shi Li, “如何确定相对贫困标准?—兼论“城乡统筹”相对贫困的可行方案” (How to Determine the Standards of Relative Poverty after 2020? —With Discussion on the Feasibility of “Urban-Rural Coordination” in Relative Poverty), *Journal of South China Normal University (Social Science Edition)*, no. 2 (March 2020), pp. 91–101.

As noted earlier, the official poverty statistics cover only rural China. Poverty, however, is not solely a rural phenomenon. Table 1 shows an estimate of national relative poverty. In 2018 relative poverty nationwide was estimated at 280 million, or 20 percent of the national population. Among all poor, about 40 million were urban and the rest were rural. The urban poverty rate was 5 percent; the rural poverty rate was 42 percent.<sup>38</sup>

The nationwide relative poverty estimates in Table 1 exceed the official poverty numbers and also the rural relative poverty estimates because they are based on national median income, which is higher than rural median income. The nationwide relative poverty line for 2018 was 9890 yuan. This is more than three times the official poverty line and 60 percent higher than the rural relative poverty line. One can debate which poverty line is best, but good reasons exist for measuring poverty in China using a uniform national standard. In recent years, China has become increasingly urbanized—60 percent of the population was urban in 2018—and the links between the rural and the urban areas have become substantial. In this context, urban living standards should not be ignored when evaluating the well-being of the population.

## **Conclusion**

When China announced its target to eliminate poverty by 2020 it took on a big, challenging task, but a task that was defined within parameters that made it achievable. China's official poverty statistics through 2019 indicate that China has made great strides in poverty reduction and is on track to reach the target, or at least to come close.

A danger with adopting—and ostensibly reaching—such a target is that it fosters the illusion that poverty has been solved. Reaching the target, however, does not mean that China has won the war against poverty. Many households remain vulnerable to poverty, and, furthermore, the current low, unidimensional, rural poverty line no longer reflects what it means to be poor in China's rapidly evolving society.

More important than whether China meets its target is the question of what comes after the target deadline. Will the poverty alleviation campaign be discontinued or sustained? Will the work teams and their members head back to the cities? Will the poverty registry be discontinued? Will PPA be replaced by a new strategy? Recent information about proposals for the 14<sup>th</sup> Five-Year Plan provides some clues. That information contains no mention of a poverty target, which suggests that the campaign approach to poverty work may be discontinued. The proposals do, however, discuss the need to maintain support for vulnerable households, to continue investments in the rural sector, and to solidify and build upon recent gains in poverty alleviation.<sup>39</sup>

Whatever strategy is adopted, China will have to contend with new challenges. A short-term challenge is to recover from the COVID-19 pandemic, which apparently has had a disproportionate impact on China's poorer rural population.<sup>40</sup> A longer-term challenge is the slowing macroeconomic growth, which will require that China increasingly rely on policy tools that redistribute from the richer to the poorer segments of the population. Another long-term challenge is the ongoing evolution in the meaning of poverty as China's economy and society develop. China's poverty policies must therefore aim at a constantly moving, rather than a fixed, target.

## **About the Contributor**

Terry Sicular, Professor of Economics at the University of Western Ontario, Canada, is a leading North American expert on China's economy. Her research combines economic analysis with knowledge of China's history, political economy, and institutions and is informed by fieldwork, survey data collection, and primary Chinese source materials. Her recent publications focus on topics related to inequality, poverty, the middle class, and education in China. She is a two-time recipient of the Sun Yefang Prize in Economic Science. Since 2000 she has been a lead member of the China Household Survey Project (CHIP), an international collaborative survey research project. She is also engaged in policy analysis and has served as a consultant to organizations such as the World Bank, the United Nations, and the Asian Development Bank. She received her doctorate in economics from Yale University and is an alumna of Pomona College.

Photo credit: By State Council Information Office, People's Republic of China - China's Progress in Poverty Reduction and Human Rights (Chinese Government White Paper), Public Domain, <https://commons.wikimedia.org/w/index.php?curid=74093961>

## Notes

<sup>1</sup> At the Fifth Plenary Session of the 19<sup>th</sup> Central Committee, the CPC issued a proposal on the formulation of the 14<sup>th</sup> Five-Year Plan. This proposal states that it is expected that in 2020 the target in the 13<sup>th</sup> Five-Year Plan of lifting 55.75 million rural poor out of poverty will be achieved (“预计二〇二〇年...脱贫攻坚成果举世瞩目，五千五百七十五万农村贫困人口实现脱贫”) (It is expected that in 2020...the achievements of the fight against poverty have attracted worldwide attention, and 55.75 million rural poor people will have been lifted out of poverty). See [http://www.xinhuanet.com/politics/zywj/2020-11/03/c\\_1126693293.htm](http://www.xinhuanet.com/politics/zywj/2020-11/03/c_1126693293.htm), accessed November 3, 2020.

<sup>2</sup> National Bureau of Statistics, *Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development*, February 28, 2020. [http://www.stats.gov.cn/english/PressRelease/202002/t20200228\\_1728917.html](http://www.stats.gov.cn/english/PressRelease/202002/t20200228_1728917.html), accessed October, 11, 2020.

<sup>3</sup> For example, some studies by Chinese researchers propose that China should adopt a relative poverty line that is linked to median income, thus changing over time with income growth. See, for example, Yangyang Shen and Shi Li, “如何确定相对贫困标准?—兼论“城乡统筹”相对贫困的可行方案” (How to Determine the Standards of Relative Poverty after 2020?: With Discussion on the Feasibility of “Urban-Rural Coordination” in Relative Poverty), *Journal of South China Normal University (Social Science Edition)*, no. 2 (March 2020), pp. 91–101.

<sup>4</sup> Elizabeth J. Perry, “Is the Chinese Communist Regime Legitimate?” in Michael Szonyi and Jennifer Rudolph, eds., *The China Questions* (Cambridge: Harvard University Press, 2018), pp. 11–17.

<sup>5</sup> The book 习近平扶贫故事 was published on September 28, 2020, by China Commercial Press. See [http://www.xinhuanet.com/politics/leaders/2020-09/28/c\\_1126552407.htm](http://www.xinhuanet.com/politics/leaders/2020-09/28/c_1126552407.htm), accessed October 31, 2020.

<sup>6</sup> Karen Koleski, “The 13<sup>th</sup> Five-Year Plan,” *U.S. Economic and Security Review Commission Staff Research Report*, February 14, 2017. [https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan\\_Final\\_2.14.17\\_Updated%20%28002%29.pdf](https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan_Final_2.14.17_Updated%20%28002%29.pdf), accessed October 29, 2020.

<sup>7</sup> Jikun Huang, Scott Rozelle, Xinkai Zhu, Shiji Zhao, and Yu Sheng, “Agricultural and Rural Development in China During the Past Four Decades: An Introduction,” *The Australian Journal of Agricultural and Resource Economics* 64 (2019), pp. 1–13; Mingyue Liu, Xiaolong Feng, Sangui Wang, and Huanguang Qiu, “China’s Poverty Alleviation Over the Last 40 Years: Successes and Challenges,” *The Australian Journal of Agricultural and Resource Economics* 64 (2019), pp. 209–228.

<sup>8</sup> National Bureau of Statistics, *2019 Poverty Monitoring Report of Rural China* (Beijing: China Statistical Press, 2020), p. 296.

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<sup>9</sup> These poverty numbers are based on the 2010 poverty line of 2300 yuan per person per year. See below for more discussion on poverty lines.

<sup>10</sup> Yin Zhang and Guanghua Wan, “The Impact of Growth and Inequality on Rural Poverty in China,” *Journal of Comparative Economics* 34(4) (2006), pp. 694–712; Chuliang Luo, Shi Li, and Terry Sicular, “The Long-term Evolution of National Income Inequality and Rural Poverty in China,” *China Economic Review* 62(August 2020), <https://doi.org/10.1016/j.chieco.2020.10146>, accessed November 22, 2020.

<sup>11</sup> Central Compilation and Translation Press, “The 13<sup>th</sup> Five-Year Plan for Economic and Social Development of the People’s Republic of China (2016-2020),” p. 13. [https://en.ndrc.gov.cn/newsrelease\\_8232/201612/P020191101481868235378.pdf#:~:text=Communist%20Party%20of%20China%20%28CPC%29%20for%20the%2013th,to%20serve%20as%20a%20guide%20to%20action%20for](https://en.ndrc.gov.cn/newsrelease_8232/201612/P020191101481868235378.pdf#:~:text=Communist%20Party%20of%20China%20%28CPC%29%20for%20the%2013th,to%20serve%20as%20a%20guide%20to%20action%20for), accessed October 20, 2020.

<sup>12</sup> Koleski, “The 13<sup>th</sup> Five-Year Plan.”

<sup>13</sup> The global \$1.90 poverty line is measured in 2011 purchasing power parity (PPP) dollars. Reports estimate that China’s 2300 yuan official poverty line is equivalent to about \$2.30 in 2011 PPP dollars. For estimates of the PPP dollar value of China’s official poverty line, see Liu et al., “China’s Poverty Alleviation Over the Last 40 Years” and *The Economist*, “Poverty in China: Clarifying the Battle Lines,” June 18, 2020, pp. 71–72. For a discussion about how the World Bank sets its poverty line, see the World Bank blog by Francisco Ferreira and Carolina Sánchez-Páramo, 2017. <https://blogs.worldbank.org/developmenttalk/richer-array-international-poverty-lines>, accessed October 17, 2020.

<sup>14</sup> Using China’s national consumer price index, 2300 yuan in 2010 prices is equivalent to 2640 yuan in 2015 prices. National average household disposable income per capita in 2015 was 21966.2 yuan. <http://www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm>, accessed November 1, 2020.

<sup>15</sup> Using China’s national consumer price index, 2300 yuan in 2010 prices is equivalent to 2640 yuan in 2015 prices. Multiplying this by 55.75 million gives a total cost of 147.18 billion yuan. In 2015 total government budgetary revenue was 15226.923 billion yuan. Data for China’s consumer price index and government revenue are from the National Bureau of Statistics. <http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm>, accessed October 18, 2020.

<sup>16</sup> <http://www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm>, accessed November 1, 2020.

<sup>17</sup> For a good overview of PPA, see Qin Gao, “China’s Fight against Poverty: Rallying All Forces to Eradicate Poverty by 2020,” *Merics Papers on China* 6 (2018), pp. 53–60. [https://merics.org/sites/default/files/2020-04/MPOC\\_06\\_Serve\\_the\\_people\\_Web.pdf](https://merics.org/sites/default/files/2020-04/MPOC_06_Serve_the_people_Web.pdf), accessed November 25, 2020.

<sup>18</sup> Weiping Tan, “China’s Approach to Reduce Poverty: Taking Targeted Measures to Lift People Out of Poverty,” speech given on April 18, 2018. <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/05/31.pdf> and <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/05/15.pdf>, accessed October 20, 2020.

<sup>19</sup> Elizabeth J. Perry, “From Mass Campaigns to Managed Campaigns: ‘Constructing a New Socialist Countryside,’” in Sebastian Heilmann and Elizabeth J. Perry, eds., *Mao’s Invisible Hand* (Cambridge: Harvard University Press, 2011), pp. 30–61.

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<sup>20</sup> Qingjie Zeng, “Managed Campaign and Bureaucratic Institutions in China: Evidence from the Targeted Poverty Alleviation Program,” *Journal of Contemporary China* 29 (123) (2020), pp. 400-15, at p. 409. DOI: 10.1080/10670564.2019.1645489.

<sup>21</sup> Tan, “China's Approach to Reduce Poverty.”

<sup>22</sup> Fatoumata Diallo, “China’s Anti-Poverty Efforts: Problems and Progress,” *Focus Asia*, March 2019.

<sup>23</sup> General Office of the State Council, “国务院办公厅关于进一步动员社会各方面力量参与扶贫开发的意见” (General Office of the State Council Regarding Opinions on the Further Mobilization for Participation of All Sectors of Society in Poverty Alleviation and Development), 2014. [http://www.gov.cn/zhengce/content/2014-12/04/content\\_9289.htm](http://www.gov.cn/zhengce/content/2014-12/04/content_9289.htm), accessed November 10, 2020. See also the Social Participation in Poverty Alleviation and Development of China website. <https://www.zgshfp.com.cn/?p=1>, accessed November 20, 2020.

<sup>24</sup> Zeng, “Managed Campaign and Bureaucratic Institutions in China.”

<sup>25</sup> Diallo, “China’s Anti-Poverty Efforts: Problems and Progress” ; Zeng, “Managed Campaign and Bureaucratic Institutions in China.”

<sup>26</sup> Liu et al., “China’s Poverty Alleviation Over the Last 40 Years” ; Tan, “China's Approach to Reduce Poverty”; Yansui Liu, Yuanzhi Guo, and Yang Zhou, “Poverty Alleviation in Rural China: Policy Changes, Future Challenges and Policy Implications,” *China Agricultural Economic Review* 10(2) (2018), pp. 241–259.

<sup>27</sup> Chinese Academy of Fiscal Sciences of the Ministry of Finance and UNDP China, “Sustainable Financing for Poverty Alleviation in China” (2016). <https://www.cn.undp.org/content/china/en/home/library/poverty/sustainable-financing-for-poverty-alleviation-in-china.html>, accessed November 20, 2020.

<sup>28</sup> These funds are described as “中央财政安排补助地方专项扶贫资金” or “中央财政补助地方专项扶贫资金”, that is, central government budget earmarked poverty alleviation funds to supplement local governments. See, for example, [http://www.mof.gov.cn/gkml/caizhengshuju/201703/t20170317\\_2559812.htm](http://www.mof.gov.cn/gkml/caizhengshuju/201703/t20170317_2559812.htm) and [http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201903/t20190318\\_3194653.htm](http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201903/t20190318_3194653.htm), accessed October 25, 2020.

<sup>29</sup> These increases are calculated using current price figures, that is, they are not adjusted for inflation.

<sup>30</sup> Note that the numbers for earmarked poverty alleviation funds appear to be for planned funding, not actual expenditures. For example, some sources report that a large portion of planned funding for 2019 was disbursed early, in the fall of 2018; moreover, by June 2019 the earmarked funds for poverty alleviation in 2019 had been fully disbursed. These reports confirm that actual and planned yearly spending on poverty alleviation are not the same and they imply that actual spending may exceed the earmarked amounts. See [http://www.gov.cn/xinwen/2019-06/03/content\\_5396971.htm](http://www.gov.cn/xinwen/2019-06/03/content_5396971.htm) and [http://www.gov.cn/xinwen/2019-05/19/content\\_5392863.htm](http://www.gov.cn/xinwen/2019-05/19/content_5392863.htm), accessed October 25, 2020.

<sup>31</sup> E.g., Liu et al., “China’s Poverty Alleviation Over the Last 40 Years.”

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<sup>32</sup> See [http://www.xinhuanet.com/politics/2020-03/09/c\\_1125686554.htm](http://www.xinhuanet.com/politics/2020-03/09/c_1125686554.htm), [www.ccdi.gov.cn/toutu/202010/t20201019\\_227422.html](http://www.ccdi.gov.cn/toutu/202010/t20201019_227422.html), [http://www.ccdi.gov.cn/yaowen/202004/t20200409\\_215029.html](http://www.ccdi.gov.cn/yaowen/202004/t20200409_215029.html), and <https://finance.sina.com.cn/china/gncj/2020-03-06/doc-iimxyqvz8423935.shtml>, accessed November 9, 2020.

<sup>33</sup> Shuai Wu and Tom Christensen, “Corruption and Accountability in China's Rural Poverty Governance: Main Features from Village and Township Cadres,” *International Journal of Public Administration*, May 19, 2020, DOI: 10.1080/01900692.2020.1765799.

<sup>34</sup> See <http://www.wywxwk.com/Article/sannong/2020/08/422862.html>, accessed November 9, 2020.

<sup>35</sup> Jie Gao, “Bypassing the Lying Mouths: How Does the CCP Tackle Information Distortion at Local Levels,” *China Quarterly*, no. 228 (2016), pp. 950–969.

<sup>36</sup> These numbers appear to be based on the poverty registry data. See [http://www.xinhuanet.com/politics/2020-03/09/c\\_1125686554.htm](http://www.xinhuanet.com/politics/2020-03/09/c_1125686554.htm), accessed November 9, 2020

<sup>37</sup> Martin Ravallion, “Poverty Lines around the World,” in P. N. Jefferson, ed., *Oxford Handbook of the Economics of Poverty* (Oxford: Oxford University Press, 2012.)

<sup>38</sup> Shen and Li, “如何确定相对贫困标准?”

<sup>39</sup> Xinhua, “(授权发布)中共中央关于制定国民经济和社会发展第十四个五年规划和二〇三五年远景目标的建议” ((Authorized for Release) The CPC Central Committee's Proposal for the Formulation of the 14th Five-Year Plan for National Economic and Social Development and the Vision for 2035), November 3, 2020. [www.xinhuanet.com/politics/zyw/2020-11/03/c\\_1126693293.htm](http://www.xinhuanet.com/politics/zyw/2020-11/03/c_1126693293.htm), accessed October 30, 2020.

<sup>40</sup> Javier C. Hernández, “China Aims to End Extreme Poverty, but Covid-19 Exposes Gaps,” *New York Times*, October 26, 2020. <https://www.nytimes.com/2020/10/26/world/asia/china-poverty-covid-19.html?searchResultPosition=5>, accessed November 11, 2020.